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OVERSIGHT HEARING ON THE ENFORCEMENT OF FEDERAL LAWS AND THE USE OF FEDERAL FUNDS IN THE NORTHERN MARIANA ISLANDS

HEARING

BEFORE THE

COMMITTEE ON RESOURCES
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

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OVERSIGHT HEARING ON THE ENFORCEMENT OF FEDERAL LAWS AND THE USE OF FEDERAL FUNDS IN THE NORTHERN MARIANA ISLANDS

THURSDAY, SEPTEMBER 16, 1999

House of Representatives,
COMMITTEE ON RESOURCES,
Washington, DC.

The Committee met, pursuant to call, at 11:03 a.m., in Room 1324, Longworth House Office Building, Hon. Don Young [chairman of the Committee] presiding.

The CHAIRMAN. The Committee will come to order. First let me thank the members that have braved the elements of nature and weren't frightened by a little bit of rain for attending this I think very important hearing.

STATEMENT OF HON. DON YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALASKA

The CHAIRMAN. Today's hearing by the Committee on Resources will primarily focus on the enforcement of Federal use and the use of Federal funds in America's newest territory, the Commonwealth of the Northern Mariana Islands. In particular, the Committee will examine the effectiveness of millions of dollars of Interior funding that's been earmarked by the Congress each year by the Clinton Administration to enforce existing Federal laws in the Mariana Islands.

The Committee will consider labor, customs, and immigrations management efforts by both the Federal and CNMI governments and their effect on economic self-sufficiency in the islands and the extent of the use of Federal capital improvement grants by the CNMI.

In 1975, I supported the transition of the Mariana's district of the United States nation's trust territory to become the Commonwealth as a territory of the United States, the first since 1917. I also voted for the 1976 law implementing the Covenant establishing local constitutional self-government for Mariana's, giving them the specific and flexible authority for economic development. Since that time, the Mariana's have seen progress and difficult challenges in the pursuit of self-government and economic self-sufficiency.

After the determination of the trusteeship and the conferral of U.S. citizenship to the people of the CNMI by President Ronald Reagan in November 1986, the economy developed rapidly and the reliance on Federal funds decreased significantly. The dramatic de-

velopment of the economy in the Marianas was due to the flexible provisions of the Covenant, the infusion of Federal funds for the capital improvements, and local Mariana's policy supporting economic diversification. The growth of the newly emerging tourism and textile industries increased locally generated revenues and provided additional subsidy business and employment, but without the necessary Federal presence to enforce virtually all the same Federal laws that apply in the United States.

These growing sectors of the economy also required an increase in alien guest workers. In the early 1990s, the Federal Department of Labor cited a number of garment factories in CNMI with violation of Federal wage and labor laws. In addition, the Occupational and Safety and Health Administration, OSHA, began to cite businesses in the Mariana's, including barracks for housing and alien guest workers. This gave rise to articles in the national media about slave labor conditions in the non-union textile industry in CNMI. The same articles used the below-national-Federal Mariana's minimum wage to support an allegation of unfair labor conditions in the garment factories, but without any substantial economic justification.

Over the years, the Marianas reduced reliance on Federal funds from 85 percent to 15 percent. This shift in source of revenues was due to the increase in local revenues and a decrease of Federal funds, along with the end of grants for government operations. The CNMI are also required to match the reduced Federal capital grants. On January 31, 1995, this Committee held a hearing on legislation to address immigration and wage issues in the Mariana's and made it clear that human and civil rights abuses would not be condoned. Federal enforcement of Federal laws were clearly ineffective in ending the continued reports of labor and safety problems in the CNMI. At the same time, the CNMI government and the private sector had not adequately addressed management of a growing and diversified economy.

The Clinton Administration opposed Insular Affairs Subcommittee Chairman Elton Gallegly's bill to establish a Federal private/public wage review board for the CNMI, due to an estimated biannual cost of $200 million to $100 million a year. The administration stated that a similar Federal board in American Samoa had a biannual cost of only $40,000 or $20,000 a year. The administration also opposed the bill's other immigration reform proposal. During the balance of that Congress, additional hearings and oversight and legislative actions were taken by the Committee on Resources to address CNMI issues without the support of the administration.

In addition to those efforts, I made a commitment on May 23, 1997, in a letter to John Babauta, the resident representative of the Northern Marianas, to lead a full Committee delegation of the Marianas to hear directly from the people of the Marianas after the Marianas elections for governor in the fall of 1997. I began planning a full Committee trip to the Marianas since 1989. Unfortunately, the administration canceled the promised plane just shortly before the planned February 1998 inspection trip. I also believed it was then appropriate to give time for the newly elected governor of the CNMI to reform local policies and management of Covenant

construction grants. This would also give the Federal Government a chance to cooperatively work with the CNMI to address enforcement of labor and safety, customs, and other laws.

The Committee did complete an inspection trip to the CNMI in February of this year. Federal officials in the islands at the time from various departments reported there were high levels of compliance with Federal labor and safety laws in the textile and tourist industries. In addition, the Committee's inspection of these industries did not find the evidence, as reported in the media, of certain violations of Federal laws.

However, the Committee did find a serious problem, principally among guest workers from Bangladesh who had been brought in to work as security guards. Many of these individuals had been defrauded by recruiters and employers. The government took action—the CNMI government—took action to provide for a compensation fund to pay for these workers' lost wages and the airfare to return home, although there was no apparent legal obligation to do so.

Today we have an opportunity to hear from the Clinton Administration and the government of the CNMI of their labor, customs, and immigration management efforts and the use of the Federal funds. The problems of the past may have been resolved, though they may be still problems with Federal and Mariana's efforts within the islands. I realize that the administration and others believe that action by the Federal Government is the only way to address the issues in the United States. However, the Marinas, while a territory, is not just a piece of property. This is a community of U.S. citizens exercising constitutional self-government and developing economic self-sufficiency under the Covenant authorized by this Committee and this Congress and, thus, creating Federal law.

The testimony presented today will be crucial to how members understand the present conditions in the Marianas as a basis for subsequent oversight or legislative action by the Congress. I intend to look at the current situation in the Marianas, not old problems or outdated solutions.

And, for the rest of you in the audience, if any of you have mobile phones, pagers, shut them off or leave the room. And that is not a threat, that is an actual fact because that is something that I will not tolerate in this Committee. So just keep that in mind.

The gentleman from California.

STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. MILLER. I don't want to be excommunicated.

Thank you very much, Mr. Chairman, and thank you for this hearing today. Together with my Democratic colleagues on this committee, I have sought oversight hearings into the labor, immigration, and human rights abuses for over three years. During that time, the press and the media accounts of the conditions in the Marianas have painted a desperate picture, one confirmed by interagency reviews from the Department of Justice, Labor, Interior, Immigration Service, and other agencies. We have issued reports describing the horrific conditions that pervade the CNMI's alien labor system, abuses no member of this committee would tolerate for one day in his or her own congressional district. Law enforce-

ment and immigration officials have concluded that little has changed with the exception of some highly symbolic maneuvers in Saipan designed to deflect criticism, not solve the deep-seated problems.

I am well aware that some will attempt to use this hearing to shift blame on the record of the Federal agencies enforcing Federal law in the territory. That cynical and deceptive strategy will not wash. The core corruption in the CNMI is the failure to apply our Federal immigration laws to this part of the United States. As a result, organized crime, communicable disease, and human exploitation, directly attributable to the CNMI's lax immigration laws, not only thrive in Saipan, but threaten every American. The time has long since passed to slam the door shut on these abuses and to restore Federal law to the Marianas.

Congress waived the applicability of immigration laws in order to prevent a predicted onslaught of immigration and to preserve a traditional culture. But the exact reverse has occurred under the current situation. We will hear today that the immigration system operated by the government of the CNMI fails to provide the scrutiny required to serve our national interests. Sending additional agents and officials to Saipan is not going to help if the basic laws continue to be waived. And we all know that the real reason for lax immigration regulation is that the current system serves the desires of the garment industry, the sex trade, the drug trade, and others in the Saipan government—and the Saipan government either lacks the authority or the will and the ability to bring this under control.

When we find sweatshops and exploitation in this country, we must use the full force of our Federal and local governments to root it out. In California, we have just passed two very strong anti-sweatshop laws after the previous Republican governors vetoed them. We need to be just as diligent in the Marianas. The CNMI should not serve as some haven where anti-minimum wage zealots test our theoretical fantasies. It should not serve as a dangerous experiment of open borders. If it is to be part of the United States, it must be governed by the laws of the United States. If we continue to tolerate a system of virtual open borders 8,000 miles away, the abuses will overwhelm our capacity to respond. Now is the time to act, just like we would act if the conditions existed in our own district.

Those who observe and write about the hearings today will judge not only the CNMI, but the capacity of this committee to exercise its power to uphold the rule of law. Thank you.

The CHAIRMAN. I thank the gentleman. Are there any other opening statements? If not, we will bring the first panel. The first panel is the Honorable Pedro Tenorio, governor of the Northern Mariana Islands; the Honorable Paul Manglona, president of the senate; the Honorable Diego T. Benavente; and the Honorable Juan Babuata, the representative. Will you please, please come and don't sit down until I ask you to, but come and sit where you're supposed to be. Are we missing one? All right. Don't—

I am going to put everybody under oath. That includes all the other witnesses, including the first panel.

[Witnesses sworn.]

The CHAIRMAN. Everybody says, "I do"? All right. Sit down. Thank you.

Governor, we do have a five minute rule, but, because of the distances that you have flown, I will be somewhat lenient, but try, all of you, to keep your presentation within five minutes and don't worry about it unless I say that's enough. And I will try to be as lenient as possible. But, governor, welcome and thanks for flying the long distance that you had to come here and testify for the committee. And I want to thank you for your hospitality when the committee was over there this last February. You're on.

STATEMENT OF PEDRO T. TENORIO, GOVERNOR OF THE NORTHERN MARIANA ISLANDS, SAIPAN, MP

Governor TENORIO. Thank you, Mr. Chairman. I bring greetings from the CNMI and I appreciate the opportunity to be on this hearing this morning. I am Pedro T. Tenorio, governor of the Commonwealth of the Northern Mariana Islands. Thank you for the opportunity to testify before you today.

I would like to take this opportunity to present to you a brief summary of my written testimony, which addresses the issue and concern raised by the Committee. I would like to begin by thanking the Chairman for the congressional delegation you led to the Commonwealth this February.

The Asian economic downturn had a profound impact on the CNMI. The past three years have been very difficult. Tourism and apparel manufacturing, our own main industries, tourism is down 30 percent and apparel manufacturing is predicted to decline 10 percent. The magnitude of this decline is unprecedented in our history. Total government revenue have fallen by over $30 million. This is a 15 percent reduction. We have made painful sacrifices and cut government spending to the core. We are struggling to maintain vital public services to our people on our three major islands. Our economy is tied very closely to Asia and the outlook for the next five years is bleak.

Mr. Chairman, you inquire about the status of our Covenant 702 CIP funds. We worked very hard over the last year to move these funds efficiently and rapidly. In fact, last year alone, we released nearly $40 million. This was more than any other years in the history of the CIP programs. These funds are critically needed and we are grateful for your assistance in preserving them.

We also appreciate your interest in determining how effective Federal enforcement and local reform efforts have been in the Commonwealth. While there have been some improvements in our Federal relationship and greater Federal presence, we still believe that increased joint efforts are necessary. Mr. Chairman, we have also made significant reforms. We hope, during your February visit, you were able to see that, despite our limited resources, we have worked hard to keep our commitment to make genuine reforms.

In the last year and a half, we reduced the number of guest worker permits by 26 percent. This is the first reduction in our history. We passed a law granting workers greater mobility to transfer between laws. We expanded assistance to guest workers abandoned by their employers and helped them find new jobs. We repatriated over 163 abandoned workers. About two-thirds of them qualified for

unpaid back wages assistance. We passed a law providing limited immunity to illegal aliens. Over 3,000 registered and became legal. More than 1,200 found full-time employment and many more found temporary work. We also passed a law limiting the stay of guest workers to three years. We doubled criminal prosecution of immigration and labor law violators. And we collected over $1.1 million in back wages for workers.

We stopped manpower and security agency scams by not allowing these firms to bring in guest workers from outside the CNMI. Those who are hire their own island employees are required to pay a bonding fee of $5,000 per employee.

We are seeing a significant result of our reform. Workers' complaints have dropped dramatically. Last year, over 900 complaints were filed. In the first 6 months of this year, only 143 complaints were filed.

This is only a brief summary of our accomplishments. Once again, Mr. Chairman, a more detailed report is in our written testimony. Mr. Chairman and members of the Committee, we appeal to you for your continued support. Please preserve our vital Covenant CIP funds. Please help us secure fair reimbursement for the enormous costs of accommodating thousands of Micronesian immigrants who have come to our island, contract costs exceeding $25 million during the last 2 years alone. As we struggle to diversify our economy, please help us restore investors' confidence. Please appreciate that we have extremely limited natural and human resources to develop our economy. Please recognize the impact of the Asian crisis on our fragile economy and what we have done to adjust to drastically falling revenues.

In closing, Mr. Chairman, please acknowledge the progress we have achieved in making reforms. I appeal to this Committee: Please help our people prepare for the economic uncertainties that lies ahead. My staff and I will be ready to respond to any questions that you have. Thank you again, Mr. Chairman, for the opportunity to appear.

[The prepared statement of Governor Tenorio follows:]

STATEMENT OF HON. GOVERNOR PEDRO P. TENORIO, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Hafa Adai, Mr. Chairman and Members of the Committee. I am Pedro P. Tenorio, Governor of the Commonwealth of the Northern Mariana Islands ("Commonwealth" or "CNMI"). Thank you for the invitation to testify before you today.

We would like to thank the Chairman for the Congressional delegation you led to our islands this February. I hope that the delegation was able to see that, despite our limited resources, we have been working hard to keep our commitment to reduce the number of guest workers, to repatriate abandoned guest workers, to improve working and living conditions, and to enforce compliance with labor and immigration laws. We appreciate the interest of your Committee in determining how effective Federal enforcement efforts have been in the CNMI and the status of our reform efforts.

Economic Downturn and Efforts to Revitalize the Economy

Unlike the mainland U.S. which is experiencing an economic boom, our economy has been suffering a severe downturn since late 1997. This is because the CNMI economy is closely tied to the Asian economies, unlike most of the U.S., except perhaps for Hawaii and Guam.

Tourist arrivals fell by 28 perent in FYI 1998, from 726,690 to 526,298. Arrivals are projected to decline another 8 percent in FYI 1999 to 485,000, which would be the lowest arrival figure since 1991. Little or no improvement is expected for the

next two years, and only small increases beyond that, as the Asian economies recover.

Local revenue collections from tourist and other non-apparel related activities have declined $54 million, or nearly 30 percent over the last two years, from $186 million in FY 1997 to a projected $132 million in FY 1999. Over the same period, apparel industry revenues have climbed from $62 million to $85 million (37 percent), providing some mitigation of the steep decline in tourism revenues. The net result is projected total FY 1999 revenues of $216 million, or a net reduction of $32 million from FY 1997.

The filing of class action lawsuits against the CNMI's apparel manufacturers in January of this year has clearly affected the monthly user fee collections and the value of apparel exports. Based on recent trends in the industry, we have reduced our revenue estimates from the apparel industry by 10 percent per year for FY 2000 and FY 2001. A drastic drop in FY 2004 is anticipated as quotas and tariffs are removed.

In addition to General Fund revenues, approximately 50 percent of the Commonwealth Ports Authority ("CPA") seaport revenues are derived from apparel-related shipments. This has enabled CPA to secure long-term financing to fund major ports improvements. Loss of the apparel revenues with no replacement revenues would leave the Ports Authority unable to meet its long-term bond debt service payments and loss of the outbound cargo would mean higher shipping costs for the entire CNMI.

Further, the Commonwealth Utilities Corporation generates over 20 pefrcent of its revenues directly from the apparel industry.

The economic outlook for the CNMI over the next four years appears to be a small decline for two years, a stagnant economy for two years and a steep 30 percent drop in FY 2004.

The net result of our most likely projections for the apparel industry, tourism, our economic diversification efforts, and the multiplier effect of capital improvement project ("CIP") construction activities, is that government revenues will remain in the $200–$215 million range for FY 2000—FY 2003, with a drop to $182 million level in FY 2004. This would reduce revenues to the FY 1994 level.

A strict austerity program implemented in January 1998 imposed restrictions on expenditures for personnel, professional services, travel, communications, leased vehicles and general procurement of goods and services. These belt-tightening measures have resulted in drastic reductions in annual government expenditures from $268 million in FY 1997 to a projected $216 million in FY 1999. This will be a $52 million or 20 percent reduction over the two-year period. Over 1,000 government positions have been eliminated through attrition and by leaving vacant positions unfilled, and some government offices have implemented a reduction in work hours.

Further reductions in government expenditures present major difficulties. The CNMI, unlike most other local, state and insular jurisdictions, is comprised of three main populated islands, making duplication of government services and infrastructure unavoidable. Our analysis of government expenditures by island indicates the CNMI Government's operational costs are 30 percent higher than they would be if the population and facilities were located on one island. This amounted to $43 million in FY 1998. This does not include the additional infrastructure costs of multiple power, water, and sewage systems; airport and sea port facilities; highway and road systems; public school and public health delivery systems; et cetera.

II. Covenant Section 702 Grants are Expended on Vital Projects

Upon taking office, my Administration made it a priority to move Covenant Section 702 CIP funds quickly and efficiently. One of the primary impediments against movement of CIP funds in the last Administration was the lack of an integrated list of prioritized CIP projects, which is a requirement to draw-down Federal funds. We quickly appointed a task force to develop such a list. The Covenant Section 702 Projects Plan for FY 1996–FY 2002 ("CIP Plan") was completed in December 1998. We also created an office specifically for the management of CIP projects. This has greatly improved our efficiency and ability to track progress on the expenditure of CIP funds and assist in the movement of pending projects. Our efforts have led to a substantial increase in the level of funds released per fiscal year. From January 1995 to December 1997, a total of $33.6 million was released for CIP projects. During 1998 our efforts to expedite the release of funds led to a release of $39.5 million for the year, more than was released in the entire preceding three-year period. In the last six months we have already managed to release $10.2 million. We are expending these funds as rapidly as possible and have instituted the organizational changes necessary to do so.

Over the last several years, claims have been made that the CNMI was not using the Covenant CIP funds. An OIA press release issued in February 1999 supporting a proposal to divert these funds to other insular areas characterized the funds proposed for diversion as "an unused balance from previous construction grants." This is not true. Although it may appear on the books that the funds have not been "used", this is misleading, as normally full payment for a project is not due until its completion.For instance, a project may be in the design phase and payment for the design has been expended, but you would not pay for the construction until actual completion of the facility. Therefore, it appears on the books that this money has not been used when, in fact, it has been committed.

The funding levels and the CNMI match required since the inception of the Covenant Section 702 funding program are as follows:

- First Funding Period, FY 1979–FYI 1985 $192 million
- No local match required All grants have been fully expended. $228 million
- Second Funding Period, FYI 1986–FY 1992

No local match required Approximately 40 percent of grants went to local government operations. Only $1.2 million remains unexpended. Projects have been identified.

- Interim Funding Period, FY 1993–FYI 19951[1] $101 million

Between 20 percent and 40 percent local match required, totaling $29 million. All grants went to CIP projects; no funding went to government operations. Although $41 million remains unexpended, all of it has been committed to ongoing projects.

