The Public i

An Investigative Report of the Center for Public Integrity

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Welcome to the newly designed print edition of *The Public i*.

Since its founding, *The Public i* has been the venue for some of the Center for Public Integrity's most dramatic findings.

Starting last October, *The Public i* expanded to an online edition, www.public-i.org, offering a regular budget of breaking investigative news, commentary, investigative reporting from the International Consortium of Investigative Journalists, excerpts from our books and reports, database research reports, and archives.

This new print edition is a bimonthly compendium of the best of our online reports, sprinkled with other Center news and views. We're proud of our expanded coverage and others have been taking notice. *The Public i* online has garnered an amazing amount of attention in its few months of existence. In December, it was listed by Yahoo! as a new site of the week; USAToday.com followed in March. Our stories have been reprinted on Salon.com and tompaine.com; links have been established from a number of portals and news sites, including MSNBC, America Online, the *Washington Post's* Web site, and others. Three months after our first edition, *Min's New Media Report* profiled *The Public i*, saying "this kind of strong, alternative reporting would work very well in syndication or partnerships with mainstream outlets." (*Min's New Media Report*, Jan. 17). We plan to develop and create a constant stream of stories from around the world, providing links to Center data as well as other investigative reports we or others might make available. We invite you to visit our online edition as well as the main Center Web site, www.publicintegrity.org.

It is our hope that together, the online and print versions of *The Public i* will serve our membership better than ever and will enhance our mission of comprehensive reporting in the public interest. We encourage your comments and your support.

– **Peter Eisner, *Managing Director***

Overnight Guests At Governor's Mansion Added $2.2 Million To Bush Campaign

by Nathaniel Heller, the Center for Public Integrity

Sixty of George W. Bush's overnight guests at the Texas Governor's Mansion have collectively given and raised more than $2.2 million to further Bush's political career, an analysis by the Center for Public Integrity shows. At least 15 of Bush's guests are members of Bush's elite team of presidential fund-raisers, the $100,000-plus "Pioneers," according to the full list of overnight guests from January 1995 through February 2000.

As Bush's presidential ambitions grew, so did the frequency of overnight stays by political allies and fund-raisers. Beginning in mid-1997, the mansion came to act as a gathering place and springboard for the nascent 2000 campaign, helping to rope in key supporters early in the presidential cycle.

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Vice President's Quarters Draws Fund-Raisers' Bucks

by Russ Tisinger, the Center for Public Integrity

A man's home might be his castle, but for Al Gore, the vice president's official residence is more than that: It's a tool to cultivate some of his biggest donors.

Since 1977, vice presidents have lived in a 33-room mansion on the grounds of the U.S. Naval Observatory, which sits atop a hill along Embassy Row in a tony section of Washington, D.C. Gore used the Vice President's Residence Foundation — a non-profit, tax-exempt organization created in 1991 to fund improvements to the residence — to cultivate relationships with some generous donors, many of whom are now supporting his bid for the presidency. The foundation's fund-raising efforts provided benefits to all involved: Gore maintained contact with potential donors, and contributors were able to curry favor with a possible future president.

During Gore's tenure as vice president, the foundation has raised $1,067,610, according to foundation documents released to the Center for Public Integrity. The total includes $300,000 transferred from the 1993 Presidential Inaugural Committee. The foundation accepted an additional $67,850 in non-cash contributions.

The foundation, according to incorporation papers, is charged with "preserving and furnishing the official Residence of the Vice President of the United States." It's also the foundation's mission "to further the national policy for preserving for public use the historic buildings and the best specimens of American furniture, furnishings, and works of art for the benefit of the people of the United States."

Almost none of the 21 donors contacted by the Center for Public Integrity (an additional 17 did not return telephone calls) cited "the people of the United States" in their decisions to give. In most cases, they said that they supported the vice president; giving money to the foundation was a particularly effective way of getting the vice president's attention. Gifts to the foundation — whether in antique furniture, sculpture or cash — help the vice president live more comfortably in the mansion on Massachusetts Avenue.

Among the givers to the foundation under Gore's watch is tobacco executive Bennett LeBow. Vice President Gore returned a contribution that LeBow made to his presidential campaign committee, citing his tobacco interests.

