

# The PUBLIC *i*

## Contract with an American

by Charles Lewis and Margaret Ebrahim

Newt Gingrich, his wife Marianne and David Yerushalmi, the chairman of the board of Israel Export Development Company, Ltd. (IEDC), all agree that Mrs. Gingrich's position as vice president of the ambitious company has nothing at all to do with her husband. "Her relationship with Newt Gingrich had zero impact [on the decision to hire her]," says David Yerushalmi in a telephone interview in Israel. What landed Mrs. Gingrich her position was, according to Yerushalmi, "her enthusiasm."

Enthusiasm is difficult to convey on a resume, though it could be an asset in attracting large multinational corporations to Israel's new Free Export Processing Zone (FEPZ). Depending on her "performance," IEDC officials acknowledge that in addition to her \$2500-per-month retainer, her annual commission "could be a very substantial amount." Mrs. Gingrich declined to speak with the Center, and neither she, nor her husband, nor the company will reveal the details of her commission.

Speaker Newt Gingrich — who also declined to answer the Center's questions — has himself acknowledged that this situation has "the appearance of a conflict of interest." One appearance issue has to do with how and why Mrs. Gingrich came to be hired by a company which months earlier had been helped by her husband. Another potential ethics problem concerns Mrs. Gingrich's work today on behalf of IEDC — for example, many U.S. companies she solicits on behalf of her new employer, to re-locate or initiate operations in Israel, also have legislative business before her husband and the Congress.

Vin Weber, a Washington lobbyist and the president of the Washington-based conservative organization, Empower America, is the key to understanding this entire affair. It was Weber, Newt Gingrich's close friend and former House colleague, who first told Mrs. Gingrich about IEDC and also recommended to the company that she be hired. At the time Weber was an IEDC consultant, paid to generate Congressional support for the then-proposed free trade zone. Weber knows, better than anyone, how and why Marianne Gingrich was eventually hired by the IEDC, and precisely what then-GOP Whip Newt Gingrich did to advance the interests of the IEDC, prior to Marianne's hiring.

Weber declined to talk to the Center.

### Lobbying Israel

American and English business leaders formed the Israel Export Development Company, Ltd. in the spring of 1993, to develop and manage Israel's first Free Export

*continued on page 2*

## Weber: "I lobbied him."

Seeking clarification about his work on behalf of the Israel Export Development Company, on February 23 the Center for Public Integrity sent a letter to Vin Weber. In it we wrote that it appears that Weber may have run afoul of the recent federal "revolving door" law making it illegal for former members of Congress to lobby lawmakers and their staffs for one year.

Weber, responding the same day, said, "I am incensed" at any suggestion that his IEDC activities might have been improper.

Weber recently told the *Wall Street Journal* (2/6/95) that he talked with Rep. Newt Gingrich about the Israel Free Export Processing Zone, which the Israel Export Development Company wanted the Israeli government to approve. "I lobbied him," Weber admitted, and Gingrich actually

*continued on page 4*

## Consulting Mrs. Gingrich

At the time Marianne Gingrich, the wife of House Speaker Newt Gingrich (R-GA), was offered a job as a consultant to the Israel Export Development Company, Ltd., (IEDC) with offices in New York, Miami and Jerusalem, she was selling cosmetics from her home.

Last summer Mrs. Gingrich was an image consultant for BeautiControl Cosmetics, based in Dallas. Vicki Miller, a company spokesperson, told the Center for Public Integrity that "anybody can become a consultant for the company" if they purchase the cosmetics and take a training

*continued on page 4*

S P E C I A L I S S U E

OCCASIONALLY THE CENTER WILL PUBLISH A SPECIAL ISSUE OF THE PUBLIC *i* IN AN EFFORT TO PROVIDE A COMPREHENSIBLE RECORD OF CERTAIN EVENTS.

# Contract with an American

*continued from page one*

Processing Zone (FEPZ). The for-profit offshore company is incorporated in the British Virgin Islands, and a related entity, IEDC Marketing, registered in August 1994 as a foreign corporation in Delaware. The IEDC's New York office operates out of a small law firm, Wald and Wald.

