

United States General Accounting Office Washington, D.C. 20548 **General Government Division**

B-285298

September 29, 2000

The Honorable Frank R. Wolf House of Representatives

The Honorable Dan Burton Chairman, Committee on Government Reform House of Representatives

Subject: <u>Federal Lobbying: China Permanent Normal Trade Relations (PNTR) Lobbying</u> <u>Activities and Costs</u>

In response to your request, we have reviewed the efforts of the White House China Trade Relations Working Group (Working Group) and selected agencies to garner support for permanent normal trade relations (PNTR) for China. You were particularly concerned whether such efforts violated the antilobbying provisions of 18 U.S.C. 1913 or any applicable appropriations statutes. You also wanted to ascertain how much the administration has spent on its efforts to garner support for China PNTR.

We previously provided you with two updates on our review. Our May 8, 2000, letter to you described the types of information we had requested from the White House and selected federal agencies and presented preliminary information related to staff resources for the Working Group and travel by Working Group members in support of PNTR.¹ On May 22, 2000, we reported that we had identified one e-mail authored by a Working Group member that, on its face, constituted a violation of the applicable antilobbying appropriation provision. That violation involved a minimal expenditure of appropriated funds and did not warrant further action on our part or a referral to the Justice Department. Enclosure I contains a copy of our May 22 letter. This letter provides our final response to you on the administration's efforts to garner support for the China PNTR legislation (H.R. 4444) that passed in the House of Representatives on May 24, 2000, and in the U.S. Senate on September 19, 2000.

The stated role of the Working Group, which was established on February 1, 2000, pursuant to the President's request, was to coordinate interagency activities associated with the

¹ Federal Lobbying: China Permanent Normal Trade Relations (PNTR) Lobbying Activities (GAO/GGD-00-130R, May 8, 2000).

passage of PNTR for China. Its activities were to include outreach efforts to business, labor, environmental, and other groups and continued development of U.S. economic policy towards China. In addition to the White House, agencies involved in the effort included the Departments of Agriculture, Commerce, State, and the Treasury and the Office of the U.S. Trade Representative. The White House and the five agencies provided thousands of documents to us for this review related to the administration's efforts to garner support for the passage of PNTR for China.

Results

After reviewing the documents that the White House and agencies represented on the Working Group provided to us through August 31, 2000, we have not found any further violations of the antilobbying restrictions, aside from the one violation we already reported to you. The documents we reviewed showed that the administration carried out extensive outreach and coordination efforts with outside groups, such as public corporations and trade coalitions, to garner support for China PNTR.

Although the exact costs of these efforts cannot be calculated, the administration spent at least an estimated \$1.6 million on its China PNTR efforts through about May 24, 2000, when the House of Representatives voted on China PNTR. We computed this amount on the basis of estimates that the White House and agencies associated with the Working Group provided to us. These estimates included the cost of personnel working full-time or part-time on China PNTR; trips associated with the PNTR effort; developing the Working Group's Internet Web site; and printing charts, booklets, and other documents. Generally, the cost estimate has several important limitations, including that (1) agencies' or employees' estimates of the amount of time spent working on PNTR for China were not based on documentary records; (2) as discussed below, agencies did not provide some cost data we requested; (3) the time periods covered by estimates varied; and (4) the costs for certain events, such as trips, included expenditures that were not made exclusively for the China PNTR effort. In addition, these costs generally do not represent sums that would have been saved absent the China PNTR effort; for instance, officials' salaries would have been paid regardless of whether the PNTR effort was undertaken.

Most—\$1.3 million—of the estimated \$1.6 million was for personnel costs. A number of different federal organizations provided personnel for the China PNTR effort. The White House reported that 10 principals were associated with the Working Group. Five were presidential advisers; and the remaining five were the Secretaries of Commerce, Agriculture, the Treasury, and State and the U.S. Trade Representative. Nine employees from the Departments of Agriculture, Commerce, and State and the U.S. Trade Representative were assigned to the Working Group. Ten White House staff members assisted the Working Group staff, according to the White House. In addition, 196 employees at Commerce, Agriculture, Treasury, State, and the U.S. Trade Representative contributed to the China PNTR effort through May 24, 2000, when the House passed H.R. 4444. These individuals, according to the White House and the respective agencies, spent differing amounts of time over several months working on China PNTR, ranging from a little of their time to all of their time. The White House did not provide us with personnel costs for any of the 10 principals associated with the Working Group because it believes that there is a strong interest in protecting the

confidentiality of how the President's senior advisors spend their time. However, for two of the principals, the Secretaries of Commerce and the Treasury, associated personnel costs were provided by their agencies. Treasury could not provide us with cost estimates for 3 of 30 employees because, according to a Treasury official, the agency does not track time spent by employees on individual projects they work on, and these employees no longer work at the agency.

