

Wilbur Ross, nominee for Secretary of Commerce

Along with other Trump Administration nominees, billionaire Secretary of Commerce nominee Wilbur Ross is a curious choice for a president who campaigned on fixing a system rigged against the American worker. To Ross's credit, he has long been an outspoken critic of the U.S. approach to trade policy, including NAFTA and TPP. However, his long business record shows that he has benefited from offshoring; foreclosures; union-busting; slashed pension obligations; and other practices that have hurt American workers.

As HedgeClippers recently described: Ross is a "vulture investor that has profited to tune of billions as workers suffer – losing pensions, representation, in some cases lives. Trump supporters and opponents should know he has destroyed American jobs, wages, pensions and communities to make himself even richer – including in coal mines in West Virginia and steel mills in Illinois and Upstate New York. One Ross deal resulted in the outsourcing of American jobs to Jiaxing, China and the Mexican cities of Parras and Yecapixtla. All Americans should know he's using his massive wealth to make himself richer ... [Ross] "made a fortune buying American steel companies LTV and Bethlehem Steel in bankruptcy, benefiting from new federal tariffs on steel imports, offloading of pension obligations, new work rules, other shifts in global steel market. Ross sold the American firms to European/Indian firm Arcelor Mittal for a \$2.5 billion profit, which then closed steel plants in Illinois and Upstate New York. Vulture investments in coal and textiles followed a similar path: Ross purchased corporate assets in bankruptcy, cut costs by busting unions, cutting jobs and wages, and sold at the top of market to other companies for big profits -- including Arch Coal, which recently declared bankruptcy and will move to hurt communities and workers all over again. Ross companies sometimes temporarily preserve jobs but often preside over massive short-term profits that don't disrupt the long downward slide in the total number of American jobs and value of pay and benefits in the industries in which he operates, including textiles, coal and steel."

Summary Points Re. Ross Controversies

- Hypocrisy On Offshoring? Trump Pledges to Crack Down on Policies Ross Has Relied On
- Ross Role in Foreclosure Crisis
- Allegations of Union-Busting
- 2006 Sago Mine Disaster in West Virginia (Killed 12 Workers)
- Ross Helped Donald Trump Avoid Bankruptcy on Trump Taj Mahal in Atlantic City
- Ross Made a Windfall in Steel Industry - at Expense of Pensioners
- Ross Has Ties to Powerful Russian and Chinese Government and Industry Leaders
- WL Ross & Co., with Ross as Firm Chairman and Chief Strategist, Agreed to \$2.3 Million SEC Settlement in 2016 for Failing to Disclose Fees to Investors

Additional Key Points Re. Ross

- Ross Critical of Recent Free Trade Agreements and U.S. Approach to Trade Policy
- Ross Says Trump's Corporate Tax Cuts Will Fix Trade Deficit
- Examples of Somewhat Supportive Quotes from Labor/Progressives on Ross

Hypocrisy On Offshoring? Trump Pledges to Crack Down on Policies Ross Has Relied On

- “...President Trump will direct the Secretary of Commerce and U.S. Trade Representative to root out and stop every unfair trade practice being used against American workers and domestic manufacturers. A President Trump will also work with Congress to pass the “End The Offshoring Act.” This will establish tariffs to discourage companies from laying off their workers in order to relocate to other countries and ship their products back to the U.S. tax-free.” (October 2016 [Real Clear Politics op-ed](#) coauthored by Ross and fellow Trump advisors Andy Puzder and Peter Navarro, titled “Donald Trump’s Contract with the American Voter”)
- “Over the past 15 years, the firm Mr. Ross founded has purchased bankrupt companies and rehabilitated them, often turning a profit by selling to overseas investors. In doing so, his firms and their suitors have relied at times on the very methods Mr. Trump has promised to crack down on, including building factories overseas. Other measures Mr. Trump has championed, including tariffs and quotas to revive companies in the steel, textiles and auto-parts industries, also have benefited Mr. Ross, who met with Mr. Trump in New York on Tuesday.” ([Wall Street Journal](#))
- Ross is a “private equity baron who scoops up failing companies ... squeezes every last nickel out of them by firing workers and shipping business lines offshore, and manages to profit in the exchange, usually by navigating the companies through bankruptcy ... He moved Cone Mills overseas, eliminating about 75 percent of its US jobs. He invested in the Greek banking system and encouraged the fire sale of the country’s assets.” ([The Nation](#))
- “Part of the strategy of the new company, called International Textile Group, involved opening up a Chinese subsidiary to supply local and western apparel makers that set up in China after Beijing joined the World Trade Organization in 2001. ITG launched a joint venture in 2005 in China, a traditional silk-making center on the Grand Canal, with a Hong Kong partner to produce denim. That venture now has more than 800 employees, its website says, with loom workers earning \$870 a month, about one-third the mean wage for textile workers in the U.S., according to the Bureau of Labor Statistics. Its customers include Gap, Converse and Levi’s.” ([Wall Street Journal](#))
- “In 2004, ITG announced plans to open a Cone plant in Guatemala, with Mr. Ross citing the eventual adoption of the Central American Free Trade Agreement, which the U.S. Congress ratified the following year. “This project will benefit from Guatemala’s realistic wages,” Mr. Ross said in a release at the time. Guatemala delayed ratifying the free-trade accord, and in 2006, Mr. Ross moved the plant to Nicaragua. It opened in 2008 but closed a year later amid the global financial crisis, and was later sold.” ([Wall Street Journal](#))