The FEPZ is basically an industrial park with tax breaks and other business advantages, located in the northern Negev region of Israel near Ashdod, Israel's largest seaport, and Beer Sheva, its fourth largest city, an hour away from Jerusalem and also Tel Aviv. According to the company's glossy brochure, the FEPZ is "the world's business center for the 21st century." The costs of Israel's highly-skilled laborers are "significantly lower than in the U.S. or Europe," there is "no forced collective bargaining," and in general, the FEPZ "provides companies around the world with a unique opportunity to take advantage of the Israeli work force." The *Jerusalem Post* (6/14/93) reported that some of the earliest companies to express interest in the FEPZ were Liz Claiborne, London Fog, and Philips Van Heusen.

The company's first — and most important task was lobbying the Israeli government to create a free trade zone. IEDC hired Washington lobbyist and former conservative Republican congressman Vin Weber (who decided not to run for reelection in 1992 after it was disclosed that he had overdrawn 125 checks in the House bank scandal). IEDC wanted to show Israel that "there is political support for a free trade zone" in the U.S., according to company chairman Yerushalmi. Toward that end, "Vin Weber was employed for a specific purpose," to persuade his former colleagues in the House and Senate to support free export processing zones in Israel. Apparently as a result of his efforts, on April 28, 1993, six U.S. senators (Inouye, Liberman, Mack, Specter, Grassley and D'Amato) wrote Israeli Prime Minister Yitzhak Rabin, "We believe that Government support for the establishment of FEPZs is an important

next step on the road to full employment, investment and the realization of your goal of accelerated economic expansion." Several months later on July 29, 1993, 13 House members (Ackerman, Paxon, Schumer, Ros-Lehtinen, Maloney, Lowey, Zimmer, Berman, Lantos, Engel, Manzullo, Meyers, Wynn) signed and sent an identical letter to Prime Minister Rabin and on October 28, 1995, Commerce Secretary Ron Brown sent a personal letter to IEDC lobbyist Vin Weber, in support of the FEPZ.

David Yerushalmi told the Center in a call from Israel, "I didn't hire any of their wives."

## Lobbying Newt Gingrich

In addition to the letter-writing campaign from Congress to Israel, Weber also spoke with then-GOP Whip Newt Gingrich in 1993. Or, as Weber explained to the *Wall Street Journal* (2/6/95), "I lobbied him (Gingrich)." Following their conversation, Gingrich communicated with the Prime Minister and other Israeli government officials about the efficacy of the free trade zone.

Weber also urged Gingrich to meet with FEPZ supporters during his trip to Israel in August, 1993, which he did, according to the *Wall Street Journal*. Gingrich's amended financial disclosure statement for calendar year 1993 reveals that, "The American Israel Public Affairs Committee paid airfare for me and my spouse on August 14-22, 1993 from Atlanta, GA to New York, NY to Tel Aviv, Israel to Jerusalem, Israel, to Tel Aviv, Israel to Jerusalem, Israel to Tel Aviv, Israel, to Jerusalem, Israel, to Tiberias, Israel to Nazareth, Israel to Jerusalem, Israel to Masada, Israel to Jerusalem, Israel to Tel Aviv, Israel (sic) lodging and food were included, and there was no time not at the sponsor's expense."

A few weeks later, the *Jerusalem Post* (9/22/93) reported that IEDC shareholders had "drafted Congressman Newt

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# Contract

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Gingrich of Georgia, a member of the Republican leadership in Congress, to help push for the creation of the FEPZ.” While the Center has not determined that Gingrich sent any letters extolling the merits of the FEPZ to such potentially relevant U.S. agencies as the office of the U.S. Trade Representative, the State Department or the Commerce Department, in the *Wall Street Journal* Gingrich publicly acknowledged contacting the Prime Minister about the Free Export Processing Zone after being approached by IEDC consultant Vin Weber. But the number and nature of his contacts with Israeli officials about IEDC’s agenda—establishing a free trade zone—remain unclear.

Yerushalmi pleads ignorance. “I don’t know if Gingrich spoke with the Prime Minister or the Finance Minister . . . Newt was never contacted by me.” He said “unequivocally” that neither he nor his employees—except for consultant Vin Weber — “have ever spoken” to Newt Gingrich. In recent letters to Speaker Gingrich and to two Israeli government officials, the Center for Public Integrity formally has requested all correspondence and the dates of any meetings since 1993 between Gingrich and Finance Minister Shohat, and Gingrich and Israeli Prime Minister Rabin. Responses had not been received at the time of publication.