In addition, contributions to the outfit are not subject to the $1,000 cap placed on donations to campaign committees, and the organization does not have to disclose the names of contributors to the public. (The foundation released to the Center for Public Integrity the names of contributors who made donations between 1993 and 1998).

Among the givers to the foundation under Gore's watch is tobacco executive Bennett LeBow. Vice President Gore returned a contribution that LeBow made to his presidential campaign committee, citing his tobacco interests. Also on the list: Nathan Landow, a wealthy real-estate developer in Washington who was investigated by Congress for allegedly trying to influence the testimony of Kathleen Willey, the White House volunteer who alleged that President Clinton groped her in a corridor outside the Oval Office.

The list also includes a host of figures indicted for campaign finance irregularities during the 1996 election. They are Mark Jimenez, whom the United States Justice Department is trying to extradite from the Philippines; Howard Glicken, a Florida real-estate developer with two Jaguars bearing license plates "Gore 1" and "Gore 2," who was convicted of funneling illegal campaign contributions to Democrats; and Franklin Haney, a Tennessee developer indicted on 42 counts of making illegal contributions to Tennessee politicians and investigated by Congress for financial irregularities in the lease of a Washington office building that is now home to the Federal

Communications Commission. Haney was cleared on all charges.

Most of these donors gave their contributions in conjunction with a fund-raiser held in Gore's official residence in 1997. Donors paid $10,000 a head to attend. In return, contributors received a Jamie Wyeth print and an evening with the Gores. The foundation would not attempt to reproduce a list of attendees. In 1997, the foundation spent $12,769 on "fund-raising" activities. The foundation's tax form shows $6,500 in payments for fund-raising consultants and $6,269 for "miscellaneous" fund-raising activities.

Then-Vice President Dan Quayle created the foundation in 1991 to fund improvements to the mansion without tapping public tax money. Quayle used the fund to, among other things, build a $130,000 swimming pool and pool house, a putting green, and an exercise room. Gore's improvements included a hot tub and steam shower in the master bathroom, refurbished hardwood floors and a $15,000 cherry cabinet for the family room. In fiscal 1998, the foundation spent $11,973 on fund-raising expenses and another $5,277 on meals and entertainment. A native plant garden, featuring trees and vegetation indigenous to Washington, D.C., cost the foundation $80,007 in 1998. As of September 1998, the fund stood at $292,803.

☐ — Dec. 14, 1999

Russ Tisinger contributed to the Center for Public Integrity's extensive presidential campaign research for The Buying of the President 2000.

Overnight Guests . . .

Continued from page 1

But it remains unclear whether Bush's practice of bringing campaign figures to the taxpayer-supported mansion violated Texas law.

"It's explicit that you can't use state resources to influence an election," said Steve Collins, general counsel of a nonpartisan office within the Texas Legislature that assists lawmakers with bill-drafting and research. Collins said the issue rests on "whether [the overnight visits] were intended to influence the outcome of any election."

For 1998 and 1999, the Texas Legislature appropriated approximately $350,000 per year to the maintenance and operation of the Governor's Mansion. The mansion administrator, Anne DeBois, confirmed to the Center for Public Integrity that state employees, on salaried time, are responsible for maintaining the rooms in which overnight guests stay.

The State of Texas General Appropriations Act of 1997, which appropriated taxpayer funds to the mansion from August 1997 through August 1999, contained a clause specifying that, "No funds under the control of any state agency or institution, including but not limited to state appropriated funds, may be used directly or indirectly to hire employees or in any way fund or support candidates for the legislative, executive, or judicial branches of government of the State of Texas or the government of the United States."

Bush has vigorously defended the overnight visits. When confronted by rival John McCain about the issue on March 2, Bush responded by saying, "These are my friends, John. These are, these are my relatives."

Bush has also taken the offensive, accusing Vice President Al Gore of being a hypocrite on campaign finance reform, reminding voters of the Democratic Party scandals of 1996. "Al Gore is the one who has rewarded his special interest contributors with overnight stays in the Lincoln Bedroom, with seats on [then-Secretary of Commerce Ron Brown's] trade mission, as a quid pro quo . . ." said Bush spokesman Ari Fleischer on March 12. A Center for Public Integrity report, entitled "Fat Cat Hotel," effectively broke the Lincoln Bedroom story in *The Public i* in 1996.