The time period covered by the White House and two agencies' personnel costs included the period from the Working Group's establishment on February 1, 2000, through May 24, 2000, when the House voted on H.R. 4444. For three agencies, the time period was slightly different; all three began January 1 and individually ended on April 7, May 3, and 31.

The White House and 4 agencies reported 21 trips within the United States and to China at an estimated cost of about \$299,000. The travel cost estimate does not include the cost of military airfare for a trip to China sponsored by the Department of Agriculture, which was paid for by the Department of State. One agency, the State Department, has not provided travel data. A limitation to the travel cost data is that the trips were not always exclusively devoted to China PNTR. According to agency officials, a large number of trips were related to the specific agency's mission and were planned prior to the emphasis on China PNTR.

Other costs related to the China PNTR effort, such as printing and the "China Trade Relations Working Group" Web site, totaled about \$61,000. All of the reported costs were borne by the Department of Commerce. The bulk of the costs, about \$58,000, was for the printing of such items as booklets, briefing books, and state reports. The design and development of the Web site cost \$3,000.

Agency Comments

We requested the White House's comments on a draft of this letter from the Assistant to the President and Director of Management and Administration. On September 22, 2000, an Associate Counsel to the President said the White House had no comments.

Approach

To determine whether the efforts by the Working Group and selected agencies to garner support for China PNTR may have been in violation of the antilobbying provisions of 18 U.S.C. 1913 or any applicable appropriations statutes, we submitted a detailed information request to the White House on April 11, 2000, and to selected agencies on April 13, 2000. The detailed request also asked for cost-related information. These agencies included the Departments of Agriculture, State, Labor, and the Treasury and the Office of the U.S. Trade Representative. Subsequently, the Department of Labor said the Secretary was not a principal of the Working Group, and it had no employees assigned to the China PNTR effort.

In our information requests to the White House and the agencies, we asked for a variety of information, including

- information pertaining to the staffing of the China Trade Relations Working Group, including both those employees assigned to the Working Group and those supporting it;
- documents identifying travel costs associated with the China PNTR effort;
- copies of all China PNTR-related speeches and press releases;
- copies of all China PNTR-related communications, e.g., letters and e-mail, between the Working Group and executive branch agencies or between any executive branch participant in China PNTR activities and parties outside the executive branch;
- copies of any information packets, e.g., kits, pamphlets, or media communications, and the cost of such information packets;
- copies of various other documents, such as mailing lists, lists of private groups contacted, planning documents, and reports or summaries of the China PNTR effort; and
- copies of all laws and guidance on lobbying restrictions applying to either the White House or any of the participating agencies and an explanation of the steps taken to ensure that the restrictions were followed.

We met with officials of the White House and the other agencies between April 18, 2000, and May 3, 2000, to answer questions about our information request. We instructed them to provide the requested documents on a continual, rolling basis, and they have done so. As we reviewed the documents, we had follow-up questions, which we directed to appropriate officials. The officials responded to those questions.

On September 25, 2000, a White House official informed us that their automated search for emails relevant to the China PNTR effort may not have been complete or accurate from April 15, 2000, to April 30, 2000, because of a problem associated with their system's automated email search function. According to the White House official, the problem as understood at this point may have affected about 1 percent of the e-mails during the 16-day period. The White House official noted that there is no way to identify which e-mails were affected. According to the White House official, they are working with the contractor to resolve this problem, but they do not yet have a timetable to resolve the matter. The official also noted that in responding to our request for e-mails, the automated search was conducted in addition to staff searching their paper and e-mail files manually. The official said that e-mails from the manual and automated searches were provided to us. Although we cannot be sure that we received all relevant e-mails for the 16-day period, we did receive a number of e-mails from that time frame.

We did our work in Washington, D.C., between April 2000 and September 2000 in accordance with generally accepted government auditing standards.