After more than a year of political maneuvering by the IEDC in Israel and in the United States, on June 20, 1994, the Israeli Parliament voted to create Free Export Processing Zones. The U.S.-to-Israel lobbying campaign mounted by IEDC, with the personal assistance of Weber and Gingrich, had succeeded.

## The Ethics Snag

Within weeks, in the early summer of 1994, IEDC chairman David Yerushalmi spoke with Mrs. Gingrich about “having a group of businessmen come to Israel to look into the Free Processing Zone after the Law passed the Knesset (Israeli Parliament). IEDC would have paid for the expenses of both the

businessmen and Mrs. Gingrich.” (from an IEDC letter, 2/20/95, from Josiah Rotenberg, senior assistant to the C.E.O., to the Center.)

There was a snag, however. As Mrs. Gingrich recalled to the *Baltimore Sun* (2/10/95), the House Official Standards of Conduct Committee did not approve her trip, “since it could be misconstrued as a gift.” So instead, IEDC hired her full-time as a consultant, which apparently was approved or not reviewed by the Committee. As senior company official Rotenberg told the Center, “IEDC is not privy to the details of the discussion with the Ethics Committee, however, I can tell you that the end result of their deliberations and IEDC’s internal deliberations was that IEDC wanted Mrs. Gingrich to work full-time for IEDC.”

House ethics officials do not discuss the specific advice they provide to individual members or their spouses. And Mrs. Gingrich’s attorney in the summer of 1994, Jan Baran, is not authorized by his client to talk with the Center about what transpired.

Once the free trade zone was officially sanctioned by the Israeli government, the next step for the IEDC is to be chosen by Israeli officials as the concessionaire to administer the zone. Weeks after the Knesset vote, IEDC chairman Yerushalmi offered Mrs. Gingrich a job in late July or August, and she was “retained” in September, 1994. By this time, Newt Gingrich was widely regarded not only as then-House Minority Leader Robert Michel’s (R-IL) successor, but possibly even the next Speaker of the House.

Mrs. Gingrich and the IEDC steadfastly deny that she is doing any lobbying of the Israeli government. As the company’s vice president for business development, Marianne Gingrich traveled to Israel on February 8th, and when she arrived, as the *Baltimore Sun* reported, she found invitations to meet with Prime Minister Rabin and Benjamin Netanyahu, leader of the Likud Party. IEDC official Rotenberg told the Center that “let me respond unequivocally; Mrs. Gingrich received the invitations; she did not solicit them . . . [these invitations] were politely refused.”

She did visit with Shevach Weiss, Speaker of the Knesset, which “was purely a courtesy call. Nothing of substance was discussed, primarily the differences and similarities between the Knesset Speaker’s job and the Speaker of the House’s job.” She also met with Michael Eitan, a Knesset member who strongly supported the FEPZ.

The Center recently asked, in a letter to IEDC chairman Yerushalmi, if it is “fair to say that most company marketing representatives, even vice presidents, don’t normally talk with heads of state? If this is not lobbying, what is it?”

Yerushalmi’s senior assistant, Rotenberg, responded that, “visiting U.S. businessmen at almost all levels get a chance to meet with Israeli political leaders, including the Prime Minister and high level bureaucrats, insofar as Israeli officials are always trying to encourage US businesses to invest in Israel.”

“IEDC and Mrs. Gingrich are well aware that the wife of the Speaker of the House must always act to avoid even the appearance of impropriety . . . IEDC went to extraordinary lengths when planning Mrs. Gingrich’s itinerary to insure that Mrs. Gingrich did not meet with any Israeli official connected with the FEPZ tender process or to meet with any Israeli public official with the intention of discussing the U.S.-Israeli political or military relationship.”

Currently, the IEDC-Gingrich-Weber matter is not under investigation by the House Official Standards of Conduct Committee or the Justice Department. It is not the first ethical controversy surrounding a Congressional spouse. The wife of former Speaker Jim Wright (D-TX) found herself the subject of an ethics complaint which was never resolved because of his resignation — and ironically no one in Washington was more responsible for Wright’s political demise over ethics issues than Newt Gingrich. Meanwhile, today the chairman of the Senate Finance Committee, Robert Packwood (R-OR), is being investigated by a federal grand jury for talking with lobbyists about hiring his ex-wife. She never got the job.