- Third Funding Period, FYI 1996–FY 2002 $154 million

Fifty percent local match totaling $77 million over seven-year period is required. All grans is are for CIP projects. CIP Plan was completed in December 1998 and is being implemented.

The FY 1996–FY 2002 CIP Projects Plan identifies the projects to be accomplished under the current seven-year CIP funding program, totaling $154 million. Major projects include funding for a solid waste facility, a new correctional facility, school projects, and basic water, power and sewer infrastructure on Rota, Tinian, and Saipan.

The Commonwealth has thus far appropriated $52.3 million for CIP projects under this plan. This appropriation takes us part way through the FYI 1998 funding period. In addition, legislation was recently passed authorizing a bond issue that will provide sufficient funding for the local match required through the rest of the current funding period, FYI 1996–FY 2002.

There have been proposals to defer a portion of the Covenant Section 702 CIP grant funds. We strongly oppose any amendments to the existing funding structure. We are locating funds to match the Federal share and we are expending these funds quickly. We are aware of and appreciate the letters you have written, Mr. Chairman, to your colleagues in Congress regarding this issue and thank you for your efforts to assist us in preserving these important funds for our community.

III. Enforcement of Federal Laws

Over the last year and a half, the Commonwealth has forged improved relationships with the Federal agencies that operate in our jurisdiction. However, we still have a few concerns regarding the operations of some of the Federal agencies in the CNMI.

A.*The National Labor Relations Board ("NLRB"). The U.S. Equal Employment Opportunity Commission ("EEOC"). and The Occupational Safety and Health Administration ("OSHA")*

The Commonwealth is currently finalizing a Memorandum of Agreement ("MOA") with both the NLRB and EEOC. These agreements will expand and clarify the interaction of the Department of Labor and Immigration ("DOLI") and the NLRB and EEOC. We have also been encouraged by the training efforts of the EEOC in the Commonwealth. They have been conducting on-island workshops for employees, employers, and local government agencies.

The CNMI's primary concern regarding the NLRB, EEOC, and OSHA enforcement efforts is that they do not have a full-time presence in the Commonwealth. Part-time enforcement of claims has created a backlog of cases. We have witnessed this from our processing of temporary work authorizations which DOLI issues for

[1] Each funding period has been seven years except the Interim Funding Period for FYI 1993-1995. Because no agreement was in place after the termination of the second funding period in 1992, the U.S. Congress approved funding on a year-to-year basis until 1996 when the third and current period of funding began.

90 days at time to guest workers who have filed a Federal labor claim, and are continually renewed until the completion of the case. A temporary work authorization allows a guest worker to remain on-island during the pendency of his or her claim. There are currently over 300 individuals who are on temporary work authorizations as a result of pending NLRB claims. Some of these individuals have been receiving renewals of the 90-day temporary permits since 1997. We also have individuals who are unemployed, but continue to remain in the CNMI during the pendency of their NLRB case. When guest workers come in for renewals of their temporary work permits, they are asked about the anticipated conclusion of their case. We have repeated instances of guest workers telling us they do not know because there is no agent on island. In addition, because we are an island community, employees have no reachable resource for assistance when an agent is not on island. They cannot drive to a neighboring town to see an agent.

We are also disappointed over the reluctance of OSHA to assist in funding a consultation service in the CNMI as is done in many other jurisdictions including Guam, Puerto Rico and the Virgin Islands. We believe that such a service would assist in reducing the number of OSHA violations in the CNMI.

B. The U.S. Attorney's Office

Our primary concern regarding this office is the delayed prosecution of an internal corruption matter at DOLI, which has not been prosecuted despite being ready for prosecution' from the Federal investigative task force since October 1998. The investigative task force has also informed us that, due to the lengthy passage of time, a number of "targets" and "witnesses" are no longer available for testimony in the case. Swift prosecution of this case would send a message that corruption is not tolerated.

C. The Federal Bureau of Investigation ("FBI")

The primary interaction between the FBI and the CNMI has been through the FBI/CNMI Task Force. The Task Force has been extremely successful. Cooperation, training and technical assistance provided by the FBI is critical to effective enforcement of laws in the CNMI. Joint efforts of the FBI/CNMI Task Force have successfully combated Chinese gang operations, forced prostitution under the Mann Act, illegal immigration, mail and wire fraud violations, and Hobbs Act violations. A major concern expressed by CNMI members of the Task Force is the failure to respond to repeated requests for funding for federally certified translation services. Lack of translation services clearly hinders the overall progress of investigative work in a community with a large foreign speaking population.

D. The U.S. Department of Labor. U.S. Customs. and the Immigration and Naturalization Service

U.S. Labor maintains a full-time presence in the CNMI and we have participated in a number of joint enforcement efforts. The Commonwealth is excluded from the customs territory of the United States under Covenant Section 603. However, the CNMI Customs Division cooperates fully whenever U.S. Customs requests to stage an operation in the CNMI. Last year, I invited the U.S. Customs Service to consider executing a new Memorandum of Agreement with the CNMI to replace one that expired in September 1996.[2] U.S. Customs declined due to concerns about potential liability issues since U.S. Customs has limited jurisdiction in the CNMI under the Covenant. In addition, no CNMI law enforcement agency has yet received the contents of the so-called "Gray Report" allegedly detailing instances of textile transshipment into the CNMI during late 1997.

The last six months have seen a dramatic improvement in services from the NS office in the CNMI. Prior to this time, there was little interaction between CNMI immigration officials and the local FNS office despite efforts by the CNMI. This situation has improved dramatically with recent cooperative efforts, including the Tinian operations, and planned training seminars, which will be extremely helpful in enhancing local levels of expertise.

IV.Federal–CNMI Initiative Funds Are Instrumental in Improving the Labor and Immigration Situation in the CNMI

The Federal-CNMI Initiative on Labor, Immigration and Law Enforcement was created by Congress in 1994 to address labor, immigration and law enforcement issues in the CNMI. Each year since 1994, Congress has appropriated funding to

[2] *See* letter of Governor Pedro P. Tenorio to Mr. Charles Simonsen, Special Agent in Charge of the U.S. Customs Service San Francisco office, July 7, 1998 (appended to Attachment IV of CNMI Report on Labor, Immigration and law Enforcement, distributed to the Committee April 1999).

the Department of Interior to be used for activities under the Initiative. The CNMI applies annually for grants under the Initiative and the Office of Insular Affairs (OIA) determines how the money is to be spent. In addition to funding CNMI enforcement efforts in labor, immigration and related areas, OIA has provided substantial funding to Federal enforcement agencies to increase their presence and enforcement activities in the CNMI. Activities funded by the CNMI using Initiative grants are described below.

A. Attorney General's Office

Initiative funds have enabled the CNMI Attorney General's Office ("AGO") to address a critical need for additional attorneys. The FYI 1995/1996 grant funded two attorneys and a paralegal in the Criminal Division. These positions became so essential to the institutional capability of the Criminal Division that they were taken over by local funding to ensure continuity.

Three labor and immigration attorney positions in DOLI were funded from the FYI 1997 grant and we have applied for funding to continue them under the FY 2000 Initiative appropriation. One attorney functions as in-house counsel to the Labor Division. Among the attorney's responsibilities are advising on labor policy and procedures, as well as drafting rules and regulations and reviewing labor related legislation, and representing the Department at hearings.

In addition, a prosecutor from the AGO Criminal Division was permanently assigned to DOLI in August 1998 to criminally prosecute violations of CNMI labor laws. Although the vast majority of labor disputes are resolved on the administrative level, it was essential that abusive employers be charged criminally if the conduct called for it. Immigration criminal prosecutions are up 100 percent from 1997. During 1998 there were 25 criminal labor and immigration cases filed against 45 defendants. This labor prosecutor's scope of responsibilities was expanded to include civil prosecution, collections (i.e. enforcement of judgments rendered by the hearing office) as well as representing the department at hearings. This attorney has filed 142 civil actions to collect over $1 million in back wages, liquidated damages, and civil penalties. A paralegal position is also funded under the grant.

The third attorney position provides legal support to DOLI's Division of Immigration. This attorney handles all deportation and exclusion related matters and litigation up through the appellate level. In 1997 there were 247 deportation orders issued; this increased to 441 deportation orders in 1998. In addition, over half a million dollars in assets from forfeiture cases have been collected by this attorney.

A Criminal Code revision was also funded under the grant and is currently before the Legislature.

B. Attorney General's Investigative Unit

In 1995 the Attorney General's Investigative Unit (AGIU) was awarded $487,000. The FYI 1999 grant funded $245,000 for this unit. These funds permitted the creation and operation of a professional law enforcement agency. The objective of the AGIU is to develop an investigative program to identify and prosecute white collar crime, organized crime, public corruption, and fraud against the government, with an emphasis on labor and immigration problems. The AGIU performs the role of an independent state police agency reporting to the Attorney General. This unit handles an average of more than 100 criminal cases per year by six investigators. To date for this current year, there have been 14 arrests, which are pending prosecution. These cases consist of misconduct of public officials—bribery, labor abuse, immigration fraud, sexual assault, extortion and prostitution. The unit is headed by a retired FBI special agent.

C. Department of Labor and Immigration

The resolution of labor disputes at the administrative law level is important to efficient resolution of cases. The system and personnel in place in 1995 could not cope with the volume and complexity of cases filed. The Initiative grant in FY1995/1996 provided $132,000 for improvements. Two administrative law judges were hired for this unit. Computers and modern court recording equipment were added to the available tools of the administrative law judges. This unit processed 1,133 cases in 1996, issuing monetary awards to workers of $1,874,206. In 1997, 1,229 cases were processed with $2,131,423 awards issued to workers. In 1998, 1,270 cases were processed, with $7,452,630 issued in administrative awards to employees. The FY 1997 Initiative grant provided an additional $168,270 for a third judicial position, as well as additional equipment, training and library materials.

In addition to the hearing office, the FYI 1997 Initiative grant provided DOLI funding for an Internal Affairs Investigator, a Health and Safety Investigator and a Wage and Hour Investigator. The Internal Affairs Investigator has developed a Departmental handbook including guidelines, procedures, and regulations for De-

partment personnel. The officer has conducted training sessions with DOLI personnel. Investigations of alleged misconduct and/or violations of CNMI laws and DOLI policies have thus far resulted in the termination of six employees and the resignation of three. This investigator also conducted an investigation of a private firm, which resulted in 60 counts of criminal charges against that firm. This office has an increasing caseload as a result of active monitoring and enforcement. The FY 2000 Initiative request includes funding for an additional Internal Affairs Investigator. The Department has yet to fill the other two investigator positions; however, it is actively recruiting qualified candidates.

D. Labor and Immigration Identification System

The Labor and Immigration Identification System (LIIDS) project began in 1994 with a $1.5 million grant from the FY 1995/1996 Initiative appropriation. The purpose of this project is to develop a fully automated immigration tracking system that would include a comprehensive arrival and departure module. While this project has suffered some delays, it is now back on track. Development of a fully automated arrival and departure module is in the planning stages and vendors who have installed similar immigration tracking systems in other countries are being researched. Currently, CNMI immigration arrival and departure tracking is semi-automated, with plans to enhance this system until the installation of a fully automated arrival and departure system.

E. FBI/CNMI Task Force

The FBI/CNMI Task Force was organized to combine law enforcement resources and efforts of the CNMI and the FBI to jointly investigate criminal activities that violate Federal law within the CNMI, specifically organized crime activities. The Task Force received small grants in FY 1995/1996 and in FY 1999. The Task Force has been responsible for dismantling a Chinese gang that was involved in numerous extortion cases in the Chinese community. Three high ranking organizers of the gang have been convicted and are presently serving lengthy prison terms. In addition to extortion cases, the Task Force successfully investigated numerous Mann Act violations, immigration fraud, and an internal investigation of alleged corrupt activities in the DOLI. In April 1999, the Task Force assisted the U.S. Immigration and Naturalization Service in the investigation of the illegal alien smuggling operation that resulted in five boats being diverted by the U.S. Coast Guard to Tinian. Approximately 30 Chinese nationals have been charged with alien smuggling. A sixth boat carrying approximately 150 Chinese nationals was diverted to Tinian in August. Just a few days ago, all of the aliens were processed by INS and repatriated out of Tinian.

F. Northern Marianas College

In March this year, the Northern Marianas College organized an economic development conference, featuring a distinguished panel of experts. The event was funded by a $75,000 grant from OIA, and a $25,000 grant from the Commonwealth Development Authority. The information, ideas, and recommendations that arose from the conference have been incorporated into a major economic development study, funded by an additional $200,000 grant from the Initiative. The College intends to finalize the study by the Fall of 1999.

G. Central Statistics Division/Department of Commerce

The Central Statistics Division was awarded $87,000 from the FY 1998 Initiative grant to conduct four quarterly rounds of a current labor force survey for the entire CNMI. Unfortunately, these funds were inadequate to effectively survey all three major islands, so only Saipan was surveyed and only for three of the planned four quarters.

H. Department of Public Health

The Department of Public Health ("DPH") instituted a comprehensive alien health-screening program in early 1998. While OIA first offered technical and financial assistance to DPH in January 1998, virtually none was provided until April 1999, fifteen months later, and long after the first screening was completed. Instead, OIA took the information and statistics provided by the CNMI for the purpose of developing the grant proposal in early 1998, and misrepresented and misinterpreted it and erroneously portrayed a "public health crisis" in a report to Congress. The report was issued in December 1998 entitled the "Fourth Annual Report on Federal-CNMI Initiative on Labor, Immigration and Law Enforcement". The CNMI was disturbed by the misrepresentations and prepared a clarification, which was submitted, to Congress in April 1999.

With no assistance from OIA, the CNMI successfully implemented the guest worker health-screening program. This program screened over 35,000 workers in 1998 and is moving into its second year. The program succeeded because of the diligent and cooperative efforts of several CNMI government agencies and the private medical community, using computer tracking capability and sustainable program policies.

DPH received $320,000 from the FY 1999 Initiative appropriation to upgrade the data collection system at the DPH/DOLI Liaison Office and to hire three disease control investigators. These funds will ensure continuity of the screening program, investigation of the work environment of workers testing positive for disease, and monitoring noncompliant workers.

Guest Worker Assistance Program

Karidat is a non-profit organization operating a number of social service programs in the CNMI. One of these programs is the Guest Worker Assistance Program funded by the Initiative during the last four years. This program provides emergency food and/or rental assistance to "displaced guest workers" who have filed labor complaints with DOLI against their employer for breach of contract or abuse. Karidat received approximately $300,000 from the FY 1995 through FY 1997 Initiative funding. An additional $200,000 was applied for from the FY 2000 grant. Between 1996 and 1999 they have assisted a total of 3,500 guest workers.

V. The Commonwealth is Successful1v Addressing Labor and Immigration Issues

Over the last year and a half we have accomplished the following through our reform efforts:

In March of last year, we enacted legislation imposing a moratorium to control and reduce the number of guest workers in the Commonwealth. This measure, coupled with the economic decline we are suffering, has produced a reduction in the number of guest worker permits by 22.7 percent from 1997 to 1998, the first reduction in our history. Furthermore, our most recent figures, from August 1998 to August 1999, show that only 25,306 permits were issued for this one year time period. This represents a 26% decline from Calendar Year 1997.[3]

In addition, our nonresident population is now lower than our resident population.[4]

In March this year, to complement the moratorium law, we passed a law imposing a clear and absolute cap on the number of guest workers permitted to be employed in the apparel industry. We also wanted to encourage a decrease in the numbers, and to eliminate the practice of using manpower companies to circumvent the cap. Consequently, the law contains an attrition mechanism mandating that if a company loses or lapses its license, the number of guest workers permitted under that license are permanently lost.

This February, we passed a law expanding the relief available to abandoned guest workers. Prior law had established a deportation fund to be used to purchase airline tickets for guest workers who had not been properly repatriated by their employers. The new law expanded the relief to allow guest workers who had received judgments for back wages, the right to receive, in addition to airline tickets, the equivalent of three months salary. Since this February, we repatriated over 163 individuals. One hundred and eleven also qualified for the three months salary relief. Thus far we have expended $359,000 to provide this assistance. Currently, we have a list of 70 additional guest workers who are seeking this relief. We are continuing to gather our limited resources to address their requests as quickly as possible. In ad-

[3] A recent CNMI labor force survey prepared by the CNMI Department of Commerce indicated that there are currently 35,755 non-U.S. citizens in the CNMI labor force. However, this figure has to be clarified. In addition to the guest workers permitted by our Labor and Immigration Identification System ("LlIDS"), the Department of Commerce figure included citizens from the Freely Associated States, spouses of U.S. citizens who had not obtained green cards or U.S. resident status, illegal aliens (as identified under the limited immunity program), and other nonresident permit holders such as investor/business permit holders.

[4] The 1995 Mid-Decade Census reflects that 37.7 percent of the CNMI population was born in the CNMI; 2.8 percent were born on Guam; 4.1 percent were born in the U.S.; and 5.9 percent were born in the Freely Associated States. This totals 50.4 percent of the total CNMI population in 1995. This does not include naturalized U.S. citizens, or immediate relatives of U.S. citizens who are in the CNMI under that status under CNMI immigration law or as U.S. green card holders. Based on these figures, we believe that the guest worker population (nonresidents who are working in the CNMI under a business permit and guest workers under temporary worker contracts), is lower than our resident population of U.S. citizens, immediate relatives of U.S. citizens both green card holders and immediate relatives under CNMI immigration law and Freely Associated States citizens.

dition, increased enforcement and monitoring efforts have contributed to the fact that we have not had any significant cases of worker abandonment during this Administration.

Last September, we enacted a law providing illegal aliens the opportunity to register and become legal. The registration period ended on June 2, 1999, with 3,111 guest workers having registered. Upon registering, they were encouraged to seek employment. We also provided assistance to help them locate jobs. To date, 1,246 have obtained one-year contracts for employment, with 295 more applications pending. A total of 2,125 have been granted three-month work authorizations. At the end of the amnesty period, we began asking those who had not found jobs to voluntarily depart. If they are unwilling to do so, we will institute deportation proceedings, ensuring that they are afforded all their due process rights.

We are improving our border control capability. Early this year we installed a departure counter at the Saipan International Airport and are now collecting identification information from departing nonresidents. Prior to the installation of this counter, we only tracked nonresidents entering the CNMI. This change will improve our ability to ascertain who is physically present in the Commonwealth.

We also instituted prescreening efforts to ensure that guest workers entering the CNMI satisfy conditions for entry. DOLI and State Department officials met late last year to discuss this issue. In addition, the Commonwealth unilaterally instituted prescreening of Filipino workers utilizing the Philippines Overseas Employment Agency ("POEA"), the Philippine Government agency responsible for all aspects of overseas employment for its citizens, and the Philippine Consulate in the CNMI.We are close to formalizing an agreement whereby POEA will assist us in our prescreening efforts. Efforts to implement prescreening have been concentrated on guest workers from the Philippines because they are the largest group of guest workers in the CNMI. Last year, DOLI instituted policies to prohibit entry into the CNMI of individuals from certain high-risk countries, except for garment workers. These countries include Bangladesh, Nepal, Sri Lanka, Pakistan, Russia, and the People's Republic of China. Individuals from these countries have been particularly difficult to repatriate in the past. These procedures are consistent with INS policies. The CNMI is now using INS "watch lists" of high-risk countries.