Yet almost half of the governor's guests at the mansion have given money to Bush's campaign. Furthermore, beginning in mid-1997, political figures and big money fund- raisers who would play major roles in his presidential campaign began to stay over, a clear break from the previous two years, when the guests indeed were predominantly friends and family.

☐ — March 15, 2000

Nathaniel Heller is the James R. Soles Fellow at the Center for Public Integrity.

Major Tobacco Multinational Implicated In Cigarette Smuggling, Tax Evasion, Documents Show

By Maud S. Beelman, Maria Teresa Ronderos, and Erik J. Schelzig
International Consortium of Investigative Journalists, the Center for Public Integrity

British American Tobacco, the world's second-largest multinational tobacco company, for decades secretly encouraged tax evasion and cigarette smuggling in a global effort to secure market share and lure generations of new smokers, internal corporate documents reveal.

Contrary to tobacco companies' long-standing claims that cigarette smuggling is the work of organized crime or rogue employees beyond their control, the files show that senior personnel of the parent company and its subsidiaries sought to control and exploit smuggling as part of a worldwide marketing strategy to increase revenue.

More than 11,000 pages of documents from BAT and its subsidiaries, including the U.S. company Brown & Williamson, were analyzed over a six-month period by the International Consortium of Investigative Journalists, a project of the Center for Public Integrity in Washington, D.C. Part of a depository of about 8 million pages, the documents were selected based on region and subject matter. In some cases, the complete files on a specific country or individual were reviewed.

The selected documents, covering mostly 1990-1995, do not suggest that BAT employees themselves transported contraband cigarettes across customs borders, where taxes would be due. Instead, they show that corporate executives in Britain, the United States, and other locales controlled the volumes, brands, marketing campaigns, timing, and price levels throughout the smuggling distribution networks they exploited. Company officials worked closely with their local agents – giving them perks such as tickets to Wimbledon – and provided incentives to local black-market distributors.

Photo:RED/Julian Lineros

(Bogota, Colombia, Jan. 25, 2000) - Smuggled cigarettes are often sold by the stick in the streets of Colombia's cities.

In response to a series of detailed questions prompted by a review of its corporate documents, BAT said: "We do not intend to answer questions or address allegations apparently based on highly selective and out-of-context documents, about matters which are more properly addressed — and in many instances are being addressed with our full co-operation — by governments and customs authorities around the world." The company said it knew that some of its products "are handled other than through official channels," but added that "we cannot control the distribution chain all the way to the final customer."

But the documents clearly show that BAT and its subsidiaries did attempt to control the distribution chain all the way to the final customer and employed a carefully coded language to discuss and plan those operations. Only occasionally did they use such terms as "smuggled" or "contraband." The preferred euphemisms of company correspondence were "DNP" (Duty Not Paid), "transit," or "GT" (general trade), as well as "parallel market," "second channel," and "border trade." The euphemisms were used interchangeably and contrasted repeatedly with references to imports that were legal and "Duty Paid" (DP).

Since 1997, three BAT managers have either pleaded guilty to or been convicted of charges related to tobacco smuggling. Two pleaded guilty in a scheme that shipped cigarettes marked "Duty Not Paid" and "Not for Sale in Canada" back into Canada from Louisiana, where they had been sent allegedly bound for offshore fishing boats. One of the men left the company before pleading guilty to the charges; the other retired in December 1997, six months after pleading guilty. The next year, a BAT executive in Hong Kong was convicted of taking bribes in connection with a cigarette smuggling syndicate. The judge in that case, Justice Wally Yeung Chun-kuen, said in sentencing export manager Jerry Lui, "that management of BAT (HK) was aware duty-not-paid cigarettes … would ultimately be smuggled in China and other countries. There could be no other explanation for this enormous quantity of duty-not-paid cigarettes worth billions and billions [Hong Kong] of dollars." The judge, according to Hong Kong press reports in June 1998, commented that BAT's "irresponsible behaviour amounted to assisting criminals in transnational crime."

Photo:RED/Cesar Restrapo

(Maicao, Colombia, Jan. 25, 2000) - Boxes of contraband cigarettes being loaded onto wheelbarrows.