Ross Role in Foreclosure Crisis

- “Ross is tied up in the Great Foreclosure Machine as well. One of the companies he pulled out of bankruptcy in August 2007 was American Home Mortgage Servicing Inc., or AHMSI. Ross bought out the servicing rights—the rights to manage day-to-day operations and determine

whether to modify or foreclose mortgages—on about \$132 billion in loans. They were the second-largest servicer of subprime loans in America. Lynn Szymoniak, a whistleblower who fought AHMSI in court and who won a \$95 million case against several servicers on behalf of the federal government in 2012, explains that Ross’s company outsourced its mortgage document operations. They used a company called DocX, which forged millions of mortgage assignments, claiming to be the officers of dozens of different banks. These documents were fraudulently signed after the fact to recreate a chain of title that lenders broke; they were a document clean-up shop. Lorraine Brown, the CEO of DocX, went to prison for five years for this activity, making her the only person to be jailed for foreclosure fraud.” ([The Nation](#))

- “Mr. Ross's dive into mortgage servicing dates to 2007, when his private-equity firm agreed to acquire the servicing rights of bankrupt subprime lender American Home Mortgage Investment Corp. Last year, Mr. Ross's firm purchased the Option One Mortgage Corp. servicing the business of H&R Block Inc. Earlier this year, W.L. Ross made a big move by agreeing to acquire the servicing rights to 185,000 loans from Citigroup Inc. That deal raised the number of loans American Home Mortgage services by 45%, to 575,000 ... After homeowners increasingly fell behind on their mortgages, American Home Mortgage stepped in to cover payments owed to bondholders, according to the lawsuit. This effectively made American Home the senior creditor on the mortgages and first in line for recouping money from foreclosure sales.” ([Wall Street Journal](#))
- Hedge fund Carrington, which brought suit against AHM, “ contends it suffered millions of dollars in damages because American Home Mortgage improperly conducted rapid-fire sales of homes within the mortgage pools at ‘unduly low amounts’ in an effort to repay the debt. Carrington alleges it had contractual rights to direct and control the foreclosure and liquidation process and that American Home Mortgage breached its fiduciary duties. In its suit, Carrington said American Home Mortgage ‘began liquidating...properties at an extremely rapid rate’ in what amounted to ‘fire sales.’ Sean F. O’Shea, Carrington's lawyer, said that American Home Mortgage's ‘self-dealing’ meant that homes had been unnecessarily foreclosed upon and liquidated.” ([Wall Street Journal](#))
- “After entrusting its mortgage operation to fraudsters, AHMSI eventually changed its name to Homeward Residential, and they got bought out by Ocwen. Wilbur Ross stayed involved in Ocwen, serving on the board of directors. If anything Ocwen was worse than AHMSI. They routinely broke the law, with “systematic misconduct at every stage of the mortgage process,” according to Consumer Financial Protection Bureau Director Richard Cordray. In 2013, CFPB fined Ocwen \$2.1 billion for, among other things: charging borrowers unauthorized fees, failing to apply borrower payments to loans, failing to maintain accurate accounting statements, imposing insurance policies on borrowers who already had them, deceiving borrowers about loan modifications, and robo-signing foreclosure documents in fraud upon state courts.” ([The Nation](#))
- “One of my favorite Ocwen stories is the backdating scandal. Under the law, servicers must inform borrowers of why they were denied a loan modification and give them 30 days to appeal. Ocwen sent thousands of these letters backdated 30 days from the sending, giving

borrowers no time to act. Ross eventually stepped down from the Ocwen board, and miraculously was able to sell \$72 million in stock right before it dropped 20 percent in price.” ([The Nation](#))