Last year, DOLI promulgated strict regulations for manpower, service providers and security companies to eliminate recruitment scams. These regulations prohibit security guard or manpower companies from hiring employees from outside the CNMI, thereby eliminating foreign recruitment scams in those industries. The regulations also require financial screening of all security companies, manpower companies and service providers to determine whether they have the financial capability to employ the guest workers. Companies that qualify are required to post a cash bond or a standby letter of credit in the amount of $5,000. The result of these regulatory changes has been the virtual elimination of these types of companies in the CNMI.

We passed a law this year limiting the stay of guest workers to three years.

Last year, legislation was passed creating a special industry committee system to recommend minimum wage levels patterned after the system in American Samoa. The Chairperson of this Committee is an official of the Hotel Employees and Restaurant Employees Union Local 5; the Vice-Chairperson is the Vice President and General Manager of the Bank of Hawaii. The Committee has been meeting since January of this year. They have held public hearings on Saipan, Tinian and Rota, reached out to the business community through appearing before the Chamber of Commerce, and met with labor leaders to hear their views. Businesses throughout the Commonwealth are being surveyed in a manner similar to that done by the U.S. Department of Labor in American Samoa to determine current wage and compensation levels in various industries in the CNMI. Based on the data that is gathered and the public input from all interested parties, and considering the current economic conditions in various industries, the committee will make a recommendation to the Legislature on the minimum wage. The law requires that the Legislatube set minimum wages no less than the rate recommended by the committee. The law also requires that the recommended wage cannot be lower than the current minimum wage. The committee hopes to complete its work in the next several months.

We are continuing to address our U.S. citizen unemployment rate, which is currently 13.4 percent, compared to 14.9 percent last year. First, we redrafted our Resident Workers Fair Compensation Act to ensure equal compensation between residents and guest workers and to make employment in the private sector more attractive to resident workers. Our Nonresident Worker Act mandates certain benefits for guest workers that are not provided for resident employees. Second, I created a panel to analyze job categories that would be attractive to residents. We will work with the CNMI Legislature to pass legislation to add these jobs to the categories

reserved for residents. In conjunction with this effort, we are working with the college and local high schools to institute or improve existing training programs for the job categories identified. In addition to reducing our unemployment rate, this effort should also further reduce guest worker numbers.

We improved services at DOLI's Employment Services Office. The task of this office is to assist residents in finding employment in the private sector. Under our Nonresident Worker Act, before an employer can hire a guest worker, he or she must certify that there is no resident interested and qualified for the job. This office has seen increased interest by our residents in private sector jobs, and has increased placement of resident workers in the private sector. By August of this year, we had already placed 142 more resident workers in private sector jobs than were placed for all of 1998. Further, placements from January to August of 1999 were five times the number of placements for all of 1997.

This only highlights some of our actions over the last year. We will be providing you with a more comprehensive report on our progress. Overall, our efforts have led to a projected 85 percent reduction in labor complaints between 1998 and 1999; collections, since January 1998, of $1,142,725 in back wage judgments for guest workers; a 41.6 percent increase in business establishment health and safety inspections; a 12 percent increase in garment factory inspections; a 75 percent increase in garment factory housing health and safety inspections; a 78 percent increase from 1997 to 1998 in deportation proceedings; improved services at DOLI including educational forums for guest workers about their rights, and improved translation services to increase confidence levels; more active filing of cases against violators of our laws; and, stricter enforcement of laws. We will continue our efforts and look forward to working more closely and cooperatively with Federal enforcement agencies.

VI. Conclusion and Recommendations

The CNMI has utilized the tools provided in the Covenant to develop a strong private sector economy over the past twenty years. The strength of the private sector has permitted us to become economically self-sufficient and to increase per capita income three-fold. Unlike other U.S. jurisdictions except Guam and Hawaii, our economic growth is directly tied to neighboring Asian economies. As those economies have suffered a drastic downturn in the past two years, the effect on our economy has been profound.

We are now at a critical economic crossroads: we are faced with the challenge of diversifying our economy at the same time that one of two major industries is about to leave. We are deeply concerned because the same tools that permitted us to build our current economy are under serious attack.

We have outlined the issues and what we have done to address them. We ask for your help and participation in the following ways.

- Please acknowledge our progress during the past year.
- Please preserve vital Covenant Section 702 CIP funds.
- Please help us restore investor confidence, which has been badly damaged by the uncertainty regarding our situation and negative publicity over the last few years. This is critical to our efforts to maintain self-sufficiency and diversify our economy.
- Please recognize the impact of the Asian economic crisis when considering legislation affecting the CNML
- Please appreciate that we have extremely limited natural and human resources with which to develop our economy, and achieve a progressively higher standard of living.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Governor. At the appropriate time, I'll have the Secretary of Labor and Immigration's Mark Zachares come to the table if there's any questions he can address that are asked by the Committee.

Mr. President, you're up.

STATEMENT OF PAUL MANGLONA, PRESIDENT OF THE SENATE, NORTHERN MARIANA ISLANDS LEGISLATURE, SAIPAN

Mr. MANGLONA. Mr. Chairman, members of the Committee, on behalf of the Commonwealth senate and from the Northern Marianas and from our people, I thank you for allowing me to speak before this Committee.

A year and a half ago, Mr. Chairman, we met with Members of Congress and said that the CNMI had a new administration with a strong commitment to work with the legislative branch to make reforms and resolve our labor and immigration problems. You and members of this Committee have personally taken time from your busy schedule to visit the CNMI and see for yourself the conditions there. We thank you for your fair-minded approach and your commitment.

Mr. Chairman, we are very pleased to report, with the governor, that we have indeed made real and substantial progress in our reform efforts. Further, we acknowledge there is still much to be done.

We have accomplished the following. We have greatly improved the treatment and living conditions of our guest workers. We completed a successful limited-immunity program to register illegal aliens. Our moratorium on new guest workers remains in effect and the number of foreign workers is declining. We enacted a law to help abandoned workers and provide airline tickets home in addition to salary relief. Workers' rights to transfer between employers have been greatly expanded. We also established a three year limit on the time guest workers can stay in the Commonwealth. We set a firm ceiling on the number of foreign garment workers and imposed attrition provisions.

We recently passed a law strengthening our system of health clearances and criminal background checks on potential guest workers. We now rely on the same agencies used by the United States Government for such clearances and certifications.

Mr. Chairman, these are only some of the concrete actions we have taken together with Governor Tenorio to address labor and immigration issues in the Commonwealth.

I would also like to take this opportunity to seek the assistance and the understanding of this Committee regarding the longstanding frustration in obtaining compact-impact funds. Ironically, the Clinton Administration has tried to divert our CIP funding and give it to Guam when we have enormous compact-impact costs too. Such actions can only be seen as an attempt to punish the CNMI for resisting efforts to kill the garment industry, one of the mainstays of our local economy. Our resident representative to the United States has repeatedly raised this issue with the Federal Government to no avail.

To prepare for the future beyond the garment industry, we have also been working hard to diversify our economy so we will never again have to depend on Federal hand-outs. For example, we enacted a law to grant long-term residency to alien retirees who invest $150,000 or more in a single residence in the Commonwealth. A bill to establish free trade zones to stimulate the economy and bring in new forms of business and investment has been passed by the House of Representatives and, in less than 30 days, is expected to clear the Senate.

But all of these efforts will come to nothing if we are unable to provide the work force necessary to support our economy. We need to retain our ability to tailor our labor and immigration system to local needs. Decisions that need to be made locally in the Commonwealth should not and cannot effectively be made in Washington,

DC. We ask you, Mr. Chairman and members, to support our efforts to develop and sustain an economy that is a beacon of the superiority of the democratic free enterprise system.

We appreciate your genuine commitment to give us an opportunity to be heard before Congress takes any action that could have a far-reaching effect on our islands and our people. This commitment is especially important because, more than 20 years after joining the U.S. political family, we still do not have a voice in Congress. The Clinton Administration, together with some members in Congress, would like to silence us or bypass that voice by opposing non-voting delegate status, yet, at the same time, they ask Congress to enact legislation that would dramatically affect the lives of every person living in our islands. This irony is compounded when we reflect upon the fact that the CNMI is unique among the territories in being deprived of any representation.

On a variety of issues, our Washington delegate, Mr. Juan Babauta, speaks of compact-impacts, yet defunding labor and immigration and minimum wage. Many times in the past he has raised these concerns to those Federal agencies which often resulted in little more than a raised eyebrow. We continue to maintain that representation in this Congress is a fundamental aspect of the Federal responsibility to the Commonwealth.

Mr. Chairman, we know you have supported us on the non-voting delegate issue, CIP funding issue, and other matters in the past. We thank you and this Committee for that and for the opportunity to appear before you today. We look forward to continuing to work closely with Congress to address our mutual concerns. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. President. Mr. Speaker.

STATEMENT OF DIEGO T. BENAVENTE, SPEAKER, NORTHERN MARIANA ISLANDS LEGISLATURE, SAIPAN MP

Mr. BENAVENTE. Thank you, Mr. Chairman. Mr. Chairman and members of this honorable Committee, good morning. For the record, my name is Diego Benavente, speaker of the House of Representatives of the 11th Commonwealth legislature. On behalf of the members of the CNMI House of Representatives, I would like to thank you for the opportunity to testify on some of the Committee's concerns regarding the CNMI in this oversight hearing. Indeed, I am grateful for such an opportunity, more particularly on behalf of the people of the Commonwealth. For, as you know and as President Manglona has pointed out, we have no official representation in Congress, unlike the States and all other territories.

I want to address several areas of concern with the hope that resolution of issues will take into consideration the CNMI's unique political, economic, and social status within the American political family. Mr. Chairman, the CNMI is still a very young democracy, even compared to its island neighbor to the south, Guam. Because of our limited experience with self-government and in addition to the problems that came as a result of our economic policies over the last 15 years, especially in terms of immigration and labor matters, it becomes apparent why and where we made mistakes along the way.

For their part, the national news media and even some in the administration and Congress have capitalized on our shortcomings and inexperience and have embarked on a mission to federalize the control over CNMI immigration and minimum wage. We submit that any successful attempt to take over our immigration and minimum wage would, one, harm our fragile economy and, two, remove a fundamental aspect of our right to self-government under the Covenant.

I say that, given the chance, we can correct what mistakes there are without need for a Federal takeover. In fact, as Governor Tenorio has mentioned, they are being corrected and, through reform legislation and effective enforcements since last year, our legislature passed no less than half a dozen laws concerning guest workers in the Commonwealth.

For example, there's now a moratorium on the hiring of additional guest workers. This law already resulted in a 22.7 percent decline in the issuance of guest permits alone in 1998. For those workers who have judgments against their employees for unpaid wages or who have been abandoned by their employees, we enacted legislation whereby the government pays for repatriation costs and unpaid wages. This despite declining government revenues.

In addition, there is now a limitation, legislation limiting the maximum length of time that guest workers can stay in the Commonwealth to three years, similar to the limitation for H–2B workers. Thus this limitation is reasonable and addresses dhe criticisms that some guest workers have lived in the Commonwealth for a long time, yet do not have the political rights—any political rights. Furthermore, by requiring guest workers to exit after three years, this law encourages employers to recruit local residents to replace the departing guest workers.

Through such legislation and enforcement, our government is wholeheartedly committed to correcting the mistakes of the past and establish an effective system of immigration and labor control. Our united Commonwealth leadership that is here today, both government and private, hopes to convince you of that.

Mr. Chairman and honorable members of this Committee, the leaders of the Commonwealth are mindful that the continued development of our local economy and enhancement of the overall quality of life in the islands require a firm physical infrastructure. To assist the Commonwealth in this regard, the United States has pledged to provide funding for capital improvement projects pursuant to section 702 of the Covenant and later funding agreements. Under the present agreement, the CNMI is required to match Federal CIP funds on a dollar-to-dollar basis. Our current legislature and Governor Tenorio's administration have worked diligently to identify the full range of projects to be undertaken, including identifying and securing the sources to meet the local matching funds requirement. We appreciate any effort on your part to support continued CIP funding for the CNMI and that existing funding not be disturbed.

In closing, on behalf of my colleagues in the House of Representatives and the people of the Commonwealth, I hope that we have impressed upon this Committee our resolve and strong commit-

ment to set our house in order because the future of our Commonwealth depends upon it. Thank you, Mr. Chairman.

[The prepared statements of Mr. Manglona and Mr. Benavente follows:]

STATEMENT OF DAVID NORTH

You have an admirable collection of information here, and I think the report can make a big difference in the on-going policy discussion.

But, truth to tell, my sense is that it needs a little more snap; there is potential drama within this theater, but it needs to be moved to the front of the stage.

You have also done a lot of original work, creative undercover stuff, and you have (all too modestly) downplayed it. In how many studies does one find that the best part is in the methodology section? Not many.

Before we go much further, bear in mind that I am a writer, one with a lot of familiarity with the subject, and so what I say relates to what I would have done with the similar material. So you should toss many grains of salt on what I say, for that reason. My comments come in three flavors:

A. there are some over-arching suggestions noted above and below in this memo;

B. there are notes A through I think I, which deal with specific subjects, set off by specific sentences in the text; and

C. there is some page-by-page editing. In instances in which the notes are surrounded by brackets [ ] these are asides to you; in other instances, without brackets, they are suggested edits.

Generally, I would encourage you to impose the following on the report:

1. Some themes, notably a description of what you saw as a part of a giant conspiracy, maybe of how the PRC is taking over, with the unwitting help of American conservatives, a whole American island. This, I think, is a little sexier than a detailed litany of the very real human rights abuses.

An alternative version would be an excellent example, on American soil, of how NOT to run an immigration policy; of how U.S. citizen workers are rendered unemployed while trafficking for profit dominates the scene.

Another theme would be the bondage of debt, that prevails (silently) in the CNMI; all the garment workers are somehow bonded, and many (but not all) the others have similar experiences. The poor Bangladeshi are stuck and screwed, but not bonded to an employer.

Whatever the theme, it is needed for itself (to tell a truth in a dramatic way) but also to make more coherent and more significant that great amount of detailed information you have collected.

2. You need to be—and I could be fired, not shot for this—more distant from the Clinton Administration. Bill Clinton has not made this a personal battle with Congress; a secondary point, the Administration is not spending as much money as it should on enforcement, nor has its Justice and Treasury operations been as strong as its Labor and Interior programs. (We will need to figure out how you can say that without implicating me.)

3. The drama of what you two did is all but lost; how you got parts of this story are more dramatic than what you learned. Your accounts of this in person, Steve, have a drama that is not reflected (yet) on paper.

More drama and a theme or two will lead to useful and quotable soundbites, which are not now present.

4. One temptation in such a report is to write down everything you learned; you need to resist that, and drop some of the detail.

5. On the other hand the very peculiar civics and economics of the situation might be given a little more attention; the odd ways that the U.S. treats its territories, each quite different from the others.

Further, to produce clothing in the CNMI (one of my favorite themes) is to produce it in the worst place in the world for various U.S. interests. I think I have walked you through this—if the clothes were made in Mexico, for instance, it would produce hundreds of millions of dollars worth of sales for U.S. fiber, yarn and textile companies and thousands of jobs for their workers; if made in Cambodia, no jobs, but $200,000,000 a year in duties, a major benefit to U.S. taxpayers. (The CNMI of course, just talks about garment jobs, none of these more sophisticated concepts.)

This is of course, a bit distant from trafficking, but you can talk about these matters as another set of adverse results coming from the trafficking policies.

OK, enough of the big picture. Here are some specifics:

1. I found the definitions, probably very important to you as they are, getting in the way of the story. Maybe you could put them in an appendix, and just refer to them in the text.

2. The text wanders between The Mogul (nice term) and naming Willie Tan; Preston Gates is treated the same way. I think I prefer naming them. A sentence or two about Willie Tan's other interests might help too.

3. Paragraphs seem to be longish.

4. You probably should stop for a sentence early on and talk about the Tenorios, uncle and nephew, battling each other in the 1997 election, an example of disunity among one of the 14 families (a nice concept.) one of Allen Stayman's notions, though I have little proof of it is that the families get money from the garment industry by leasing land to it.

5. Given the length of the report you might consider hiring someone to do some light editing, copy editing, not restructuring or extensive rewriting. I have done a little of that, but more is needed, and it is hard to do it yourselves—you are both too close to it to notice unconscious items like "Congressman DeLay was successful in delaying action. . . ." or some such sentence.

6. I am a compulsive, footnote person; within limits, the more footnotes the easier it is for the reader to accept what you are saying; you, the author, is not the only authority. You could easily triple the number of footnotes in this one.

Now for the notes which are keyed to the text:

A. I would not use George Miller's 66,400 jobs lost; it sounds unbelievable, and you either have to stop and explain it or drop it.

B. The 11,000 limit, presumably self-imposed, similarly needs to be explained or dropped. The current text makes it sound like there is some external law or regulation that the CNMI is violating.

C. At the moment you have cited George Miller as the only person in the Congress who wants change; he does, of course, but I would let people know that in perhaps different ways there are a whole lot of people pushing for change—including Sens. Murkowski and Akaka, and Congressmen Spratt, Miller and Bob Franks (R NJ) whose name can not be used now, but can soon.

D. Jane Mayer of the *New Yorker* is working, not totally successfully, with this problem.

E. As to who pays for the lobbyists, it seems that the garment factories have enough clout locally to force the CNMI to do it from tax funds; having a public agency (the CNMI govt.) do it, was very helpful when they were funding the junkets, because govt-funded junkets do not have to be reported, but corporate ones do. You should bear in mind that in a few days (Feb. 28) there will be a new round of lobbying reports on file, and we can see how much P-G was paid for the last six months.

F. The CNMI's lousy wage payment enforcement does not stand in a vacuum; both the feds and many states have highly useful programs to meet the same goal; it is not as if CNMI had to invent something on its own. Terry Trotter has a wonderful technique; he calls the customer in New York and says that he will go public, right away, unless the factory in the CNMI pays up promptly. They do, though you should not name him in this connection.

G. This is under the "XI. Extortion of Workers" section. This is specialized, but a double whammy. If you (an alien worker) have lost your job in the CNMI you are subject to deportation; however, under a local amnesty law, if you come forward to the authorities, you have a (wildly generous) 60 days to find a new job, and that new job will give you legal status again. The only people who are hiring are the garment industry, and so it is within the garment industry that the petty officials are selling jobs—and legal status—to poor alien workers for whatever gilt they can obtain.

I can provide at least one news story on this subject, maybe more. Maybe you have the clips in hand.

H. I disagree that Tan or the garment industry supports Preston-Gates; I may be wrong, but the govt. pays the bills, and there have been some lovely stories about what PG bills for, and for how much, all dug out of CNMI govt. files.

I. I (me, David) am running down, now, but I think we can talk a little further about policy recommendations, but not just now.

I hope you do not find this too harsh, too intrusive or too radical. You are about to make a major contribution and I want to help in that process.

Perhaps Rhonda—not the report—will have the drama, but I think it can be in both places.

Thank you for showing this to me. (And bear in mind that only the spellcheck has edited the document.)

The CHAIRMAN. Thank you, Mr. Speaker. Mr. Representative Babauta. Hopefully we'll get you a vote one of these days. You're on.

STATEMENT OF JUAN N. BABAUTA

Mr. BABAUTA Thank you, Mr. Chairman. Mr. Chairman, I join the governor and the Senate president and the speaker in expressing our appreciation to you for your continued support in preserving the Covenant funding for the Northern Mariana Islands; much needed for the development of our infrastructure throughout the Northern Marianas. As you know, we do have three islands for which that money is badly needed for development of our economy there.