# Mrs. Gingrich

*continued from page one*

course. Consultants for BeautiControl Cosmetics sell make-up, skin care and other beauty products from their homes and their earnings depend on the quantity of products they sell.

Mrs. Gingrich's lack of expertise on international business, trade or Middle East issues made no difference to the chairman of IEDC, David Yerushalmi. He told the Center in a telephone call from Israel, "I don't care if she has no background . . ." He said IEDC has experts in due diligence and in sovereign risk issues, "we have trade [specialists], we have tax consultants. We're not a think tank."

Yerushalmi, who hired and later promoted Mrs. Gingrich to be the company's vice president for business development, also said that in the hiring process, "if anything, her name hurt her . . . I don't hire any of my marketing representatives for their connections . . . We [already] have the best business connections in the world," citing the prominent American businessmen on IEDC's Board of Directors, including CBS President Laurence Tisch and Syms Corporation chairman Sy Syms.

Marianne Gingrich, 43, worked as a county planner in Ohio in the late Seventies, becoming the director of the Trumbull County planning commission in 1978, prior to marrying Newt Gingrich. In the early Eighties, the *Baltimore Sun* has reported that she briefly was employed in the personnel office of the U.S. Secret Service. According to the *Marietta Daily Journal*, she received a bachelor's degree in business management, magna cum laude, from Georgia State University in 1981. According to her husband's annual financial disclosure records, she received no income in 1991 and 1992, and in 1993, received an unspecified salary from "COS Limited Partnership," the company formed in 1984 and best known for promoting the controversial book she co-authored with Newt Gingrich and David Drake, *Window of Opportunity*. The

company received \$105,000 from 21 individuals who each invested \$5,000 for a share of the book's profits; the book lost money. Fourteen of the investors, including Joseph Coors and Roger Milliken, were also contributors to Gingrich's political campaigns. A formal ethics complaint was filed in 1989 about COS Limited Partnership, including the reported \$11,500 paid to Mrs. Gingrich. The House Official Standards of Conduct Committee decided there was "no adequate basis" for a preliminary inquiry.

Mrs. Gingrich recently complained to the *Baltimore Sun* (2/10/95) that, "Unfortunately, it's always presumed: Oh, she's just a wife of a congressman. How else could she get a job?" Many spouses have their own talents and skills."

But regardless of her own talents and skills, Mrs. Gingrich was hired by IEDC on the advice and recommendation of her husband's close friend and former House colleague, Rep. Vin Weber (R-MN), after her husband's official actions (which had been solicited by Weber) had been helpful to the company, and after it was readily apparent that Newt Gingrich would be the next House Minority Leader or even, possibly, its next Speaker.

# Mr. Weber

*continued from page one*

confirmed the conversations which eventually led to Gingrich contacting the Prime Minister of Israel, Yitzhak Rabin. Weber was hired specifically to enlist Congressional support to pressure the Israeli government for the FEPZ, and apparently as a result of his efforts at least 19 House and Senate members sent letters of support to Rabin.

Weber left the House of Representatives in January, 1993, and all of this lobbying activity, with members and staff, occurred in 1993.

According to 18 U.S.C. 207, "Any person who is a Member of Congress or an elected officer of either House of Congress and who, within 1 year after

that person leaves office, knowingly makes, with the intent to influence, any communication to or appearance before . . . any Member, officer or employee of either House of Congress, or any employee of any other legislative office of the Congress . . . on behalf of any other person (except the United States) in connection with any matter on which such former Member of Congress or elected officer seeks action by a Member, officer, or employee of either House of Congress, in his or her official capacity, shall be punished as provided in Section 216 of this title." Section 216 provides for a prison term of up to five years for willfully violating the law and fines of up to \$50,000 for each violation.

But the recently-enacted "one-year ban" restricting contact between recent former members and Congress can be difficult to prosecute because of imprecise wording such as "official capacity." As former U.S. Attorney Joseph DiGenova observed in general about the statute itself, "remember that when Congress enacted this law, they did so grudgingly."

Weber, who declined to be interviewed, wrote in his February 23 letter to the Center, "I have always been very sensitive to the conflict of interest laws. Following my departure from Congress, I repeatedly sought the advice of experts on such matters including my activities on behalf of the Israel Export Development Company. I assure you that no laws or ethical canons were violated."

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