Allegations of Union-Busting

- “‘Ross didn't save any coal jobs,’ says Phil Smith, a spokesman for the United Mineworkers of America, referring to Ross' creation of International Coal Group from the ashes of bankrupt Horizon Natural Resources in 2004. Smith says Ross never responded to repeated efforts to reach out, and he says Ross hired ‘a union-busting group’ to run the new coal company. ICG confirms it has no union workers among its 2,500 employees.” ([NPR](#))
- “‘The coal mining industry is very highly fragmented and this will be a vehicle for consolidating the industry,’ Ross told the Bloomberg News. He thanked the federal and state governments for their help in creating ICG as ‘an enterprise free of contingent liabilities’—referring to the voiding of the union contracts and health benefits for retired and retiring miners.” ([The Militant](#), 2004)

2006 Sago Mine Disaster in West Virginia (Killed 12 Workers)

- “The mine was owned by a subsidiary of one of his [Ross's] companies, International Coal Group, Inc. Ross faced findings that he ignored dozens of safety concerns and citations. Federal investigators pointed to a lightning strike as the "most likely" ignition source for the blast but said that proper methane monitoring, among other things, could have prevented the disaster. The federal Mine Safety and Health Commission imposed fines of \$134,000, which were later reduced.” ([Politico](#))
- “Federal safety inspectors in 2005 had cited the West Virginia mine with 208 violations. Ross said afterward that he knew about the safety violations but that the mine's management had assured him that it was a ‘safe situation.’” ([Associated Press](#))
- “‘He knew the mine was troubled,’ said the executive, who told The Post that Ross knew the Sago mine had been shut down for safety violations – but he wouldn't tolerate long disruptions in production. ‘[Ross] saw the mine as an opportunity to grab scale in mining [increase output] at a time when the market was exploding. They weren't bad owners, but Wilbur would not have allowed a 60- to 90-day shutdown to deal with roof problems,’ the executive said.” ([New York Post](#))

Ross Helped Donald Trump Avoid Bankruptcy on Trump Taj Mahal in Atlantic City

- “Mr. Ross and Carl C. Icahn, another billionaire investor and supporter of Mr. Trump, were both bondholders in the Trump Taj Mahal casino when it was teetering on financial collapse in 1990. Instead of pushing the casino into an immediate bankruptcy, Mr. Ross and Mr. Icahn worked with Mr. Trump and others to structure a more orderly bankruptcy filing in 1991. The

negotiated restructuring helped Mr. Trump salvage his name and brand at a time when he arguably did not have many friends on Wall Street.” ([New York Times](#))

- “In September 1990, the two men [Ross and Icahn] who have emerged as part of the president-elect’s inner circle, represented bondholders in Trump’s Taj Mahal casino. The troubled casino had just missed an interest payment on the bonds, and the two men were leaning toward pushing the Atlantic City business into bankruptcy, interviews with the men reveal. ‘We could have foreclosed [on the Trump Taj Mahal], and he would have been gone,’ Ross, the chief restructuring adviser for Rothschild & Co., which was representing the bondholders at the time, told The Post, speaking of the eventual 45th president of the US. Icahn was the Taj’s No. 1 bondholder.” ([New York Post](#))
- “On Nov. 16, 1990, the first day bondholders could bankrupt the Taj, Ross recommended a forced bankruptcy because the two sides were not near a deal, according to an Aug. 17, 1992, court deposition. But negotiations continued and showed enough promise for Ross to hold off that day, over the objections of some bondholders, the deposition shows. ‘A number of the holders preferred my original recommendation, namely that we file and put them in and fight it out with [Trump] in [bankruptcy], rather than go along,’ Ross said in his deposition.” ([New York Post](#))