Suspicions about industry involvement in cigarette smuggling have grown since 1997, when researchers demonstrated, by comparing annual global exports with global imports, that about one-third of all cigarettes entering international commerce each year could not be accounted for. The industry's sanguine reaction to apparently losing a third of its inventory annually only fueled those suspicions.

But proof remained elusive until last year, when millions of pages of corporate documents, unearthed during numerous health-related lawsuits, became publicly available as part of the tobacco industry's November 1998 settlement with the U.S. states.

The information contained in those documents could prove far more costly to the companies than the $246 billion U.S. settlement because BAT, as well as its multinational rival Philip Morris, has focused on expanding business into international and newly emerging markets – precisely the areas where smuggling seems to have flourished.

☐ —March 8, 2000

For more information about the contributors to this article, visit www.icij.org.

Answers to the Celebrity Quiz on page 7
1. Bradley 2. Bradley 3. Gore 4. Bush

Since opening its doors in downtown Washington in 1990, the Center has served as a mechanism through which important issues are investigated and analyzed by talented, responsible journalists, without the traditional time and space limitations.

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Center Commentary

Denial and Hypocrisy

by Charles Lewis, the Center for Public Integrity

Anyone who has ever doubted that God has a sense of humor should take a look at the current Republican presidential campaign. Who would have thought a few years ago that the two leading GOP contenders for the White House would have beat their chests over campaign finance reform?

The last Republican president, George Bush, vetoed campaign finance reform legislation passed by Congress. When Newt Gingrich became the first Republican speaker of the House in 40 years, he and his leadership team kept any serious campaign reform legislation off the floor throughout 1995, 1996, and 1997. In 1998 and 1999, members of both houses of Congress actually passed reform bills, but they could not overcome a threatened filibuster by Republicans in the Senate.

To the chagrin of Senate Majority Leader Trent Lott of Mississippi, Republican Senatorial Campaign Committee chairman Mitch McConnell of Kentucky, and others, their GOP colleague from Arizona, John McCain, led that unsuccessful but very public crusade. To their further consternation, McCain then decided to run for president, with political reform as the central theme of his campaign. "Until the last breath I draw, I will fight to give the government back to the American people," he said.

When McCain's crowds began surging and he shellacked the party front-runner, Texas Gov. George W. Bush, in the New Hampshire primary, exit polls revealed that McCain dominated the issue of campaign finance reform. Among New Hampshire voters most concerned with that issue, 83 percent voted for McCain and only 13 percent voted for Bush.

H.L. Mencken once wrote, "The saddest life is that of a political aspirant under democracy. His failure is ignominious and his success is disgraceful." Within days of his humiliating defeat, Governor Bush repackaged himself as a "reformer with results," mentioning tort, education, and welfare policies he had enacted in Texas. He could hardly point to campaign finance reform initiatives because, in fact, there have not been any. Indeed, Bush is the first major party front-runner for the White House since Watergate to forgo federal matching funds and state-by-state spending caps. His **$70 million** raised last year is **two-and-a-half-times** <u>more</u> than any presidential candidate has ever raised the year before the election.

Worse than the sudden, saturation use of the word "reform" in ads and speeches in Delaware and South Carolina, the clearly rattled Bush campaign also began characterizing McCain as a hypocrite, as a creature of the Washington, D.C., "Beltway" who has received the most campaign money from lobbyists. According to the Texas governor, "Of the major candidates, [I am] the only one who does not have a D.C. ZIP code." That may be true, but according to the Center for Responsive Politics, Bush has received the most campaign contributions from Washington, D.C., and he received ***five times*** more campaign cash from Washington lobbyists than McCain did. Vice President Al Gore, incidentally, has received the most money from Washington influence-peddlers. The Bush campaign castigated McCain for his trips on corporate jets, but in fact Governor Bush had taken twice as many such trips.

Just four days before the important South Carolina primary, Bush began portraying himself as an earnest advocate for campaign finance reform. But his last-minute proposal to ban soft money would allow millionaires to continue to give it in unlimited sums, which Bush explained "are reforms that respect individuals." Such deliberately misleading blather is contemptuous of both the truth and the public.