Mr. Chairman, the people of the Northern Mariana Islands have been putting a lot of pressure on their leaders for change because what the people are seeing is not right. But I have to assure this Committee that change is occurring. Local officials who best understand local problems and conditions and who are answerable to local voters have acted on numerous local policies to deal with these problems.

And, very quickly, Mr. Chairman and members, we have improved our entry and exit system. It is much better now. We now have a better handle on the LIIDS program. We have limited amnesty for illegals; 3,000 of them showed up—signed up, rather. And we have tightened up regulations regarding security guards and manpower agencies which accounted for the large majority of the labor complaints in the Mariana Islands. We have a moratorium law. As imperfect as it is, it is a moratorium law nonetheless and it is a step; a step that we have never taken before in the Northern Mariana Islands.

We have open transfer of jobs now in the Northern Mariana Islands that we did not have before. We put a cap on garment workers. The INS and the CNMI joint effort regarding the illegals in Tinian for those coming from China have worked out very well. We put a three-year cap on non-residency or non-resident stay; and we now have a pre-check screening for health and a pre-check screening for criminal background checks for those now entering the Northern Mariana Islands.

But while we try to address these difficult issues at the local level, the question is what has the Federal Government done? And the answer is that the Federal Government has not been willing to devote a high level of resources even to carry out functions where the Federal responsibility is quite clear. And this is not a statement by Juan Babauta nor a statement from Governor Pedro P. Tenorio or any one of us here on the panel. This is a statement from the U.S. Commission on Immigration report. It is clear that the Federal Government is a reluctant party when it comes to enforcing Federal laws in the CNMI. As a general observation, the Federal Government is a reluctant party when it comes to promoting and enhancing the cause and the well-being of all the insular areas, not just the Northern Mariana Islands.

Mr. Chairman, we can sit here all day long and talk about immigration and labor and we can sit here all day long and talk about minimum wage and the duty-free manufacturing in the Northern

Mariana Islands, but, in the end, these conditions are symptoms. They need to be dealt with, but they are not the core problem. Mr. Chairman, this great nation of ours has a territorial problem and until this nation addresses its territorial problem, deals with the needs and circumstances of the insular areas as a whole, then symptoms of that problem will continue to crop up.

Today our nation is in a period of unprecedented economic growth, yet look at the conditions in the insular areas. By most economic measures, we lag behind. Half the insular area population is below the U.S. poverty line. Two days ago, before the Senate Energy and Natural Resources Committee, we heard that America should be one country. But the fact is that we are two America's. The 50 States are 1 America; the insular areas are the other America. And these two Americas are drastically different, not only economically, but politically.

I believe it is no coincidence that the insular areas, without full political rights, are least well-off economically. And this is beyond having a delegate in the Congress and in the House of Representatives. And I have a concern that this condition of economic and political disenfranchisement seems permanent. There is no way out. The CNMI had a vision when we negotiated the Covenant. We wanted to be part of America economically and politically. And that vision still lives today. Thank you, Mr. Chairman.

[The prepared statement of Mr. Babauta follows:]

STATEMENT OF JUAN N. BABAUTA, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Mr. Chairman and Members of the Committee:

Today's hearing is the fourth this Committee has held since 1992 to look at how the Federal and the local governments are dealing with the issues of immigration and foreign workers in the Northern Marianas. Mr. Chairman, you, Mr. Miller, and other Members have during this time epended the personal effort to fly halfway round the world to observe the reality in the Marianas and to talk with all parties. As a Committee your scrutiny has been an incentive for change. And as individuals your demonstration of personal concern and the informed counsel you have been able to offer as a result of your visits must also be credited with provoking positive changes.

Even more important, though, has been the role of the people of the Northern Marianas, who have insisted that their elected officials change the course of immigration and labor policy. As Speaker Benavente testified last year regarding the sentiment of the people who elected him: "They want stringent control of immigration. They want labor enforcement. They want to maintain the character of their traditional community life."

You have heard this morning of the actions the Northern Marianas has taken—and is taking—in response to this public sentiment. These actions are designed to ensure that immigration to our islands is managed effectively, and that foreign workers, once arrived, are treated in a manner consistent with the fundamental human values our local community respects. These actions also promote the goal of Covenant Section 701: to raise the standard of living of the people of the Northern Marianas to that of the rest of the United States in a manner which protects our culture, our community, and the environment in which we live.

Have we achieved perfection? Of course not. But we have faced up to the need for change and taken appropriate action.

Is there more to do? Yes, there is; as in any community, social improvement is an on-going process. But I believe—and I say this as one who has been a persistent critic of the Northern Marianas open-door immigration policy and of the way workers have been treated—I believe all-in-all the situation is better

And change has occurred in a way, Mr. Chairman, I think you would agree is usually preferable: local officials, who best understand local conditions and who are answerable to local voters, have crafted local policies to deal with the problems.

What has the Federal Executive branch done to make things better?

- OSHA inspections appear to be improving workplace conditions. I was glad to see recently that the penalties for the violations OSHA uncovers in the Marianas are below the national average, which indicates to me the violations are on average less severe than elsewhere in our country.
- The new ombudsman's office Congress mandated is in operation and helping foreign workers reach the system of Federal and local laws designed for workers' protection.
- The federally funded computerized tracking system is up and running at least sufficiently that data from that system is now being reported in our annual statistical abstracts.

We still have, however, concern about the commitment and efficiency of Federal law enforcers in the Marianas. As the U.S. Commission on Immigration Reform observed in its 1997 final report: "... the Federal Government has not generally been willing to devote a high level of resources even to carry out functions where the Federal responsibility is clear.[1] Indeed, the principal reason that Labor and Justice and Treasury have agents and offices today in the Marianas is because those Federal departments have been able to siphon off funds that Congress had otherwise designated for capital improvements in all the U.S. territories. The agencies are reluctant to spend their regular operational funds to do their duty in the Marianas.

To me it is clear that when it comes to a "territory" without representation in Congress or a role in election of the President there is, of course, no incentive to commit Federal resources.

It should be clear to you why, given this reality, we in the Marianas remain essentially skeptical about calls to increase Federal law enforcement responsibilities by extending the Immigration and Nationalities Act. We just don't trust that if the Federal Government had that additional power over us our interests would be listened to or our welfare put before other concerns that the Executive branch—or Congress—might in the future have.

We see a pattern of unfulfilled promises from our Federal partners. Today, for instance, we wait patiently for reimbursement of some $700,000 we expended this year to assist the U.S. Immigration and Naturalization Service in the interdiction and confinement of over 500 Chinese who attempted to illegally enter Guam. The Governor responded immediately when the Attorney General asked for a commitment of CNMI manpower and money to deal with this crisis. Yet there seems to be no such sense of urgency on the part of the Federal Government when it comes to its pledge of repayment.

And year after year goes by without the compact impact assistance Congress promised the Northern Marianas in U.S. Public Law 99-239 to offset the costs of immigration from the island republics with which the U.S. has a relationship of free association—costs we estimate in 1998 to have been $15.1 million. Guam receives some $5 million annually for compact impact; and in this year's budget the President proposed doubling that amount. So, clearly the Federal Government acknowledges the legitimacy of the claim for compact impact wherever there are immigrants from the freely associated states. Yet the Northern Marianas—and the State of Hawaii—receive nothing.

Of course, the Marianas has benefited from our partnership with the U.S. We appreciate the many Federal grants. Yet we receive less Federal assistance per capita than any other part of our nation. The most prominent of the Federal grants—$11 million annually for capital improvements—is subject to a 50-50 match that no other territory has to make for similar monies. If we are slow to make the match, continuation of the funding is attacked on the floor during appropriations debates, as it was this year and last. Still we take pride in the self-sufficiency that 50-50 match implies and in the systematic approach to spending those funds embodied in the plan Governor Tenorio prepared last year and which he and the Legislature are abiding by.

We are proud, also, to be U.S. citizens. Perhaps, because we had to work to achieve that citizenship, because we consciously chose citizenship by referendum, and because we endured 300 years of colonialism to achieve this freedom, we appreciate—in a way those who simply have the good fortune to be born an American cannot—what it means to live in a democracy. And we will demonstrate our appreciation on November 6th, when, if the past is any predictor, over 90 percent of the eligible voters in the Marianas will cast their ballots in legislative elections.

Imagine how it feels to people who take participation that seriously to be denied any role in our national government.

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[1] Immgration and the CNMI: A Report of the U.S. Commission of Immigration Reform, 1997, p. 16.

I commend this Committee for taking action in the past to provide the U.S. citizens of the Northern Marianas with a Delegate in this House of Representatives. But Mr. Gallegly's delegate bill was blocked—this Committee's recommendation was thwarted—in the 104th Congress. In the name of simple justice I ask that you not let the 106th Congress end without righting this wrong.

And do not stop there, Mr. Chairman. This Committee and this Congress must confront the totality of the relationship between the "territories" and the rest of this United States.

Our nation today is enjoying a period of unprecedented economic growth. Yet look at conditions in the insular areas. By many measures—GDP or personal income per capita—we lag far behind the rest of the nation. Large percentages of our populations are below Federal poverty guidelines. To one degree or another most of our governments have accumulated debt; some remain dependent on the Federal Government for operational funds. It would not be an overstatement to say that we are America's insular Appalachia. There is no vision required to see where we need to go: we want to be as prosperous as the rest of our nation. But vision is needed—and Congress must be our partner in this—to find a pathway to that goal.

Politically, too, Congress needs to take action on what is a fundamental affront to our American ideals: Here in the third century of our democracy there remain 4 million U.S. citizens who are denied the right to vote for the laws that govern them or the right to vote for the President who administers those laws simply because those citizens live in American Samoa and Guam and Puerto Rico, the Virgin Islands and the Marianas. Why even U.S. citizens living in foreign countries can vote for members of Congress and the President. Only those of us in America's "territorial" enclaves are denied this fundamental right of citizenship

One criticism of the NMI immigration policy is that it allows there to be a permanent resident population that is politically disenfranchised—and that this is counter to American values. I agree. And I would add that this is also a perfect description of U.S. territorial policy: four million Americans permanently dispossessed.

So, I close by asking this Committee to rise to the challenge posed by a 19th century territorial policy that is in danger of persisting into the 21st century. Take on the challenge and together let's make the insular areas truly a part of America.

Mr. Chairman, thank you for this opportunity to address the Committee.

The CHAIRMAN. Thank you, Mr. Juan Babauta. I don't think anybody would disagree with what you just said about the territories being behind. And I think this Committee and this Congress has been neglectful over the years of all the territories. We were the last territory to become a State and thank God, if you read the paper yesterday, my people in the State of Alaska have done well as a State because we were given the God gift of economic well-being with good oil development and that you don't have, nor do the other territories. So we have to figure out a way to get you in the fold and make sure it works.

To restate most all of your comments, I would just like to recap what's been said here. Now has there been a cap put on the number of garment workers by this administration, by you, Governor, and the House and the Senate?

Governor TENORIO. Yes, sir, Mr. Chairman. The actual cap of the garment industry now is 15,727. However, we have the cap up to 15,727, presently we have only, I believe, a little over 15,000 employees of the garment industry.

The CHAIRMAN. Okay. Now has that had any impact? Mr. Zachares, if you'd like to join us because you're the guy that handles this thing.

Mr. ZACHARES. Thank you, Mr. Chairman.

The CHAIRMAN. What impact has that had on the activity and the present I'd say conditions of the work force in Saipan?

Mr. ZACHARES. Governor, if I may? The bottom line is the numbers are down 26 percent from 1997 in the total work force within the Commonwealth. That includes garment and every other sector.

It's had a very minimal effect right now. There's been a little over 500 actual workers that came in under this cap program or under the legislative cap. And most of those workers went to those new factories that had obtained a license in the previous administration but had no other workers.

I think what the focus on this cap bill was the attrition effect of it, because they have one year to bring in the amount of workers for the cap. If they don't bring those workers in—and I think we have about four months left under that—they lose the cap numbers. If a garment factory goes out of business, those numbers are lost through the attrition provision. And, additionally, one other highlight of that provision: that it closed up the loophole in manpower agencies, that you could no longer hire workers—it usurped the cap before when you could get a manpower worker and that was not included.

The CHAIRMAN. What's the difference between the garment worker and a guest worker?

Mr. ZACHARES. They would be essentially the same if the garment worker was from off-island and not a local worker.

The CHAIRMAN. Okay, but there's a moratorium on hiring any new guest workers. Is that correct?

Mr. ZACHARES. Yes, sir.

The CHAIRMAN. How new is that?

Mr. ZACHARES. The moratorium came into place I believe in March of 1998.

The CHAIRMAN. Okay. Going on to the number of illegal aliens, did you grant amnesty to those illegals that came forward within a certain time frame? And has the amnesty bill help the CNMI get a better grasp of the illegal aliens?

Mr. ZACHARES. Yes, sir. It has. I believe the numbers were 3,111 workers came forward under the provision. If I can look in my notes here, I can give you an exact breakdown on it. But what we noticed from the workers that came forward from the demographics of it, the largest amount were Philippine workers, because we did a lot of education with the Philippine consulate there, a lot of outreach programs. But we did see an unusually high number of Chinese workers who generally are a little bit more suspicious of coming out and taking advantage of a program, government programs. They came in second, as far as coming out. And then the Bangladeshi situation. Almost half of those workers obtained one-year permits from that and then we had over 2,000-some got temporary work permits.

The CHAIRMAN. The Bangladeshi were granted, I noticed in the testimony of the governor, they were given compensation for back wages and they have also been given an opportunity to return home, fully paid fare? Is that correct?

Mr. ZACHARES. Yes, sir.

The CHAIRMAN. How many have taken advantage of that?

Mr. ZACHARES. Approximately—the Bangladeshis, sir, I believe it's about 111 Bangladeshis, per se, have. We have others that are eligible for it: Chinese workers and/or Filipino workers.

The CHAIRMAN. How new is that?

Mr. ZACHARES. This provision came into effect I believe in February.

The CHAIRMAN. Okay. Governor, for you specifically, you described a level of cooperation between the CNMI and the various Federal governments and agencies. Have you received any reports from the Customs Service regarding the activities of the Marianas?

Governor TENORIO. Yes, sir, we received a report from the Customs.

The CHAIRMAN. I have not received that. Can you submit that?

Governor TENORIO. Yes, sir. I would be very happy to submit to you, Mr. Chairman.

The CHAIRMAN. I would appreciate that. I want to see that report. My time is about up. Talking about, Mr. Zachares, the Philippine government's current position regarding the treatment of the workers in CNMI, what is their position?

Mr. ZACHARES. The current position, if I can quote from a letter that we received, actually the governor received through the administration, briefly I can quote from it. "The consulate's report emphatically reiterated the good working conditions of our Filipino workers and the effective coordination efforts between the consulate and the local government."

The CHAIRMAN. Has that been submitted to the Committee?

Mr. ZACHARES. I'm not sure if it has. It will be, sir.

The CHAIRMAN. I would request that, respectfully, that it will be submitted to the Committee?

Mr. ZACHARES. Yes, sir.

[The information follows:]

The CHAIRMAN. Okay. Now, lastly, before I turn things over to Mr. Doolittle because I have a short meeting I have to go to and he will run the Committee, I want all of you in the room after all the questions of this panel, I want you to remain in the vicinity so if I have any questions following the testimony of the government agencies, I want you available to answer those. And that goes for the government agency after they testify. Otherwise, I want you all around this vicinity after you've testified so we can sort of cross reference what's been said on both sides of the aisle so we know where we're going and what we're trying to achieve here today.

Mr. Doolittle, will you please take over? And he will recognize you, Mr. Miller.

Mr. DOOLITTLE. [presiding] Mr. Miller is recognized.

Mr. MILLER. Thank you, Mr. Chairman. Zachares, is that correct?

Mr. ZACHARES. Yes, sir.

Mr. MILLER. Mr. Zachares, thank you. Can you explain to me, or any other member of the panel, the difference between the cap that you just discussed and then the cap that I think an earlier version or—I don't know if it was an earlier—another version was the absolute garment cap that was vetoed by the governor? What's the difference between the two?

Mr. ZACHARES. The garment cap and the moratorium. The moratorium law came into effect March of 1998. That was not to allow any new workers into the Commonwealth. Replacement workers were, with very few exceptions, under some provisions, as far as if you met certain criteria, financial criteria. There is a provision on the—now the garment cap bill that you're referring to was the final cap bill. The garment was not allowed to bring in new workers

under the moratorium bill. The garment cap bill came into effect to set the limits for the garment industry, a final cap number with the attrition provisions provided.

Mr. MILLER. And that was vetoed? Is that the law now?

Mr. ZACHARES. Yes, sir.

Mr. MILLER. And that puts a cap. So if you go out of business under existing law, what happens to your workers?

Mr. ZACHARES. Two things can happen. If you own another factory that has an available numbers of workers that you could take, you could absorb those workers into that work force. Otherwise, it would be a repatriation back to your point of origin.

Mr. MILLER. Okay. How is it, now that you have a cap on I guess the phrase is guest workers, how is it you now check the background of people coming to the CNMI?

Mr. ZACHARES. How do you check the background? Well, we do a police clearance and a health clearance from the point of hire. There is a new bill that was signed by the governor, I believe two days ago, that increased the background checks to be consistent with the U.S. standards.

Mr. MILLER. How can it be consistent with the U.S. standards?

Mr. ZACHARES. For example, utilizing clinics within that country that are recognized by the U.S. State Department or the INS and also the criminal background agencies within that country.

Mr. MILLER. So explain to me how you utilize those.

Mr. ZACHARES. Well, it was just signed two days ago. We will be utilizing it. It complements what we already have in place. It strengthens the background checks that are already in place.

Mr. MILLER. Explain to me how it works.

Mr. ZACHARES. Our checks in place right now?

Mr. MILLER. No——

Mr. ZACHARES. We would ask for a——

Mr. MILLER. Both of them. That and the new system.

Mr. ZACHARES. In the previous one, we request a physical from a clinic within the country and also a police clearance. This one, the difference or the distinction between the two is now we will require the clinics that are recognized by the U.S. State Department instead of any clinic within the country and also the appropriate investigative agencies within that country for criminal background checks.

Mr. MILLER. What would be the situation if that same person was seeking entrance under the U.S. immigration system?

Mr. ZACHARES. I'm not aware of that, sir, under the U.S. immigration system. I could not answer that with——

Mr. MILLER. You don't know how they would be pre-cleared? How would they be pre-cleared with law enforcement agencies under Immigration?

Mr. ZACHARES. We've actually requested to have some watch lists. We have not been provided watch lists so I could not address that question.

Mr. MILLER. So you don't have the same provisions that you have when a person enters the United States they scan—you scan the visa and it picks up that information and when they leave you scan the visa and you pick up that information.

Mr. ZACHARES. Well, that's actually part of what we're trying to develop through our LIIDS system, that compatible system, a similar system in that vein.

Mr. MILLER. When is the LIIDS system going to be—it's been in production for a number of years. When is that going to be on line?

Mr. ZACHARES. Well, we're planning to visit a—we have a scheduled visit to Laos to examine a system that has been put in place by the Australian government there with a similar type of situation as far as guest workers coming in, sir.

Mr. MILLER. How do you verify both the law enforcement check and the health check currently?