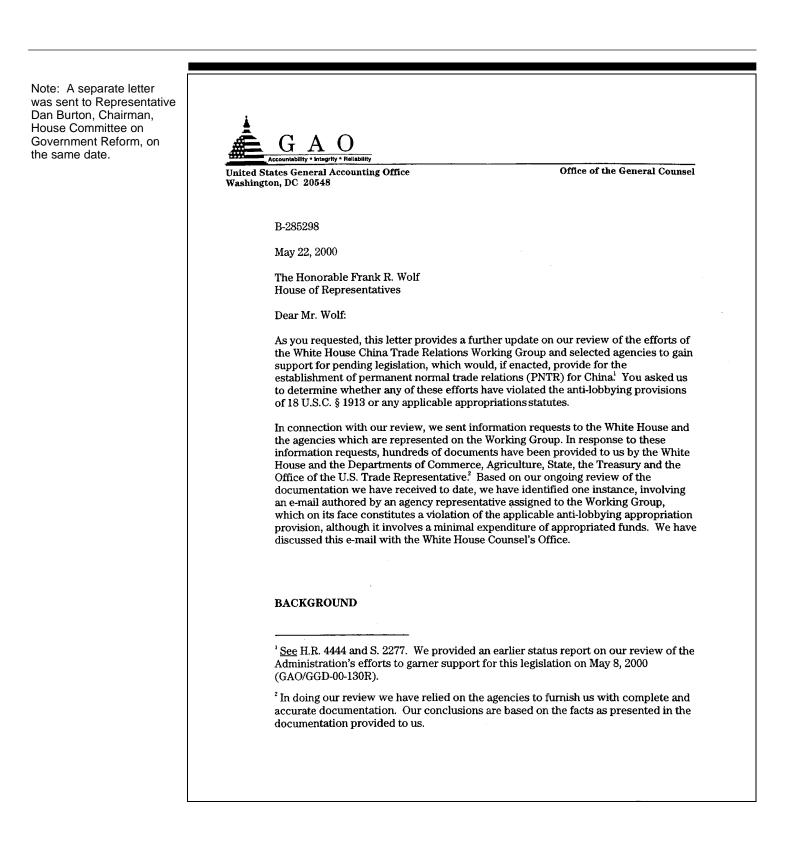
As agreed with your offices, unless you announce the contents of this letter earlier, we plan no further distribution until 30 days after the date of the letter. At that time, we will send copies of this letter to Mr. Mark F. Lindsay, Assistant to the President and Director for Management and Administration, The White House; the Honorable Daniel R. Glickman, Secretary of Agriculture; the Honorable Norman Y. Mineta, Secretary of Commerce; the Honorable Alexis M. Herman, Secretary of Labor; the Honorable Madeleine K. Albright, Secretary of State; the Honorable Lawrence H. Summers, Secretary of the Treasury; and the Honorable Charlene Barshefsky, U.S. Trade Representative. We will make copies available to others on request.

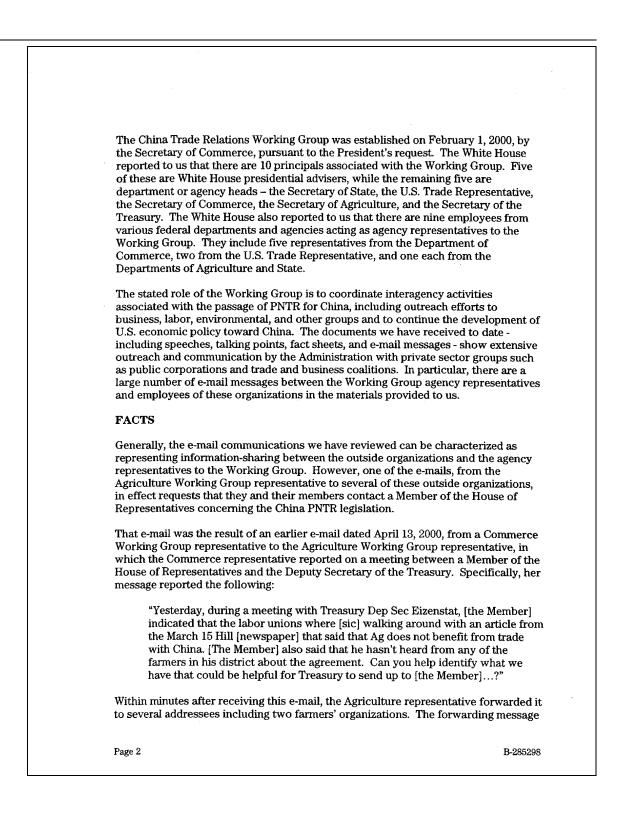
Please contact me on (202) 512-8676 if you or your staff have questions. Key contributors to this letter are listed in enclosure II.