The irony about all of this testosterone over campaign finance reform is that John McCain himself is a most unlikely political reformer. The last surviving senator from the infamous "Keating Five" scandal a decade ago, McCain received $112,000 from Charles Keating (including his family and employees) of the failed Lincoln Savings and Loan, who flew McCain and his family on his corporate jet nine times, including three times to his vacation estate in the Bahamas. McCain and four Democratic senators met with federal regulators at Keating's request. In the wake of the national scandal, McCain admitted he had made a mistake and contributed $112,000 to the U.S. Treasury. However, it is not well known that his wife and father-in-law held onto their lucrative stake in a real estate deal Keating had cut them in on, selling their share of the Fountain Square Shopping Center just two years ago for a profit that McCain reported as between $100,000 and $1 million.

McCain certainly is no Washington outsider, with his campaign assisted by such big-name lobbyists as former White House chief of staff Ken Duberstein and former Rep. Vin Weber, R-Minn., and dozens of others. It has been well reported in recent weeks that McCain, as Senate Commerce Committee chairman, has sought and received hundreds of thousands of dollars from companies with business before his committee, and he has done favors for them. For example, besides Keating, his top career patron has been employees of U S West, who have given $107,520 to McCain. Last May, he introduced the "Internet Regulatory Freedom Act," which would boost the company's efforts to offer high-speed Internet service over long-distance phone lines. The same day McCain introduced his bill, US West chairman Solomon Trujillo, a top McCain fund-raiser, crowed, "US West will be able to provide high-speed Internet service to an additional two million households and businesses throughout our region during the first year alone."

In this regard, McCain was no different from the other leading contenders for the White House. Frankly, all of them were up to their necks in special interests. All of them necessarily raised millions of dollars from wealthy, powerful interests. Indeed, in the current corrupt system, any major presidential candidate advocating political reform could be hoisted on the petard of "hypocrite." As *The Buying of the President 2000* documents, all of them – Bush, McCain, Bradley, and Gore – made government decisions that have been extremely helpful to their patrons. Our elections today are increasingly expensive and exclusive, funded by a tiny elite. Some 96 percent of the American people do not contribute a dime to politicians at the federal level, and a check of $1,000 comes from one-tenth of 1 percent of the population.

In a party that has nominated presidential tickets with familiar candidates named either Bush or Dole in every election since 1976, the odds certainly did not favor John McCain. That was so especially when you consider that in every election since 1976, the candidate who has raised the most money by the end of the year preceding the election – and who has been eligible for federal matching funds – has become his party's nominee for president. In 1999, George Bush raised **$70 million**. John McCain took in less than a fourth of that, **$16 million**.

What differentiated McCain from the others is the *extent* to which he fought for campaign finance reform, at the personal cost of alienating the leaders of his own political party. What exactly the conservative Republican could, would, or should do as president about cleaning up politics is unclear. But perhaps the reason his reform message resonated is that the public sensed that McCain is the most candid about the influence of money in our democracy, saying, "Both parties conspire to stay in office by selling the country to the highest bidder. All of us are tainted by this system, myself included. I do not make any claims of piety."

On this point, the other dependent candidates are in deep denial.

— Article first ran on the Public i Web site on Feb. 22, 2000

Charles Lewis is the executive director of the Center for Public Integrity, which recently released the book, The Buying of the President 2000 *(Avon).*

Celebrity Quiz

by Dan Steinberg

Test your knowledge . . . Can you tell which celebrities contributed to which candidate's political career?

Answers are on page 5.

Q1. To whom did Michael Jordan (retired NBA superstar) contribute?

_____ Bauer, Gary
_____ Bradley, Bill
_____ Buchanan, Pat
_____ Bush, George W.

Q2. Dustin Hoffman (movie actor) contributed to:

_____ Bauer, Gary
_____ Bradley, Bill
_____ Buchanan, Pat
_____ Bush, George W.

Q3. Don Henley (singer/songwriter, formerly of The Eagles) contributed to:

_____ Bradley, Bill
_____ Buchanan, Pat
_____ Gore, Al
_____ McCain, John

Q4. Jim Barksdale (Netscape president and CEO) contributed to:

_____ Bradley, Bill
_____ Buchanan, Pat
_____ Bush, George W.
_____ McCain, John

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