Mr. ZACHARES. Well, the health check, we have a two-tier system because before they come into the CNMI, they must submit a health clearance but, after they get in the CNMI, then they must go to a clinic within the CNMI and have a follow-up health check there.

Mr. MILLER. And what—the procedure for a tourist is what?

Mr. ZACHARES. The procedure for the tourist is if you're coming in from, say, Japan or Korea, it's similar to the visa waiver program. They will be questioned at the point of entry. They have to show that they are financially able and that they are actually going to a legitimate place to stay as a tourist. They're identified through an examination, the same that INS would use.

Mr. MILLER. Well, not exactly the same.

Mr. ZACHARES. When we're dealing with visa waiver programs, it would be identical, such as Japan or Korea.

Mr. MILLER. When a tourist comes in from the Philippines.

Mr. ZACHARES. They would be examined a little bit more thorough than if they were coming in from Japan or Korea, sir.

Mr. MILLER. And how would that be?

Mr. ZACHARES. Well, it's—the inspector at the airport would examine them, sir.

Mr. MILLER. What would he examine?

Mr. ZACHARES. To make sure that they were coming in legitimately as tourists and identify where they were staying and the money—that they do have adequate funding in order to ensure that they are legitimate tourists.

Mr. MILLER. And if they were coming in from China, how would they be examined?

Mr. ZACHARES. Chinese tourists don't come in, sir.

Mr. MILLER. You don't have anybody coming from China on tourist visas?

Mr. ZACHARES. Very limited, from Hong Kong, sir.

Mr. MILLER. What number do you have coming from the Philippines?

Mr. ZACHARES. I do not have that number before me. I'd be happy to give it to you at a later time, sir.

[The information follows:]

Mr. MILLER. Thank you.

Mr. DOOLITTLE. Mr. Zachares, you've made some excellent testimony, but I think because you are such a—going to be a prominent witness, we need to put you under oath as well. So would you rise and do that?

[Witness sworn.]

Mr. DOOLITTLE. Thank you. And now that you're under oath, the previous statements you made to this Committee were the whole truth and nothing but the truth, right?

Mr. ZACHARES. Yes, sir. They were.

Mr. DOOLITTLE. Yes. Mr. Zachares, I appreciate your testimony and wondered if you would—and I'll invite the others in the panel if they'd like to offer this response—but how would you describe the level of cooperation between the CNMI and the various Federal departments and agencies? In other words, how do you feel about their cooperation with the government of the CNMI?

Mr. ZACHARES. Governor, would you like me to address that?

Mr. DOOLITTLE. Governor——

Mr. ZACHARES. Thank you, sir. It's been my experience—as you may be aware or you may not be aware, I was the incident commander for the Tinian operation, the diversion program, for the CNMI, so I did get a chance to intimately deal with a lot of Federal agencies over there in that particular situation. And I do have contact with other offices such as the Department of Labor, NLRB, EEOC, the FBI, DEA.

In some cases, it is an extremely effective working relationship. For example, with the FBI-CNMI Task Force, we find an immense amount of cooperation and effectiveness between the CNMI's efforts and also the Federal efforts. Additionally, with the DEA, I don't deal with them as directly, but my understanding is that there is some cooperation there.

I think the problem that arises now with some of my dealings with other agencies are we are full-time. We are on the ground 24 hours a day, 7 days a week. That is my home. My children are from there. My wife is from there. It is not a part-time enforcement effort for me. And it's very difficult when you have some agencies, Federal agencies, that treat it as a part-time enforcement agency—or enforcement effort.

Mr. DOOLITTLE. Well, which Federal agencies treat it as a part-time enforcement effort, in your view?

Mr. ZACHARES. In my view, right now, agencies such as EEOC, NLRB, OSHA. And some of these agencies are, for example, with OSHA, could assist us immensely in our efforts in the very sensitive area of the garment. We are working very closely. When OSHA is on-island, we try to work very closely and share information with them, as well as working with the SGMA, that is the garment association, in trying to ensure that everyone keeps in their areas of compliance. But there are agencies that, quite frankly, like I said, are involved in more part-time enforcement.

Mr. DOOLITTLE. So OSHA and the EEOC are two of the examples of lax enforcement and yet are these not two of the agencies making some of the most serious charges?

Mr. ZACHARES. Yes, sir.

Mr. DOOLITTLE. Does that strike you as odd that they would make those representations of serious charges yet shirking their own duty, which they have the power to do, to enforce the law?

Mr. ZACHARES. I think it's difficult to make an assessment based on a part-time enforcement effort. Yes, sir, I would agree with you.

Mr. DOOLITTLE. I mean, why are they ma—do they have the ability to have a full-time enforcement effort?

Mr. ZACHARES. Federal laws apply there that they are there to enforce. I believe in our last hearing, Senator Murkowski alluded to the fact that Federal laws do apply; that the agency should be funding fuller enforcement out there and to maintain an office out there within their own agencies.

Mr. DOOLITTLE. What reason do they offer to you as to why they are not making a full-time enforcement effort?

Mr. ZACHARES. It's very hard to pin them down on what reasons because it's a part-time effort. There's times that I'm working full-time there and it's hard to pin them down why. Generally, though, the answer is funding or where the funding is coming from.

Mr. DOOLITTLE. And aren't they supposed to enforce the laws, even in this part of America, namely the CNMI?

Mr. ZACHARES. I believe those Federal laws are applicable.

Mr. DOOLITTLE. I mean, is there some reason why they would—I mean, would it be any different? And if they declined to enforce the laws in Kansas for some reason in favor of some other State?

Mr. ZACHARES. No, sir, it wouldn't. It would be no different.

Mr. DOOLITTLE. Okay. Thank you. Let's see. Mr. Faleomavaega is recognized.

Mr. FALEOMAVAEGA. Mr. Chairman, in deference to my colleagues who were here earlier than me, I——

Mr. DOOLITTLE. Oh, sorry.

Mr. FALEOMAVAEGA. Both Bob and Neal were here.

Mr. DOOLITTLE. All right. The gentleman from Guam, Mr. Underwood, is recognized.

Mr. UNDERWOOD. I thank you, Mr. Chairman, and Buenasviste and Hafa Adai to my neighbors to the north. I know that back home this is barely a ripple, not even a banana typhoon, so I know we're all having a hard time understanding what all the commotion is about the weather.

[Laughter.]

Mr. UNDERWOOD. But, nevertheless, I do appreciate Chairman Young for holding this hearing and, as you know, there's a number of very intricate policy questions in which Guam and the CNMI are interconnected, not only because of the fact that we basically come from the same people, but because so many policy questions get entangled. And I certainly appreciate the comments made by the political leadership: Governor Tenorio and Senate President Manglona and Speaker Benavente and, especially, the comments of Juan Babauta about the nature of territorial relationships with the Federal Government.

And I too, of course, have always been a strong proponent of making sure that Juan Babauta was up here on the dais with us. Maybe not on that side.

[Laughter.]

Mr. UNDERWOOD. But at least somewhere here. And so hopefully we'll see that day come to pass.

It is very interesting. I just want to ask questions relative to the CIP funding because I know that Senate President Manglona and Governor Tenorio both raised this issue. And the CIP funding, which is—of course, we've—as I've stated repeatedly, even though Guam ultimately deserves compact-impact aid, it was—that was not a funding source that I would have picked.

But I did want to get on the record the exact condition of that CIP funding. In the third cycle, which you identified, Governor, you had $154 million which is for the CIP funding and that's supposed to be matched, half CNMI and half Federal Government. And the Federal Government keeps putting money into this funding, but the CNMI, because of the experiencing in large measure the same problems we're experiencing in Guam relative to government revenue, is unable to, as I understand it, adequately match that fund. So can someone tell me, based on your figures, what is the exact amount which has been put in by the Federal Government, which remains unmatched by the CNMI government?

Governor TENORIO. Thank you, Congressman. I would like to refer that to my adviser, Mike Sablan. We have the full detail of all the CIP funds.

Mr. UNDERWOOD. Before Mr. Sablan answers that question, Mr. Chairman, you know, it's not—and I have absolute trust that Mr. Sablan will give us a faithful rendition, but, you know, could you swear him in too?

Mr. DOOLITTLE. No. No. Let me just say that in our Subcommittee, everyone is sworn in and if someone else comes up, they get sworn in too. And that's all I'm doing here. That way all the testimony has the full credibility. Nobody can say that because somebody was sworn in, they didn't. So, Mr. Sablan, will you rise and take the oath please.

Mr. MICHAEL SABLAN. Thank you, Mr. Congressman.

Mr. DOOLITTLE. Will you stand and let me administer the oath to you?

[Witness sworn.]

Mr. DOOLITTLE. Thank you very much. Welcome to the Committee, Mr. Sablan. Why don't you tell us your title, for the record?

Mr. MICHAEL SABLAN. For the record, my name is Michael S. Sablan. I am the special adviser for finance and budget.

Mr. DOOLITTLE. Thank you. Okay. Mr. Underwood.

Mr. UNDERWOOD. Go ahead. Would you tell us how much money is in the fund now, given by the Federal Government, which remains unmatched by the CNMI government?

Mr. MICHAEL SABLAN. Yes, Mr. Underwood. As you mentioned, we are in the third funding period under the 702 program, which began in Fiscal Year 1996. The Federal Government has appropriated Fiscal Year 1996, Fiscal Year 1997, Fiscal Year 1998, and Fiscal Year 1999 funds, a total of $44 million, $11 million per year. So far this year, the CNMI legislature has appropriated a total of $43 million—I'm sorry. $12 million plus—$16 million toward the $44 million required. We have matched the Fiscal Year 1996 Federal funds. We have fully matched the Fiscal Year 1997 Federal funds. We have matched part of the Fiscal Year 1998. The Fiscal Year 1999 funding has not been matched, but in the legislature—the legislature and the governor has passed into law a CIP bond in the amount of $60 million to provide the balance of the matching required.

Mr. UNDERWOOD. Okay. So as we sit here today, of the $44 million that has been appropriated, only $16 million has been matched, although I appreciate the comment that there are plans to match it in the future.

Mr. MICHAEL SABLAN. There are plans to match the balance of this, yes.

Mr. UNDERWOOD. But only $16 million to date has been matched.

Mr. MICHAEL SABLAN. No, no, no, sir. We have matched $12 million plus $16 million—$28 million.

Mr. UNDERWOOD. $28 million.

Mr. MICHAEL SABLAN. $28 million.

Mr. UNDERWOOD. So there's some $16 million that remains unmatched?

Mr. MICHAEL SABLAN. Unmatched. Yes.

Mr. UNDERWOOD. Okay. All right. Thank you. Senate President Manglona, you raised the issue of compact-impact aid. Could you explain to the Committee what is the relationship of your own—the lack of application of the INA Act to the CNMI and the fact that citizens from the Freely Associated States can go into the CNMI. I would assume that you'd have some authority to control or manage the flow of those citizens.

Mr. MANGLONA. Thank you, Congressman Underwood. The figures that I raised about $28 million in the last 2 years, I must admit I do not have the exact detail on how they arrived at those numbers, but it is a figure that was derived by our various departments and agencies that see the impact of these people immigrating from the FSM and the Lao and other——

Mr. UNDERWOOD. Well, of course—of course——

Mr. MANGLONA. I guess the point that we're trying to make is that we have not been giving the attention to these estimates or figures and I think that the Department of the Interior ought to sit down and seriously discuss this with Guam as well and other territories that are affected. It is something that is impacting all the territories and that should be given serious attention. My point is that it is an impact that I think should be discussed.

Mr. UNDERWOOD. Yes and I certainly appreciate that and I understand that Guam's impact is larger. But the question I'm asking is not whether it has an impact or the amount of the impact. The question I'm asking is what do your own immigration laws, how do they interact with the fact that if you have local control over immigration and you're trying to manage the flow of people into the CNMI, Guam does not have local control over immigration, so we're feeling the impact of the in-migration from the compact states without any recourse. And I'm assuming that you have some recourse, unless you have information to the contrary. Mr. Speaker.

Mr. BENAVENTE. May I just, Mr. Underwood? Thank you very much. Well, first of all, yes we do have the right to control immigration and also have the right to or are able at this time to control the influx of a FAS citizen. But I guess we've chosen not to do so, at this time, for a few reasons. One of them, of course, is, for example, the need for a 20 percent quota for the garment industry and that is for citizens, U.S. citizens, and, in that quota, FAS citizens are recognized as U.S. citizens for that purpose. So we do need workers to come into the Northern Marianas, although with thoseworkers comes the family and the children and the relatives.

And the other reasons that we have chosen not to do so is that, you know, we feel that we need each other's support in the Pacific. As a region out there, we try to cooperate. We were at one time

one of the districts of Micronesia and then we still continue to value some relationship with our neighbor islands. We also are relying in the compact-impact agreement in which Congress, as a matter of fact, has stated and I quote: "In approving the compact, it is not the intent of Congress to cause adverse consequences for the United States territories and Commonwealth or the State of Hawaii." And, you know, that particular statement actually meant that there will be compact-impact reimbursement for the Commonwealth. And with all those reasons, we've chosen not to do so.

Mr. UNDERWOOD. I understand that and I respectfully just, you know, because you took some time to swear in Mr. Sablan there, Mr. Chairman. My intent in this—okay. Thank you. My intent in raising that issue is not to cast doubt on your need for reimbursement for compact-impact aid. And all the—you know, we are all fundamentally Micronesians, both the Chamorros in Guam and the Chamorros in the Northern Marianas, as well as our Micronesian brothers and sisters.

But, ultimately, the point that I'm trying to illustrate is that you were allowed to make a conscious choice about the impact of the FAS citizens and you have allowed them to come in. And that is a decision that you made. And that, to me, qualitatively makes it, even though it is still an obligation of the Federal Government, qualitatively makes it a different situation than your neighbors to the south where we are not allowed to make that conscious choice about the impact of the FAS citizens.

Now, if we were allowed to make that choice in the same manner that you were allowed to and we allowed them in, I would think some people would argue in Congress—certainly we wouldn't argue that back home—but I think some people would argue that that somehow diminishes the claim. I still think it is a legitimate claim, but I think, categorically, it's different. And I just wanted to take the opportunity to point that out.

Thank you, Mr. Chairman.

Mr. DOOLITTLE. Mr. Schaffer is recognized.

Mr. SCHAFFER. Thank you, Mr. Chairman. My first question is for Mr. Babauta. I was intrigued by your comment in your testimony where you said, "We still have, however, concern about the commitment and the efficiency of the Federal law enforcers in the Marianas. As the U.S. Commission on Immigration Reform observed in its 1997 final report, "The Federal Government has not generally been willing to devote a high level of resources even to carry out functions where the Federal responsibility is clear."

I would like you to elaborate on that a little more as Mr. Zachares has and ask you if you have, just by way of your representative role here in Washington, whether you have heard similar kinds of concerns voiced by people perhaps within the Clinton Administration on this particular issue and toward the sentiment you described.

Mr. BABAUTA. Officials from OSHA. Obviously they do not have a full-time operation in Saipan. They do have staff rotating throughout, in and out of Saipan. But, Mr. Chairman, I pulled that statement from the U.S. Immigration Commission report. They saw, when they were out there, the same kind of situation that we are seeing and it is that report confirms, independently from us,

that the Federal agencies are reluctant to enforce Federal laws out there.

Mr. SCHAFFER. Let me ask further. You know that—it's an interesting perspective because in a memo that the Committee has received, a memo from—let's see. This is from David North, who's the acting director of the Policy Division of the Office of Insular Affairs. The memo was to a gentleman named Steven Galster and a woman named Melanie Orent, who are with the Global Survival Network. One of the observations Mr. North made in this memo—and let me just add that the memo was used—is one to edit and proofread the report that this organization produced. But it speaks to this particular issue.

It says, "You need to be and I could be fired if not shot for this, you need to be more distant from the Clinton Administration. Bill Clinton has not made this a personal battle with Congress. A secondary point, the administration is not spending as much money as it should on enforcement. Nor has its Justice and Treasury operations been as strong as its Labor and Interior programs. We still need to figure out how you can say that without implicating me." That is, again, in relation to the report, which I'll bring up later.

But with respect to the general issue here that the President has not made CNMI and the issues that are of concern a personal battle with Congress. And the second point, that the administration is not spending as much money as it should be on enforcement. Is that consistent with the kinds of things—is Mr. North's——

Mr. BABAUTA. Was that a statement from Mr. North?

Mr. SCHAFFER. Yes. That was received by the committee and I would ask, Mr. Chairman, that this be submitted for the record if it's not already part of the Committee's records.

[The information follows:]

MEMO OF DAVID NORTH

You have an admirable collection of information here, and I think the report can make a big difference in the on-going policy discussion.

But, truth to tell, my sense is that it needs a little more snap; there is potential drama within this theater, but it needs to be moved to the front of the stage.

You have also done a lot of original work, creative undercover stuff, and you have (all too modestly) downplayed it. In how many studies does one find that the best part is in the methodology section? Not many.

Before we go much further, bear in mind that I am a writer, one with a lot of familiarity with the subject, and so what I say relates to what I would have done with the similar material. So you should toss many grains of salt on what I say, for that reason. My comments come in three flavors:

A. there are some over-arching suggestions noted above and below in this memo;

B. there are notes A through I think I, which deal with specific subjects, set off by specific sentences in the text; and

C. there is some page-by-page editing. In instances in which the notes are surrounded by brackets [ ] these are asides to you; in other instances, without brackets, they are suggested edits.

Generally, I would encourage you to impose the following on the report:

1. Some themes, notably a description of what you saw as a part of a giant conspiracy, maybe of how the PRC is taking over, with the unwitting help of American conservatives, a whole American island. This, I think, is a little sexier than a detailed litany of the very real human rights abuses.

An alternative version would be an excellent example, on American soil, of how NOT to run an immigration policy; of how U.S. citizen workers are rendered unemployed while trafficking for profit dominates the scene.

Another theme would be the bondage of debt, that prevails (silently) in the CNMI; all the garment workers are somehow bonded, and many (but not all) the others

have similar experiences. The poor Bangladeshi are stuck and screwed, but not bonded to an employer.

Whatever the theme, it is needed for itself (to tell a truth in a dramatic way) but also to make more coherent and more significant that great amount of detailed information you have collected.

2. You need to be—and I could be fired, not shot for this—more distant from the Clinton Administration. Bill Clinton has not made this a personal battle with Congress; a secondary point, the Administration is not spending as much money as it should on enforcement, nor has its Justice and Treasury operations been as strong as its Labor and Interior programs. (We will need to figure out how you can say that without implicating me.)

3. The drama of what you two did is all but lost; how you got parts of this story are more dramatic than what you learned. Your accounts of this in person, Steve, have a drama that is not reflected (yet) on paper.

More drama and a theme or two will lead to useful and quotable soundbites, which are not now present.

4. One temptation in such a report is to write down everything you learned; you need to resist that, and drop some of the detail.

5. On the other hand the very peculiar civics and economics of the situation might be given a little more attention; the odd ways that the U.S. treats its territories, each quite different from the others.

Further, to produce clothing in the CNMI (one of my favorite themes) is to produce it in the worst place in the world for various U.S. interests. I think I have walked you through this—if the clothes were made in Mexico, for instance, it would produce hundreds of millions of dollars worth of sales for U.S. fiber, yarn and textile companies and thousands of jobs for their workers; if made in Cambodia, no jobs, but $200,000,000 a year in duties, a major benefit to U.S. taxpayers. (The CNMI of course, just talks about garment jobs, none of these more sophisticated concepts.)