Ross Made a Windfall in Steel Industry - at Expense of Pensioners

- “Mr. Ross arguably made his largest mark in the steel industry’s consolidation in the past 15 years. He benefited from steel tariffs imposed by President George W. Bush in 2002, announced just after his purchase of bankrupt steelmaker LTV Corp. Mr. Ross’s company also acquired Bethlehem Steel, Weirton Steel and Acme Steel to form International Steel Group. He took the company public in 2003 and sold it two years later for \$4.5 billion to Lakshmi Mittal, the billionaire from India who began putting together what is now the international steel conglomerate ArcelorMittal, and Mr. Ross has served ever since on the company’s board. WL Ross & Co. made more than 12.5 times its money on the steel investments.” ([WSJ](#))
- “In 2001, when LTV, a bankrupt steel company based in Cleveland, decided to liquidate, Ross was the only bidder. Ross suspected that President Bush, a free trader, would soon enact steel tariffs on foreign steel, the better to appeal to prospective voters in midwestern swing states. So in February 2002, Ross organized International Steel Group [ISG] and agreed to buy LTV’s remnants for \$325 million. A few weeks later, Bush slapped a 30 percent tariff on many types of imported steel—a huge gift. “I had read the International Trade Commission report, and it seemed like it was going to happen,” said Ross. “We talked to everyone in Washington.” (Ross is on the board of News Communications, which publishes The Hill in Washington, D.C.) With the furnaces rekindled, LTV’s employees returned to the job, but under new work rules and with 401(k)s instead of pensions. (2005 [New York Magazine profile](#))
- “Ross performed the same drill on busted behemoth Bethlehem Steel. Meanwhile, between the tariffs, China’s suddenly insatiable demand for steel, and the U.S. automakers’ zero-percent financing push, American steel was suddenly red hot. The price per ton of rolled steel soared,

and in a career-making turnaround, Ross took ISG public in December 2003.” (2005 [New York Magazine profile](#))

- “While Ross and his investors made huge profits, steel company retirees faced lower pensions and the government rescue fund, the deficit-ridden Pension Benefit Guaranty Corp., wobbled under the weight of \$6.4 billion in new unfunded liabilities.” ([Philadelphia Inquirer](#))
- “His profits come at the expense of steel industry creditors, who got repaid pennies on the dollar; pensioners, whose benefits got chopped, and employees, who got laid off at some plants.” ([Baltimore Sun](#))

Ross Has Ties to Powerful Russian and Chinese Government and Industry Leaders

- “[Ross] is vice chairman of the Bank of Cyprus, the biggest bank in that European island nation, and he is credited with helping the bank to recover from a severe crisis in 2013. But Mr. Ross’s investment in the bank also makes him a de facto business partner with Viktor F. Vekselberg, one of Russia’s most prominent businesspeople and a man with ties to the Kremlin.” ([New York Times](#))
- “Mr. Ross has complained about China’s having taken jobs from Americans — a message similar to the one Mr. Trump repeated throughout his campaign. Yet for all the anti-China commentary, Mr. Ross has been a frequent visitor in the past two decades and has made inroads in that country’s energy industry. Mr. Ross linked up with the most powerful player in the country’s power generation business, China Huaneng Group, in 2008. The state-owned company had been run for years by the eldest son of Li Peng, the former prime minister who was the godfather of the country’s electricity industry.” ([New York Times](#))

Misc. Other Controversies

- Ross was president of “a secret Wall Street fraternity called Kappa Beta Phi” ... where he and dozens of other masters of the universe gathered annually to exchange homophobic jokes and make light of the financial crisis.” ([Vanity Fair](#). Also see this [New York Magazine story](#) for an expose on the secret fraternity)
- In a 2014 appearance on Bloomberg TV, Ross said, “the 1 percent is being picked on for political reasons” and “Education is the way that people get out of the ghetto and into, if not the 1 percent, something close to it.”([Huffington Post](#))

Ross Critical of Recent Free Trade Agreements and U.S. Approach to Trade Policy

- “I think there’s a big difference between the impact of trade agreements on corporate America and the impact on Mr. and Mrs. America,” Ross told CNBC in an interview earlier this year. “Corporate America has adjusted to them by investing lots of capital offshore. ... What we’re doing is we’re exporting jobs and importing products, instead of exporting products and keeping jobs.” ([Politico](#))