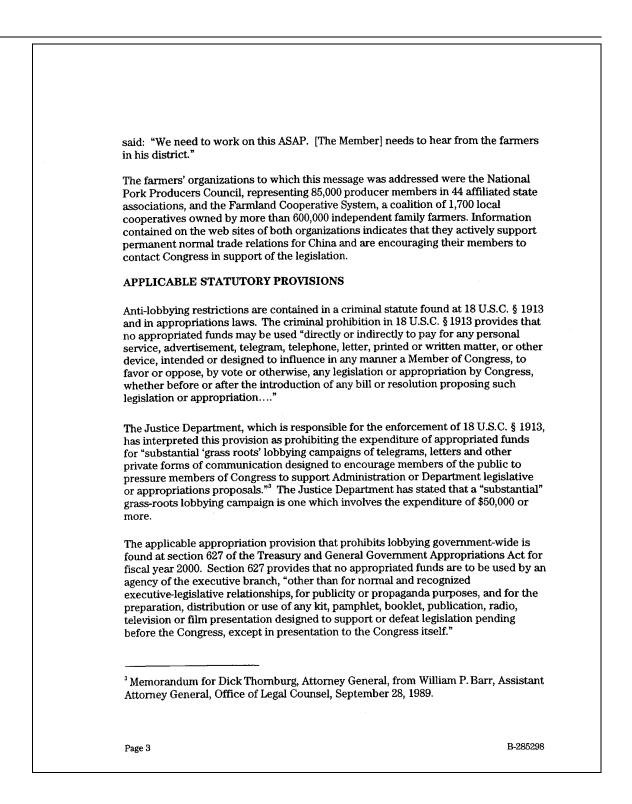
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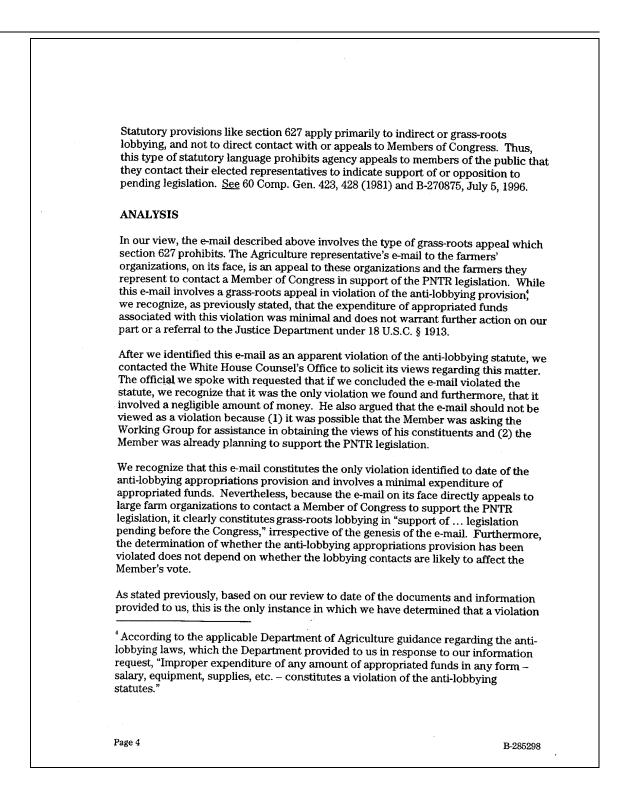
Michael Brostek Associate Director, Federal Management and Workforce Issues

May 22 Letter to Representative Frank R. Wolf









of section 627 occurred. We are continuing our review of the Administration's activities in support of the China PNTR legislation, and will notify you if we find any additional violations of the applicable statutory provisions. We are sending a separate letter to Chairman Burton, your co-requester for our review, regarding this matter. Sincerely yours, Robert P. Marydy Robert P. Murphy General Counsel Page 5 B-285298

GAO Contacts and Staff Acknowledgments

GAO Contacts	Michael Brostek (202)512-8676 Richard W. Caradine (202) 512-8676
Acknowledgments	In addition to the individuals named above, Alan N. Belkin, Ronald J. Cormier, and Jessica A. Botsford made key contributions to this letter.

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