This is of course, a bit distant from trafficking, but you can talk about these matters as another set of adverse results coming from the trafficking policies.

OK, enough of the big picture. Here are some specifics:

1. I found the definitions, probably very important to you as they are, getting in the way of the story. Maybe you could put them in an appendix, and just refer to them in the text.

2. The text wanders between The Mogul (nice term) and naming Willie Tan; Preston Gates is treated the same way. I think I prefer naming them. A sentence or two about Willie Tan's other interests might help too.

3. Paragraphs seem to be longish.

4. You probably should stop for a sentence early on and talk about the Tenorios, uncle and nephew, battling each other in the 1997 election, an example of disunity among one of the 14 families (a nice concept.) one of Allen Stayman's notions, though I have little proof of it is that the families get money from the garment industry by leasing land to it.

5. Given the length of the report you might consider hiring someone to do some light editing, copy editing, not restructuring or extensive rewriting. I have done a little of that, but more is needed, and it is hard to do it yourselves—you are both too close to it to notice unconscious items like "Congressman DeLay was successful in delaying action. . . ." or some such sentence.

6. I am a compulsive, footnote person; within limits, the more footnotes the easier it is for the reader to accept what you are saying; you, the author, is not the only authority. You could easily triple the number of footnotes in this one.

Now for the notes which are keyed to the text:

A. I would not use George Miller's 66,400 jobs lost; it sounds unbelievable, and you either have to stop and explain it or drop it.

B. The 11,000 limit, presumably self-imposed, similarly needs to be explained or dropped. The current text makes it sound like there is some external law or regulation that the CNMI is violating.

C. At the moment you have cited George Miller as the only person in the Congress who wants change; he does, of course, but I would let people know that in perhaps different ways there are a whole lot of people pushing for change—including Sens. Murkowski and Akaka, and Congressmen Spratt, Miller and Bob Franks (R NJ) whose name can not be used now, but can soon.

D. Jane Mayer of the *New Yorker* is working, not totally successfully, with this problem.

E. As to who pays for the lobbyists, it seems that the garment factories have enough clout locally to force the CNMI to do it from tax funds; having a public agency (the CNMI govt.) do it, was very helpful when they were funding the junkets, because govt-funded junkets do not have to be reported, but corporate ones do. You

should bear in mind that in a few days (Feb. 28) there will be a new round of lobbying reports on file, and we can see how much P-G was paid for the last six months.

F. The CNMI's lousy wage payment enforcement does not stand in a vacuum; both the feds and many states have highly useful programs to meet the same goal; it is not as if CNMI had to invent something on its own. Terry Trotter has a wonderful technique; he calls the customer in New York and says that he will go public, right away, unless the factory in the CNMI pays up promptly. They do, though you should not name him in this connection.

G. This is under the "XI. Extortion of Workers" section. This is specialized, but a double whammy. If you (an alien worker) have lost your job in the CNMI you are subject to deportation; however, under a local amnesty law, if you come forward to the authorities, you have a (wildly generous) 60 days to find a new job, and that new job will give you legal status again. The only people who are hiring are the garment industry, and so it is within the garment industry that the petty officials are selling jobs—and legal status—to poor alien workers for whatever gilt they can obtain.

I can provide at least one news story on this subject, maybe more. Maybe you have the clips in hand.

H. I disagree that Tan or the garment industry supports Preston-Gates; I may be wrong, but the govt. pays the bills, and there have been some lovely stories about what PG bills for, and for how much, all dug out of CNMI govt. files.

I. I (me, David) am running down, now, but I think we can talk a little further about policy recommendations, but not just now.

I hope you do not find this too harsh, too intrusive or too radical. You are about to make a major contribution and I want to help in that process.

Perhaps Rhonda—not the report—will have the drama, but I think it can be in both places.

Thank you for showing this to me. (And bear in mind that only the spellcheck has edited the document.)

Mr. BABAUTA. Well, that will make it a third independent observation by somebody other than the CNMI.

Mr. SCHAFFER. Thank you. The second question I have is for any of the—perhaps for Mark Zachares. And that is with respect to the Fish and Wildlife. This Committee's interested in activities of the Fish and Wildlife Service. And I understand the Fish and Wildlife Service from time to time is engaged in inspections of imported materials. What has been the level of activity of the Fish and Wildlife Service?

Mr. ZACHARES. I may not be the one to answer that, as far as the labor and immigration. I'm not aware of their activities in regards to inspections of things coming into the CNMI.

Mr. SCHAFFER. Okay. Does anyone know? Have they been cooperating with the CNMI Customs on inspections of incoming shipments and so on?

Mr. ZACHARES. We have our director of Customs here if you would like to address the question to him.

Mr. SCHAFFER. Well, whoever can answer it would be fine. The government of the islands seems to be here and that's the general question that I have.

Mr. DOOLITTLE. Mr. Chairman, I apologize. While you were gone, we swore in other people that came forward to testify before the Committee, as you had indicated everyone was going to be put under oath.

The CHAIRMAN. [presiding] Don't apologize. I'm glad you did it. Stand up, whoever you are. Identify yourself.

[Laughter.]

The CHAIRMAN. Identify yourself first.

Mr. MAFNAS. My name is Jose Mafnas.

The CHAIRMAN. Okay, Jose.

[Witness sworn.]

The CHAIRMAN. You can go ahead and answer the question.

Mr. MAFNAS. I'm sorry, Congressman. Can you repeat the question again?

Mr. SCHAFFER. Regarding the U.S. Fish and Wildlife Service. Have they been involved to any degree in the inspections of incoming materials, supplies, shipments to CNMI?

Mr. MAFNAS. Fish and Wildlife?

Mr. SCHAFFER. The U.S. Fish and Wildlife Service, right.

Mr. MAFNAS. I'm not aware where the U.S. Fish and Wildlife serve with U.S. Customs.

Mr. SCHAFFER. I understand, but the U.S. Fish and Wildlife Service does assist and has actually some special authority when it comes to inspections of imported products. And I guess my question is just if—if you're not aware of it, then I presume it didn't——

Mr. MAFNAS. No, I'm not aware of their presence.

Mr. SCHAFFER. Fine. Okay, that answers the question. Thank you.

The next question, jumping back to you, Mark, is regarding the Chinese illegals that you referenced that have been held on Tinian. Can you tell us about the expense that CNMI has incurred and how that occurred? As I understand it, it's about $700,000.

Mr. ZACHARES. Yes, thank you, Congressman. It's approximately——

Mr. SCHAFFER. That CNMI maintains the Immigration Department still owes them.

Mr. ZACHARES. We—right. Before this operation began, we received a phone call from Justice where they asked for our assistance in their diversion program. For the record, it was Eric Holder speaking with the governor, with the staff members available, where they promised the CNMI government for our cooperation it would be 100 percent full reimbursement of any funds expended for whatever the CNMI put out. During the process from April and I believe the last plane just went out in September and I don't think we've added in the numbers from that last boat. But for the first 5 vessels, it was $750,000.

It has been my understanding that since we've been—we submitted a bill to Justice itemizing the costs. Mr. Sablan behind me was the one that was working with that. To date, we have not been reimbursed. Yet we have received, I believe in the last few days, a request on repayment through some sort of grant proposed by the Department of the Interior to which I believe we're examining. We don't really quite understand how a grant is going to pay $750,000 that the governor reprogrammed himself mainly, essentially from my department, which represents almost a 20 percent operating costs for my department.

Mr. SCHAFFER. As a case study of the effectiveness of CNMI immigration law compared to U.S. immigration law, why did the U.S.—why did the United States INS take these—they intercepted them out in the ocean somewhere. Why did they bring them to CNMI rather than Guam or California or somewhere else? Or Alaska?

[Laughter.]

Mr. ZACHARES. I actually was privy to some meetings in December of 1998 in Honolulu where this particular scenario was discussed with some high-level officials from INS. The plan there was to do a diversion of boats, of vessels to Tinian, to utilize the CNMI immigration system, and there would be minimal—it would be a interview under the U.N. I believe Torture Convention. The reason behind it is, essentially, in Guam, I believe, the number of people who landed in Guam are still there—if I'm not mistaken—and still being processed through. In Tinian, they have either been repatriated, the vast majority have been repatriated back to China. A very small amount were sent to the United States for further interviews, to which they are being confined in the United States right now, pending those interviews.

But the short answer to that is rapid repatriation back to China.

The CHAIRMAN. If the gentleman will yield. I hate to do this. Have you had 8 minutes or 10 minutes or are you on your first 5 minutes?

Mr. SCHAFFER. First five minutes.

The CHAIRMAN. Okay, why has this thing got an S-T-O-P up here? Is he on his first five minutes or his second five minutes? Time goes fast when you're having fun.

[Laughter.}

The CHAIRMAN. I would suggest to the gentleman, with all due respect, sir—I love his line, his train, but we have other members waiting and when they get done you can come back, okay? Please. Thank you.

The gentleman from Hawaii.

Mr. ABERCROMBIE. Thank you very much, Mr. Chairman. Mr. Zachares, are you speaking for the CNMI government? Can your testimony here be seen as speaking on behalf of the government? That your observations can be seen as representing government policy, at least from the executive side?

Mr. ZACHARES. I believe that I'm—yes, sir. That I'm speaking for the government.

Mr. ABERCROMBIE. Your testimony is that the other agencies of the Federal Government fail to carry out their duties of enforcement, is that correct?

Mr. ZACHARES. Not all of the agencies, sir, but——

Mr. ABERCROMBIE. Not all of them, but some of them.

Mr. ZACHARES. Some of the agencies.

Mr. ABERCROMBIE. And that your characterization of that constitutes principally what you have described as part-time enforcement. Is that fair?

Mr. ZACHARES. Part-time enforcement or part-time——

Mr. ABERCROMBIE. It's part of your objection or part of your observation that enforcement is not taking place correctly has to do with the idea that your observation is that the enforcement is part-time.

Mr. ZACHARES. Part-time or that they are not on-island on a full-time basis.

Mr. ABERCROMBIE. That's one of the points I want to raise. Have you concluded that because they don't have a full-time presence, a three-dimensional presence, a person?

Mr. ZACHARES. Well, let me explain why, if I may, just to give an illustration of why I say that. For example, for the NLRB is actually working out of the Hawaii office.

Mr. ABERCROMBIE. Okay.

Mr. ZACHARES. Now, when an investigation is in progress for an NLRB complaint, we are working with the NLRB allowing transfer tempo——

Mr. ABERCROMBIE. I got it.

Mr. ZACHARES. But——

Mr. ABERCROMBIE. I only have five minutes. I understand. In other words, what you're saying is that they're not on the island. They're not there full-time.

Mr. ZACHARES. Yes, sir.

Mr. ABERCROMBIE. Okay. So you have to operate by fax or e-mail or somebody coming in from Honolulu or from some other place.

Mr. ZACHARES. Well, it's this. The people who are going to them for the investigation are the ones that are finding it difficult because the investigation essentially stops when someone is gone.

Mr. ABERCROMBIE. All right. But even when someone comes in, then, and makes an observation, with respect to enforcement, supposing an edict of one kind or another is issued, now, who does the enforcing? Supposing somebody from the Department of Labor comes, they make an investigation; or OSHA comes, makes an investigation, makes a recommendation, says thus and so should take place, how is that monitored? The thus and so?

Mr. ZACHARES. I believe it's through the Federal Government, sir.

Mr. ABERCROMBIE. But how is that actually accomplished if they don't have someone there to do it? If they don't have—if OSHA does not have a full-time presence?

Mr. ZACHARES. Well, that's exactly the point, sir——

Mr. ABERCROMBIE. Okay.

Mr. ZACHARES. [continuing] as far as who's gatching it or——

Mr. ABERCROMBIE. Okay. In other words, they could make a recommendation, order somebody to do something, but it isn't necessarily enforced because there's nobody there, necessarily, to do it; to then go and take such a legal recourse as might be required otherwise. This is a difficulty I'm sure the Chairman can appreciate that happens in all the non-contiguous territories. And with regionalization and so on, we end up with somebody—the same thing from Honolulu or Guam—and it's Seattle or San Francisco or something trying to enforce something elsewhere. So there's a difficulty there that might be——

And the last question I want to ask is so what the CNMI government is saying is you would like to have vigorous enforcement of the laws and you feel that a more full-time presence would allow that to occur, right?

Mr. ZACHARES. I actually believe that, yes, sir.

Mr. ABERCROMBIE. Thank you. Maybe you can tell me also, then, is there a difference between a visitor and a guest?

Mr. ZACHARES. One would, I believe, be—a guest and a visitor?

Mr. ABERCROMBIE. Yes. Is there a difference? I was listening to—I'm trying to catch up on everything here and, you know, sometimes nobody intends to tell you an untruth, but sometimes you

don't ask the right question, you don't necessarily get all the information. Are there differences between visitors to the CNMI and guests in the CNMI?

Mr. ZACHARES. I guess we use the term "guest worker" and a "visitor" would be considered a tourist and a "guest worker" is——

Mr. ABERCROMBIE. Okay. Is that two different people?

Mr. ZACHARES. There's a distinction. Yes, sir, there is a difference.

Mr. ABERCROMBIE. Well, can the, in terms of these quotas and ratios and so on, with respect to workers, do you make a differentiation between a visitor and a guest worker?

Mr. ZACHARES. Yes, sir, we do.

Mr. ABERCROMBIE. Do visitors ever become guest workers by default?

Mr. ZACHARES. A visitor—under the limited immunity program that did happen, but there is a CNMI statute that does not allow a visitor or tourist to change their status from a tourist to a guest worker without exiting first.

Mr. ABERCROMBIE. And is that vigorously enforced?

Mr. ZACHARES. It is being vigorously enforced now, sir.

Mr. ABERCROMBIE. It was not in the past.

Mr. ZACHARES. I can only speak for our enforcement efforts for the year and a half that I've been there.

Mr. ABERCROMBIE. Okay. One other thing, then, Mr. Chairman, with your permission. Do you have access to this series of graphs?

Mr. ZACHARES. No, sir, I don't.

Mr. ABERCROMBIE. Well, if you'll take my word for it.

Mr. ZACHARES. I will, sir.

[Laughter.]

Mr. ABERCROMBIE. Thank you. You'll notice I haven't been sworn in.

[Laughter.]

Mr. ABERCROMBIE. That shows you the confidence the Chairman has in me. I wanted to mention, these graphs come from Saipan labor force surveys, et cetera, fiscal impact reports. I'm interested in your opinion or perhaps the governor might have an opinion on this. It shows your population of Saipan—this is why I asked about the guest workers and all the rest of it.

If you take a look at the first one, it shows CNMI population, non-U.S. citizens and U.S. citizens and what this shows, even by way of projection, is a huge disproportionate number of non-U.S. citizens in the CNMI population versus the U.S. citizens. And if you look in the last one, Mr. Chairman, it says, "Population of Saipan by age, sex, place of birth, and parents' place of birth as of June, 1998." You have CNMI-born and parents born in CNMI. Then you have the CNMI-born and at least one non-CNMI parent. So there is what I would call, what we used to call in Hawaii in the old days, out-marriage, right? Either marriage and/or children being born without benefit of marriage, right? Between those who are non-CNMI citizens and either guests or visitors or immigrants, legal or otherwise, right? Children being born.

Mr. ZACHARES. Well, I'd take some exception to some of these numbers. When you're talking about at least one non-CNMI, that could be—I don't think it's taking into account either if they're

from the Freely Associated States, one, or if they are married to or in the process of——

Mr. ABERCROMBIE. Right. But, in any event, any child being born—and then the one category that isn't here is non-CNMI parents, both parents, but CNMI-born. If a child has parents who are not citizens and is born in CNMI, they are American citizens, are they not? The children?

Mr. ZACHARES. Yes, sir. You are correct.

Mr. ABERCROMBIE. Okay. And they're also citizens if they have at least one CNMI—if they're born there, regardless of what the parents' status is.

Mr. ZACHARES. They're born there. Yes, sir.

Mr. ABERCROMBIE. My point is that it shows that there's a lot of children being born in CNMI, regardless of the parentage, and they could include at least some, although that category isn't listed here, whose parents are not citizens, but a child is nonetheless born. There's probably a small number, but a number anyway.

Okay. These charts—it says they're part of the Department of Interior testimony. I'm assuming that what they have given to us comes from sources that are verifiable.

So my question is the CNMI facing the prospect, say over the next 20 years or 25 years of more and more people becoming citizens with the right to vote in the CNMI elections, setting aside the question of congressional representation or Federal representation for the moment? They'll be able to vote for the speaker and the governor and so on. And what my question is what kind of projection do you have for being overtaken by people who are not CNMI-born and whose parents are CNMI-born? Is there a projection?

Mr. ZACHARES. I don't have those projections with me, sir, but—no, sir.

Mr. ABERCROMBIE. Mr. Chairman, my point is it seems to me if I—if this follows itself out and if you continue to have non-CNMI immigration rates and retention rates, if you will, as it seems to be, there will be a significant demographic change in the make-up of the population in the CNMI, which I think might affect, rather dramatically, some of the issues that are before the Committee.

The CHAIRMAN. I understand that. The same thing happened in Hawaii and the same thing happened to Alaska. So I understand that very well.

Mr. ABERCROMBIE. Thank you, Mr. Chairman.

The CHAIRMAN. The only place it hasn't happened is in American Samoa yet and we're working on that.

[Laughter.]

Mr. BENAVENTE. Mr. Chairman, may I respond to—may I offer an expla—respond?

The CHAIRMAN. You can respond shortly, because his time's about up, but go ahead and respond.

Mr. BENAVENTE. Thank you. Well, first of all, yes, it is a matter of a situation that's happened which we're all aware of and which we are still trying to deal with. As a matter of fact, it was first brought up during the March hearings by Senator Mikulski. And one of the statements we made was that, at the time, there was the legislation that was introduced to limit the stay of guest workers, which a lot of these babies are born from or of. And, presently,

we've enacted that legislation into law and which what we feel it would basically do is remove the idea or intention of a permanent stay in the Commonwealth, thereby being comfortable in starting out a family within the Commonwealth. And that's basically one of the reasons that that particular legislation was introduced. Thank you.

The CHAIRMAN. The gentleman from California. Have you asked questions already? The gentleman from Puerto Rico, Governor Romero.

Mr. ROMERO-BARCELÓ. Thank you, Mr. Chairman. And I want to thank the other members here on the panel and the members of the government of CNMI who have come so far from the Pacific to testify here today. And I want to thank you for the testimony. It's something that has been discussed and talked about a lot and a lot of issues that we certainly don't understand and I would like to get a little bit more understanding about some of these things.

I heard the governor testify that there was a cap on garment workers of 50,707. Is that correct? Is that a cap on garment workers or on just guest workers?

Governor TENORIO. That is for the garment workers.

Mr. ROMERO-BARCELÓ. That's for all garment workers.

Governor TENORIO. Yes, sir.

Mr. ROMERO-BARCELÓ. Whether they're from CNMI or from outside.

Governor TENORIO. Yes, sir.

Mr. ROMERO-BARCELÓ. And what is the—is there a cap on guest workers on the garment industry? Or is that also the same—would that cap be fully taken over by guest workers?

Governor TENORIO. No, the cap that we established is only for the garment industry which is composed of about 34 companies.