- “Ross said he wanted to fix ‘dumb trade’ deals made by the U.S. and would work to improve the quality of U.S. jobs. ‘It’s the quality of jobs as well as the quantity,’ Ross told CNBC, adding that it’s not the same for a former steelworker ‘to be flipping hamburgers’ for a living.’ ... “He sharply criticized trade negotiators and called for the U.S. to withdraw from the yet-to-be-ratified Trans-Pacific Partnership and to renegotiate the North American Free Trade Agreement. Trump has pledged to do both upon taking office.” ([Los Angeles Times](#))
- “Along with fellow Trump campaign adviser Peter Navarro, an University of California-Irvine economics and public policy professor, Ross has called for future trade deals to include automatic renegotiation triggers if trade gains “are not distributed fairly” and other “safeguards” including ironclad sanctions against currency manipulation, zero tolerance on intellectual property theft and stringent environmental and health and safety standards.” ([Politico](#))
- “We’ve been doing a lot of dumb trade, and that’s the part that’s going to get fixed ... The problem with regional trade agreements is you get picked apart by the first country, then you negotiate with the second, you get picked apart, and you go with the third one, you get picked apart again ... What has to be put into perspective -- we are the big market, we are the world’s biggest importer, we need to treat the other countries as good suppliers, not as determining the whole show.” ([USA Today](#))
- “Before the era of globalisation, which began in earnest in the 1980s, US managers improved efficiency by substituting capital for labour in domestic factories. As globalisation has taken hold, executives have offshored entire factories as a more effective means of maximising profits ... Of course, not all outbound FDI [foreign direct investment] has been due to offshoring. The decline in US manufacturing employment and the fall in US productivity — and associated slower US growth rates and stagnant wages — have, however, been greatly accelerated and amplified by a series of bad trade deals and chronic currency misalignments that prevent trade from coming back into balance.” ([Financial Times op-ed](#) by Ross)

Ross Says Trump’s Corporate Tax Cuts Will Fix Trade Deficit

- “Ross said in August that Trump’s economic plan — which involves huge corporate tax cuts — would help to reduce America’s ‘terrible job loss to foreign competition ... Trump’s plan ... calls for cutting corporate taxes from 35 percent to 15 [percent]. That’s going to help solve one of our big problems, which is our trade deficit, because it means corporations are can cut their pretax margin by 20 percent,’ he said.” ([CNBC](#))

Examples of Somewhat Supportive Quotes from Labor/Progressives on Ross

- “Some of these bottom feeders milk whatever value is left there. To Wilbur’s credit, he created a viable company,” said Leo Gerard, president of the United Steelworkers. “It wasn’t all peaches and cream, but in the end, we have got facilities that otherwise wouldn’t be alive today.” ([Wall Street Journal](#))

- “There are lots of jobs that are here now that would have disappeared forever if not for his interventions,” said Scott Paul, president of the Alliance for American Manufacturing, a coalition of steel industries and the United Steelworkers union. “But he’s like dealing with a trauma surgeon: He can keep you alive, but it will cost you your leg.” ([Wall Street Journal](#))
- “I really think the future of domestic manufacturing is people like Wilbur Ross,” says Bruce Raynor, head of UNITE HERE, a union that includes thousands of garment workers (note that quote is from 2005 in [New York Magazine profile](#) of Ross)
- “In 2012, Mr. Ross was one of the wealthy investors who gave a \$50 million cash infusion to Amalgamated Bank, one of the nation’s largest union-owned lenders, which was struggling to stay in business after the financial crisis. An affiliate of the Service Employees International Union, which controlled the ailing Amalgamated Bank, did not hesitate to take Mr. Ross’s money. ‘Wilbur Ross’s investment firm has been an investor in the bank and held a seat on our board for nearly five years,’ said Loren Riegelhaupt, a spokesman for Amalgamated Bank. ‘While we appreciate his financial acumen, his relationship to the bank has never impacted our core progressive principles: providing quality financial services to our clients while advancing the values we believe in.’” ([New York Times](#))
- “Robert Scott, a senior economist for the liberal Economic Policy Institute, says he’s ‘guardedly optimistic’ that Ross’ experience with steel companies and other victims of U.S. imports will help him defend U.S. trade interests and nurture the country’s manufacturers. But, he added, ‘At best, it will slow the loss of manufacturing employment.’” ([USA Today](#))