Mr. ROMERO-BARCELÓ. And they could all be guest workers? The full cap could be taken up by guest workers, all of it, couldn't it? I mean, there's no limitation to the number of guest——

Governor TENORIO. Congressman, the cap is for the non-resident workers. About 15,000 is the maximum that——

Mr. ROMERO-BARCELÓ. Non-resident workers can——

Governor TENORIO. Non-resident workers, so——

Mr. ROMERO-BARCELÓ. Guest workers.

Governor TENORIO. Guest workers. So those will be allowed—I mean, they can be renewed.

Mr. ROMERO-BARCELÓ. So, can I—is it all right for me to assume that there is no unemployment or very, very little unemployment in CNMI? Or what is the unemployment for U.S. citizens in CNMI? I mean, what is the percentage of unemployment for U.S. citizens in CNMI?

Governor TENORIO. Presently we have 1,000—approximately 1,400 unemployed U.S. citizens.

Mr. ROMERO-BARCELÓ. What percentage is that, of the population?

Governor TENORIO. That's about a little over 13 percent.

Mr. ROMERO-BARCELÓ. How much?

Governor TENORIO. Thirteen percent.

Mr. ROMERO-BARCELÓ. Thirteen percent. Now, what is very difficult for me to understand why you have such a high cap and such

a high quota of guest workers when you have such a high unemployment. It's very difficult to understand. What is the reason for the policy behind that?

Mr. BABAUTA. If I may try to respond. It is difficult to understand, especially if you were, like me, living back in Saipan and you opened the newspapers and you read of all the numbers of positions that are available every day. We're talking about a lot of jobs. And then you see that number. It is difficult to understand, but it is something that we're actually looking at, we have been looking at. And part of the explanation is the fact that the culture, the way we live back there in the islands and, I guess, up to now continuous, this is something that I feel eventually will change in the future.

But the culture, part of the culture, is that the family ties are very close. There are a lot of individuals who have graduated from high school and even come back from college who continue to live with parents or friends and brothers. And if, basically, what's out there is that there's a choice. There's a choice of a lot of individuals on the island to either go and be gas attendants. That's available out there. Or live with their parents. And those unemployment—the figures that we see in those includes those individuals who have that choice of not working.

Mr. ROMERO-BARCELO. You don't pay Federal income taxes, do you? You do not pay Federal income tax?

Mr. BABAUTA. No, sir.

Mr. ROMERO-BARCELO. And those companies, those garment industry companies, are they owned by outsiders or by people from the mainland or from Asia?

Mr. BABAUTA. There are companies both that are owned from—that are non-U.S. and there are U.S. companies.

Mr. ROMERO-BARCELO. But there not owned by the people from CNMI?

Mr. BABAUTA. Which companies? There are companies——

Mr. ROMERO-BARCELO. The garment industry?

Mr. BABAUTA. Oh. There are companies that are owned by U.S. citizens.

Mr. ROMERO-BARCELO. But from CNMI or from the mainland?

Mr. ZACHARES. There are a couple of companies that do have some part ownership into the company from people from——

Mr. ROMERO-BARCELO. But the vast majority are owned by nonresidents of the CNMI?

Mr. ZACHARES. Right. Yes, sir.

Mr. ROMERO-BARCELO. By mainlanders. U.S. citizens from the mainland or from other countries?

Mr. ZACHARES. Yes, sir.

Mr. ROMERO-BARCELO. And they have tax exemptions? And they have U.S. Federal tax exemption? They don't pay Federal income taxes?

Mr. ZACHARES. If I may defer to Mr. Sablan to——

Mr. MICHAEL SABLAN. Mr. Congressman.

Mr. ROMERO-BARCELO. Yes.

Mr. MICHAEL SABLAN. The garment industry in the CNMI paid $14 million in income taxes last year.

Mr. ROMERO-BARCELO. $14 million.

Mr. MICHAEL SABLAN. $14 million.

Mr. ROMERO-BARCELO. To the Federal Government? To the U.S. government or to the CNMI government?

Mr. MICHAEL SABLAN. To the CNMI government.

Mr. ROMERO-BARCELO. Yes. So they don't pay any Federal income tax.

Mr. MICHAEL SABLAN. No, they don't, sir.

Mr. ROMERO-BARCELO. Okay. That's what I'm—now what is the purpose of creating jobs for aliens and for companies that are going to take it out and invest it somewhere else later on? I just—it's very difficult for me to understand why you are interested in creating jobs to be taken over by aliens and then they don't pay—they pay very little taxes and then they don't pay any Federal income taxes and they take the money out when they close the shops and what does it mean for CNMI, in the long run?

Mr. MICHAEL SABLAN. Governor, if I may——

Governor TENORIO. Mr. Chairman, we have only two industries in the CNMI. We have the tourism and the garment industry. And the garment industry employs also local U.S. citizens and they also pay taxes to our government. If the garment industry closes at this time, we will probably, immediately, we will be losing approximately about $67 million of local resources.

Mr. ROMERO-BARCELO. I mean, the aliens, the workers, the guest workers, they earn so little they don't pay any local income tax.

Mr. MICHAEL SABLAN. Mr. Congressman, the apparel industry contributed nearly 40 percent to the total revenues in the CNMI economy. There is only one other industry, the tourism industry, which contributes approximately 60 percent. The apparel industry last year contributed $85.7 million toward the $210 million collected by the government.

Mr. ROMERO-BARCELO. What kind of taxes?

Mr. MICHAEL SABLAN. We have user-fee taxes based on the exports, income taxes, non-resident worker fees paid for each non-resident worker who comes in.

Mr. ROMERO-BARCELO. Non-resident workers pay income taxes on those salaries?

Mr. MICHAEL SABLAN. Employers pay a non-resident worker fee for every non-resident guest worker who comes in. Congressman, workers pay income taxes.

The CHAIRMAN. The gentleman's——

Mr. MICHAEL SABLAN. Payroll salary taxes.

Mr. ROMERO-BARCELO. And what are there wages?

Mr. MICHAEL SABLAN. I'm sorry?

Mr. ROMERO-BARCELO. Are there wages under the Federal minimum wages?

Mr. MICHAEL SABLAN. We have our own minimum wage of $3.05 an hour.

Mr. ROMERO-BARCELO. And a person who works 40 hours for $3., they pay income taxes?

Mr. MICHAEL SABLAN. Yes. Yes, they do, sir. Wage and salary taxes.

Mr. ROMERO-BARCELO. Oh, my. They pay income taxes? The individual?

Mr. MICHAEL SABLAN. To the CNMI government, they do.

Mr. ROMERO-BARCELÓ. Oh, my goodness. Okay.

The CHAIRMAN. The gentleman's time is up.

Mr. ROMERO-BARCELÓ. All right. Thank you.

Mr. MICHAEL SABLAN. And, in addition to that, Mr. Congressman, they remitted last year nearly $60 million of earnings to their home countries.

The CHAIRMAN. I have to remind the gentleman from Puerto Rico that there's some similarity between the CNMI and Puerto Rico. I mean, there's—the taxes and——

Mr. ROMERO-BARCELÓ. I see the same pattern of exploitation.

The CHAIRMAN. Yes. And if I can, I will also support them to be a State and then we'll solve this whole problem, as I do you and then we'll get Guam and what else in here. I need some more congressmen anyway.

[Laughter.]

The CHAIRMAN. But I think what—again I go back and the reason I want these hearings to be conducted is I, even before the chairman—Mr. Miller was chairman, was involved in the creation and the Covenant. And I hope we go back to the history of that. And the mistakes made in the past were made. There's no doubt about that. And I'm hoping that we hear today that we're trying to improve those situations so that those mistakes will not be repeated. And if they're still existing, we must eliminate them. And I think that's what we have to really address.

There was no economy when I first went there. None. The gentleman talked about unemployment. We have a large unemployment in the State of Alaska if you look at the numbers, but there's a large number of my people in the State of Alaska, they're on the list, but, in reality, the culture doesn't allow them to be employed. And people have to remember that. If you're in Eek, Alaska, there's little jobs available other than what we call subsistence, and yet they are considered unemployed. There are jobs available, but they're not about to leave Eek, Alaska, and go to Anchorage or Fairbanks and transplant themselves and live a total different cultural life. That's just not going to happen. And yet they're on that list. I hope people keep that in mind.

I understand what the gentleman is saying. There is 13 percent; why aren't they working in those garment factories?

Mr. MICHAEL SABLAN. Mr. Chairman, if I may?

The CHAIRMAN. Yes. Yes.

Mr. MICHAEL SABLAN. The unemployment rate in the CNMI is 5.5 percent. The 13 percent refers to the residents. The unemployment situation in the Commonwealth is a symptom of an ailing economy that is suffering tremendously from the Asian crisis. Our neighbor to the south, Guam, has an unemployment rate of a similar magnitude. The numbers can be misleading. We have a small population.

The CHAIRMAN. Let me clarify one thing. Where's the 13 percent come from?

Mr. MICHAEL SABLAN. The 13 percent represents one subgroup of the unemployed population in the CNMI.

The CHAIRMAN. One what?

Mr. MICHAEL SABLAN. The U.S. citizen resident workers.

The CHAIRMAN. Where's the 5 percent come from?

Mr. MICHAEL SABLAN. The overall unemployment, which includes subgroups representing the Micronesian population, non-resident population.

The CHAIRMAN. So, in reality, the total unemployed population is 5 percent, then.

Mr. MICHAEL SABLAN. 5.5 percent.

The CHAIRMAN. Okay.

Mr. ROMERO-BARCELO. Mr. Chairman.

The CHAIRMAN. Yes.

Mr. ROMERO-BARCELO. I just wondered if I could say something.

The CHAIRMAN. Go ahead.

Mr. ROMERO-BARCELO. You know, one of the things to consider, please on this, when you go back. If you offer a job for $5.65 or for $2.60, you might not get comers at $2.60. But at $5.65, you would. So you have a higher, a minimum wage enforced in CNMI, then those people who you say are not willing to work might be willing to work for double the wage than they are now. I would just keep that in mind. We found that out in Puerto Rico.

The CHAIRMAN. Senator.

Mr. MANGLONA. Mr. Chairman, I know these are complex issues. And let me just point out at this point that the House did pass legislation several months ago and the Senate I believe earlier this month passed that legislation, with amendments, and the bill now is before the House. But this is the Fair Compensation Act. And, basically, what this does is it requires garment factories and other companies hiring non-resident workers to pay the local resident the equivalent of the minimum wage plus other benefits such as housing to the non-resident workers. We hope that this will drive up the wages for the local residents. So we are concerned about these issues. We're tackling that.

And, also, earlier this year I believe, we mentioned we passed the wage review board and the wage review board should be coming out shortly with recommendations on the minimum wages for various industries. So we are very concerned about this and that's why that's one of the very first pieces of legislation that the governor passed into law, the creation of the wage review board. Thank you.

The CHAIRMAN. You have a wage review board similar to American Samoa now? It's not similar? But that would have to be done——

Mr. FALEOMAVAEGA. Would the chairman yield? Would the chairman yield?

The CHAIRMAN. I'll yield to you—okay. You're recognized anyway. Have you asked questions already? You're on your own time. Go ahead.

[Laughter.]

Mr. FALEOMAVAEGA. All right. Thank you, Mr. Chairman. Mr. Chairman, I submit that you and the gentleman from California, Mr. Miller, not only as the most senior members of this Committee, but certainly have the years enough to know exactly the process and how the insular areas have come about. And the classic example of all is our friend and the gentleman now sitting before testifying as leaders representing the Northern Mariana Islands.

As you know, Mr. Chairman, we do have a very unique relationship with the Northern Mariana Islands. Unique in the fact that

it's based on a Covenant relationship that was drawn between our leaders and the leaders of the Northern Marianas. But probably no example that I've ever known in my life, Mr. Chairman, in the six years that I've served as a staff counsel in this Committee at that period, were a nation of 200-and-some-60 million people were there negotiating on an equal basis with these people who were only 15,000, because of our desire in wanting to get rid of some 400 years of colonialism that these people were subjected to. And doing it after World War II, we had the strategic trust responsibility that we've had and these people have vied and wanted very much to join and become partnership with our country, unlike the other areas that have now become independent.

And, because of this Covenant relationship, Mr. Chairman, and as the members of the Committee may realize, the process has granted also to these people U.S. citizenship. The process has also given them the right to make their own laws as in reference to customs and immigration. The process has also allowed them to create their own minimum wage. That's the reason why I say it's a very unique relationship. It's not a State like the rest of the other insular areas. The process also allows this country or you might say this entity to elect their own government officials, which has only taken place less than 25 years.

And I wanted to put that perspective as I will continue my comments, Mr. Chairman, because I think it's important for the members to get that overall perspective. And as also part of the process, is that these people have also given up all their lands.

As you know, Mr. Chairman, at the time of the negotiations with you and Mr. Miller and Mr. Burton, you know that the Department of Defense was probably the key agency that really had a lot to say about what would happen to the future of Micronesia. And let's face the bottom line facts, not only from my brother here from Guam, NMI, and other Micronesian entities, our only presence and interest in there was the strategic. It is for our national security. And this is the reason why they've agreed to allow our military, at any given time when our national security is at risk. That's the sacrifice that they are making for us. And I think we need to understand that perspective, Mr. Chairman.

I know that things started happening when a gentleman by the name of Willie Tan sometime 8 or 10 years ago was fined by the U.S. Department of Labor some $9 million because of sweatshops, because of the problems that they had with the textile environment industry. And I think this is where the problem started eroding in terms of the relationship. And one of their former governors even testified to this Committee they didn't need CIP assistance. And, as you well know, this is what prompted the other insular areas and, unfortunately, we've had to do this, historically.

I can say that my brothers and sisters here, NMI has a Covenant relationship. We don't have a Covenant relationship with America. My friend from Puerto Rico has a Commonwealth relationship with the U.S. We don't. My good brother here from Guam has an organic relationship with the U.S. We don't have an organic relationship with the U.S.

So when you put it in the pot, Mr. Chairman, we're in a mess. And it makes it very, very difficult to put it in proper perspective.

And I can deeply appreciate where my friend from California is coming from. You're U.S. citizens and we're giving assistance and, by golly, we've got to make sure that basic, fundamental, Federal laws for the treatment of U.S. citizens ought to be the same throughout. And, yet, at the same time, we've got these problems hanging on us. And it's a very difficult situation. And I'm not saying that what they're doing is correct in every instance. I can tell you a lot of governors in this country that have got a lot of problems, probably even worse than some of the problems that we've had in the insular areas.

But, with that in mind, Mr. Chairman, I just wanted to share that. And, by the way, too, my good friends in the NMI are the only ones that are given the SSI. The rest of us are not given SSI, thanks to Philip Burton, bless his heart. It was the kindness of his heart that that happened. And I could also say it was a matter of history and fact that the reason why a lot of our Micronesian friends currently receive a lot of these social, educational programs is because of you and Mr. Miller and Mr. Burton.

So it's given that sense that 4.7 million Americans that live in Puerto Rico and the Pacific and the Virgin Islands. The Hess Oil is in the Virgin Islands and the pharmaceuticals are in Puerto Rico. Tourism is in Guam. We have the largest tuna canning facility in the world right now and we're having problems. So I want to share that with the members of the Committee and the perspective that we can appreciate the problems that we're faced with. And it's not easy.

And for some reason the concern that Phil Burton had about having a delegate included in the Covenant, his fear was that the Covenant would not have been approved if a delegate bill was included. And the feeling was at the time maybe at some point in time the Congress will seriously consider allowing the CNMI to have a delegate seat in the Congress. So I just wanted to share that perspective, Mr. Chairman.

Mr. FALEOMAVAEGA.And I know the concerns. As I've said, 10 years ago I'm sure these sweatshops existed. We wouldn't have fined Willie Tan $9 million and, by the way, he paid it immediately because he had the money to do so. But in our visit, Mr. Chairman, the members that visited NMI last year, this member can say distinctly I was very impressed with the improvements that have been made.

My good friend here from Guam, we ended up in the midnight, we had to meet with about 600 foreign nationals on the problems they were faced with because of the contractual relationship that some of these foreigners had with the I call them coyotes, but maybe there's another name for them. And these poor people are brought to CNMI only to discover the employers couldn't provide them jobs and they ended up becoming wards of the state. And I want to commend the governor and the speaker and the president of the Senate and the government for taking instant, immediate remediary action by now taking the position to give assistance to these foreign nationals to send them back home because of the problems that they've had with not only the employers, but the people who were brokers in the process.

So, if I may, Mr. Chairman, I do have one question to our friends. I suggested to the former governor of CNMI about eight years ago, under the minimum wage system, as American Samoa currently has, every two years the Department of Labor organizes a minimum wage committee composed of national labor leaders, the chamber of commerce, and local leaders and we get together and find out what would be in the best interests of the economy as a whole, whether or not the NMI territory can hold the minimum wage with the intent at some later point in time that we will conform to the national minimum wage system. But, unfortunately, this has never taken place. And I, for one, Mr. Chairman, would like to offer that recommendation to this day that maybe that would be another way to resolve the minimum wage problem that we have in the NMI.

My question, Mr. Chairman, to my friends, what percentage of NMI budget comes from Federal grants? And how much does it get from Federal grants and loans?

Mr. MICHAEL SABLAN. I'm sorry, Mr. Congressman. The CNMI government since 1993——

Mr. FALEOMAVAEGA. No, no, no. Just right now.

Mr. MICHAEL SABLAN. We receive zero Federal funding for government operations.

Mr. FALEOMAVAEGA. No, no, no. Federal grants, like SSI, Food Stamp, whatever other. CIPs.

Mr. MICHAEL SABLAN. According to the Department of Commerce, the U.S. Department of Commerce, we received a little over $30 million in Federal grants last year.

Mr. FALEOMAVAEGA. No, I don't want the Federal Department of Commerce. I want your department to tell us how much do you get in all. Educational grants——

Mr. MICHAEL SABLAN. About $32 million, $33 million.

Mr. FALEOMAVAEGA. Okay. How much does your budget come from local revenues? And what is the amount of local revenues you get each year?

Mr. MICHAEL SABLAN. This year, we're projecting local revenues of $210 million.

Mr. FALEOMAVAEGA. And so that makes your total budget for approximately how much?

Mr. MICHAEL SABLAN. Including the Federal grant money, general fund money, or Federal grant money, about $245 million.

Mr. FALEOMAVAEGA. I see. Mr. Chairman, I know my time is up. I will wait for another round.

The CHAIRMAN. Thank you.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Guam, have you asked questions yet?

Mr. UNDERWOOD. Yes.

The CHAIRMAN. Okay. So I can start the second round? I am going to let me Schaffer go forth, if necessary. I think that would be appropriate. For five minutes. I think the people at the table may be getting uncomfortable about now and so I'd like to wrap this up, you know, within a period of time where we can go on to the next panel.

Mr. SCHAFFER. Thank you, Mr. Chairman. I'd like to ask the governor, what would be the impact of increasing the minimum wage in CNMI and ask also whether that has been considered recently?

Governor TENORIO. First, Mr. Chairman, yes, recently I learned that approximately about over 100 guest workers, non-resident workers, returned to their country because of our economic impact in the CNMI. I understand the importance of the minimum wage, but whenever there is a minimum wage, also there's a multiplying factor because, in some cases, some of the so-called mom-and-pop stores were closed down because they cannot afford to pay the minimum wage. In some cases, they have to reduce the number of employees in order for them to meet the minimum wage.

In the case of the non-resident worker, although they are receiving only $3.05 per hour, they are also getting other benefits such as health, food, places to stay, free transportation. So we feel that the CNMI as we have established our own permission to come up with a recommendation as to what minimum wage will be best for the CNMI. I hope that—after the submission of this report, we will be very happy, of course, to provide to the Committee.

The CHAIRMAN. Will the gentleman yield for a moment?

Mr. SCHAFFER. Yes, sir.

The CHAIRMAN. And the gentleman from American Samoa, listen to this question. The minimum wage that's developed in these areas has to be considered with the local wages paid and the paying scale, is that correct?

Mr. FALEOMAVAEGA. It's been considered on the overall economy of the territory.

The CHAIRMAN. But what I'm just searching here for is just to say we're going to meet the Federal minimum wage, which will be—and I'm going to vote for it—to raise it to $6.75, if that was to be implemented in Saipan, for instance, that would be an extraordinary amount over the basic wage, would it not be? What is the basic wage now for somebody outside? Because you just said, governor, mom-and-pop stores and stuff would close. They'd have to shut down, not employ as many people. What is the minimum wage now for somebody to be employed? Is there a minimum wage at all?

Governor TENORIO. Well, the—yes, sir. The minimum wage is $3.05 right now, even at the mom-and-pop stores. But what I'm trying to say is that because our economy is so bad that many of the small stores, the small apartment will be closed down.

The CHAIRMAN. If we were to adopt the Federal minimum wage, they couldn't function.

Governor TENORIO. If they adopt the minimum wage, then, automatically, it will tremendously impact our resources in the CNMI.

The CHAIRMAN. And, again, if I'm remembering right, when we passed the Covenant, one was to allow you to set the minimum wage if that fit the territory instead of on the Federal level.

The CHAIRMAN. That is correct, sir. That's why, if the minimum wage were implemented right away, there would be more unemployment on the CNMI.

The CHAIRMAN. Thank you. Go ahead, sir. I'm sorry.

Mr. SCHAFFER. Well, thank you, Mr. Chairman. I appreciate your clarifying that. I'd also point out that in June of this year, the Fed-

eral Wage Review Board for American Samoa considered those exact factors and recommended no increase in the minimum wage for three industries there and 3 cents an hour for an increase in the tuna canneries and to increase minimum wage for the garment industry from $2.50 to $2.60 per hour. So, while the minimum wage is still lower than it is even in CNMI, with the Federal Government's recommendation to keep it at that level, there are still other factors that go into consideration, calculation of the minimum wage in territories and insular——

Mr. FALEOMAVAEGA. Will the gentleman yield?

Mr. SCHAFFER. Yes.

Mr. FALEOMAVAEGA. I appreciate the gentleman mentioning American Samoa's situation, but, here again, it's a very difficult situation because I have a love/hate relationship with the largest tuna canning facility in the territory. I mean this graciously in the fact that a fish cleaner in Puerto Rico gets paid about $6 to $7 an hour and the same fish cleaner that produces the same quality canned tuna in American Samoa gets paid only $3.20 an hour. And my question is why the discrepancy? And the problem has been—and, of course, one of the reasons a lot of the incentives that are given to these major corporations going to the insular areas simply because of lower labor costs. And whether we like it or not, that's the bottom line.

And the fear is that if we keep putting pressure on our major industry to up the ante as far as minimum wage is concerned, then they turn around and say, well, we're going to leave you. And then I'm stuck with 4,000 employees wanting to know what they're going to do after that.

The CHAIRMAN. That's a big chunk of voters too, isn't it?

[Laughter.]

Mr. FALEOMAVAEGA. I wasn't referring to that aspect of it, Mr. Chairman. But, you know——

Mr. SCHAFFER. Mr. Chairman, can I ask more question, is all I ask.

Mr. FALEOMAVAEGA. Again, if the gentleman would yield, I just wanted to mention as a clarification on this. They export over $450 million worth of canned tuna to the U.S. every year. Starkist company alone grosses over $1 billion a year in tuna worldwide. And, as a subsidiary of Heinz Food Company, which is now valued at about a $15 billion conglomerate, this is where the problem I have currently with my friends.

Mr. ABERCROMBIE. It would all collapse if they had to pay somebody more than $3 an hour.

Mr. SCHAFFER. One last question. We have focused in this panel on the garment industry, some of the regulatory issues on CNMI. Some of the reports that I read, a month ago, that are critical of CNMI also mentioned the sex trade. And I would like someone here to comment on the prevalence of prostitution, the response that you all have taken as government officials, and whether—and I'd just like to hear your description as to the significance of the problem, the severity of it, and your response to it.

Governor TENORIO. Yes, sir. I would like to have Mark Zachares to respond to that. But I just want to make a statement that pros-

titution is illegal in the CNMI, by virtue of the—in the Constitution.

Mr. ZACHARES. Thank you, Governor. Exactly that. Prostitution is illegal in the CNMI. In fact, there has been added legislation that was passed, anti-loitering provisions dealing with, you know, street-corner type of activities. What we have done in the last year and a half and, more specifically, in the last year, we got together with the AG White Collar Crime Division, our Immigration DPS officers. We set up surveillance. Pretty much, we suffer the same type of problems, pretty much, any major, I think, and anyone sitting here has the problems of prostitution in their districts. But we attacked it in the way of using our Immigration, using DPS, using the new loitering law, and aggressively going in and trying to prosecute those involved in it.

We have seen a drastic decrease in the tourist area. We call it the ginza district in Garapan, of that type of activity. The aggressive pimps with the prostitutes on the corner. So we took a task force type of approach, attacking it from—because there may have been immigration aspects involved in it that we could take care of and, additionally, the local police force in the AG's office.

Mr. SCHAFFER. Have Federal officials been helpful in assisting in this particular——

Mr. ZACHARES. Right. I'd like to address that too. The FBI and the CNMI task force got together and prosecuted several cases under the Mann Act and successfully prosecuted. And that's part of some of the success stories, that's one of them, of the Federal and local cooperation. Because without the local cooperation, our agents involved in with the FBI—they're cross-designated over—they were successful in doing prosecution regarding the importation of prostitutes coming in and federally charging and convicting them.

Mr. SCHAFFER. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman. If there's one conclusion to be drawn from this hearing today, I think it's very clear that we ought to just continue to have hearings, because everything gets so much better right before the hearings take place. So this is a worthwhile endeavor.

You know, we talked here about the intent of the Covenant and why things were put into the Covenant and not put in. And Mr. Faleomavaega talked about a number of those. And I think he gave a pretty accurate history. And one of the parts of that history was we decided not to make the immigration laws apply because there was a great deal of concern within the CNMI that they would be overwhelmed by non-citizens and that they would lose their indigenous culture and they would not be able to maintain that if people 8,000 miles away were making decisions about immigration.

So we come to the situation today where we have a situation where now the indigenous population is dramatically outnumbered by the non-citizen population. We see a situation where the island can no longer hold onto its population. They continue to flee that because they haven't been able to build an economy. We see a situation where, essentially, as pointed by Mr. Abercrombie and Romero-Barcelo, you have a taxation policy on the poorest workers on

the island that where 90 percent of the private-sector jobs are now held by non-citizens, Asian-born individuals, and 90 percent of the public-sector jobs, the highest paying jobs, are held by citizens. So you have a transfer here of taxing the poorest people to support the wealthier individuals in that. We see a situation here where we've gone, in this decade, from about $200 million in garment exports to over $1 billion in garment exports and, at the same time, the amount of Food Stamps utilized in the island by the U.S. citizens has doubled.

So we have all of the bad outcomes that they were worried about before we signed the Covenant and I think that's why it's important that we review the Covenant, because, in fact, what we see is the hole in the immigration laws that surround this nation are what enabled the rest of this to happen.

I find it rather interesting. Maybe Mr. Doolittle and Mr. Schaffer and others will join us in an amendment and we'll have a line-item for OSHA. This is an island of some 80,000 resident. I've got three cities in my district that are larger than that. And if you put a full-time OSHA inspector in each of those cities, I guess you'd probably get the same how you got on Saipan when the editorial comment was they wanted this Committee to subpoena people on why the increased, stepped-up OSHA investigations and they wanted to know who in the White House sicced OSHA on the island or why were they having to undergo all of these additional inspections. Of course they found out that the governor, of course, had requested those inspections.

We find out that there's 450 OSHA inspections for 50,000 people and there's 35,000 inspections nationwide for 70 million people who are in work places in this country, nearly 20 times the number of inspections. But, somehow, that's apparently now not enough. It used to be too much and they wouldn't cooperate and they sent the OSHA people packing. But now it's not enough.

We see that, you know, we have 1,200 inspectors. These questions about why isn't OSHA more active, why aren't they in permanent residence, why aren't they full-time is rather interesting from people who came to Congress pledging themselves to abolish OSHA. It's like the guy, you know, who killed his parents and threw himself on the mercy of the court because he was an orphan. You know, I don't get it and it just doesn't ring true.

The suggestion is if the Federal Government was just out there full-time, that these problems wouldn't exist. Well, this is just some of this is just old-fashioned law enforcement. Apparently you cleaned up the prostitution problems when it was called to your attention. That's just old-fashioned law enforcement.

You know, if people are violating—companies are settling for back wages, companies are settling for all kinds of activities, you know, nothing prevents, you know, the State of California, the district attorneys go in and they prosecute people for these violations all the time, when you abuse your workers. So it's rather interesting, one, that everything has gotten so well here as we host this hearing. And the second thing is what we see from the conservative side of the aisle is that we just need more Federal involvement.

You know, if we're going to start having one OSHA inspector for every 50,000 people or for every not even that many workers, then

I think that's a different level of government participation in the work place. In fact, most of the legislation has been about backing out of OSHA; about relying on employers and local individuals to inspect that. In the State of California, we control the inspection and that's why we passed the sweatshop laws in that particular interest.

Mr. FALEOMAVAEGA. Will the gentleman yield?

Mr. MILLER. Yes, I will yield.

Mr. FALEOMAVAEGA. I want to say that it is irony, as the gentleman has stated earlier, that the feel was on the immigration aspects that there will be more Americans coming over to Saipan and taking over then the Saipanese becoming the minority. But it was not the expectation that there would be more foreign nationals. And that's what has now given to the situation that we're faced with.

But I think that was the concern, as I recall, and the intent. That perhaps there will be more Americans coming over to Saipan, the vast majority of U.S. citizens, but not realizing that now it's just the opposite, more foreign nationals being there.

Mr. MILLER. I thank the gentleman. Zachares, is it? Mr. Zachares. I'm sorry. Zachares, excuse me. Zachares. You mentioned that no longer do tourists are able to convert their stay. How many have been prosecuted for doing that, to become workers?

Mr. ZACHARES. We have prose—I don't have the actual numbers right now for you, but I can make those available to you.

Mr. MILLER. Do you have it off the top of your head? I mean a thumbnail guess here?

Mr. ZACHARES. I can say the prosecution of our immigration laws in the last year and a half have increased tenfold, compared to in the previous administration from illegal employment of aliens——

Mr. MILLER. How many people have been prosecuted for converting their reason for entrance to another reason?

Mr. ZACHARES. I don't have that off the top of my head, sir.

Mr. MILLER. Will you supply that for the Committee?

Mr. ZACHARES. Yes, sir. I will.

[The information follows:]

Mr. MILLER. How do you determine those today?

Mr. ZACHARES. Determine?

Mr. MILLER. How do you know that?

Mr. ZACHARES. If they came in as a tourist and then——

Mr. MILLER. If a person comes in for a tourist for 10 days, do they check out after 10 days? Do they go back to——

Mr. ZACHARES. Yes, we do have—we have a semi-automated system in place right now, but what would happen, how you would find out is by the tourist stamp that would be in their passport upon presentation of their passport. If they were working, they would not have a valid permit. But if they did have a permit, they would show a tourist stamp within their passport and the question would arise, how do you get a tourist stamp when you have a working permit?

Mr. MILLER. And what's the fine—I assume it's a fine—for the employer who hires——

Mr. ZACHARES. Oh, it's a felony for an employer.

Mr. MILLER. It's a felony. What's the fine or what's the punishment?

Mr. ZACHARES. I believe it's a $5,000 fine and over a year.

Mr. MILLER. And how many employers have been prosecuted?

Mr. ZACHARES. Excuse me, it's five years, sir.

Mr. MILLER. How many employers have been prosecuted?

Mr. ZACHARES. In the last year? If I can go to my notes, briefly.

Mr. MILLER. Yes.

Mr. ZACHARES. In the last year and a half, sir, we've filed over 30 criminal cases against 55 separate defendants. And that's including garment factories, construction companies. We've also seized over 500,000——

Mr. MILLER. What's the breakdown? Do you have it there by industry? Construction versus hotel or——

Mr. ZACHARES. We do have a breakdown——

Mr. MILLER. I mean, I don't know. How do you break it down? By construction, hotel, or——

Mr. ZACHARES. Construction, whether it would be a garment; whether it would be a hotel.

Mr. MILLER. And how does that break down?

Mr. ZACHARES. I do not have that breakdown in front of me, sir. I will provide it to the Committee.

Mr. MILLER. Will you submit that for the Committee, please?

Mr. ZACHARES. Yes, sir.

[The information follows:]

Mr. MILLER. Thank you. I'll wait for the next round.

Mr. DOOLITTLE. [presiding] You know, I don't have any confidence in OSHA. And this hearing just is another reason why one shouldn't have any confidence in them when so much is made by our Federal Government of the terrible problems in the CNMI and then it turns out they don't even care enough to be on-site to enforce these laws. It's just absurd. It's just totally hypocritical and, as we're finding out in another investigation, thoroughly political, for partisan political ends. That's what this is about.

I have only been to Saipan once in my life and to the Marianas. That was earlier this year. Like my colleague from American Samoa, I was very impressed by what I saw. I certainly didn't see anything resembling a sweatshop. I did see some pretty bad conditions for the people who came over here on false pretenses because of the unethical business practices of some of these recruiters. And, during that trip, the government of CNMI responded and, without any legal obligation to do so, nevertheless provided monies to repatriate the people to where they came from. And I commend you for that, governor, you and your government.

I would love to see the CNMI succeed and I think even in your own business plan, the garment industry is only kind of a transitional type of industry, isn't it? What is the future, if I may address that to one of you gentlemen? What is the future for the CNMI? I mean, is this going to be a place where the garment factories thrive for decades? Or is that set to end and something else set to happen?

Yes, sir, Senator, if you wish—or, Governor, who would you like to answer? Mr. Sablan?

Governor TENORIO. Yes.

Mr. MICHAEL SABLAN. Mr. Congressman, we have done a gross island product projection for the next five years. We see the garment industry leaving the CNMI when world trade agreements come into play in the year 2004. We are seriously concerned about the impact that would have upon our economy and our ability to continue to run our government on a self-sufficiency basis. We have been self-sufficient, as you know, for operations since 1993. The administration and the legislature has been working very hard this past few months, past year and a half as far as I know, to develop new alternative industries in the CNMI.

As the president, I believe, mentioned earlier, there is a bill now before the Senate to establish free trade zones. That is perhaps our best hope to recover when the garment industry does leave. Without that, we anticipate government revenues in 2004 dropping to the 1994 level. And we're doing everything we can to avoid a drastic drop in revenues of that magnitude.

Mr. DOOLITTLE. So, then, you clearly are heading for something else. All this fuss about the garment industry, I mean, we're almost to 2004 is four and one-half years away.

Mr. MICHAEL SABLAN. It's right around the corner, sir. There are factories, in fact, I understand, who have closed. And we are told by the garment association that orders, buyers, are dropping, are reducing their orders. And we're very concerned about that.

Mr. DOOLITTLE. Is it your—I'm just looking at this. I guess we're going to hear about these from the government in the next panel, these graphs. But, I mean, I was listening to Mr. Miller, but it looks to me like, although, obviously, the alien population's gone up, your own population is increasing as well, or has been over the years, as I interpret these graphs. Is that, in fact, the case.

Mr. MICHAEL SABLAN. Yes, it is. Mr. Congressman, if I may, the last census that was done in the Commonwealth was in 1995. I wouldn't give too much—I wouldn't rely too much on numbers since 1995. There is a 2000 census being planned. I understand the results of that census will be in the year 2001.

Mr. DOOLITTLE. Well, what do you anticipate will be happening with the alien as the—I mean, are the guest worker aliens, do you expect that to steadily decline as well, along with the garment industry? Or how does that fit into the economic picture for the future?

Mr. MICHAEL SABLAN. According to statistics, and correct me if I'm wrong, the number of guest worker permits this year has decreased approximately 26 percent from last year.

Mr. DOOLITTLE. And part of that is the Asian flu still, though, right?

Mr. MICHAEL SABLAN. Excuse me, sir?

Mr. DOOLITTLE. I mean, a part of the decline is due to the poor state of the economy in Asia.

Mr. MICHAEL SABLAN. Oh, of course, sir.

Mr. DOOLITTLE. Yes.

Mr. MICHAEL SABLAN. We have businesses closing. It's not a CNMI problem; it's a regional problem.

Mr. DOOLITTLE. Right. But my point is let's suppose the economy is healthy, after 2004, in Asia. What do you anticipate is going to be happening with the numbers of guest workers in the CNMI? Is

that still going to be increasing like this graph shows? Or do you anticipate that's going to level off and/or decline?

Mr. MICHAEL SABLAN. If and when the economy recovers, Mr. Congressman, I don't think anyone here could see our economy developing without the ability to hire guest workers, because of the limited population we have. The free trade zone, for example, we are doing everything we can to attract capital-intensive non-labor-intensive industries, but the reality in our region, especially, is that would be a very difficult, very competitive venture. But we'll do everything we can. I, personally, I don't see development in the CNMI without the ability to hire guest workers to supplement our limited population.

Mr. DOOLITTLE. Well, and that reality, I presume, is why, in the compact, you were given control over immigration, to deal with this very situation. Yes, Mr. Babauta.

Mr. BABAUTA. Thank you very much. I was wanting to poind that out earlier, that, while it is true that part of the reasons why we were granted the authority to maintain immigration and minimum wage was to protect us from the influx of migration and then, in turn, becoming U.S. citizens and overwhelm the people. But the other reason was because we needed it to start our economy until such time that the military comes in and builds a military-type economy base where, then, we have opportunities. And I wanted to point out that, up until now, we still are not there. We're not at that point where the commitments were made, basically, and we continue to need to control immigration and minimum wage to continue with our development.

What we've done, though, so far on the concerns that you've raised as far as looking in the future and seeing the reduction of non-resident workers is, you know, other than the legislations that we have enacted, such as the moratorium laws and the caps, there is also efforts by the administration—and this is as the result of a push by the community, by the local people—to reduce the waste in government, to reduce the size of government. And Governor Tenorio has done a tremendous job in reducing the expense, the waste in government. And what that actually does, there are so many people that have contracts that have not been renewed, for example, in government or positions that were not filled that could have been filled by individuals. And those individuals will eventually be forced to go out and work in the private sector.

As time goes on and families have harder times, this idea that I explained earlier about our culture, forces the families to send their children out to find those and fill those positions and, eventually, we will eliminate the need for non-resident workers. As an example, personally, I have a 22-year-old son who lived with me after he graduated from high school. And he was going from one job to another because he had that choice. But now that he wants to start his own family, he's out there working eight hours a day and not in a very high position in the private sector as a stevedore at the docks. But he is one of those individuals that has gone out because I had to force him out because I have three other children that I needed to support. And he's out there now supporting his own and taking over jobs that, in the past, non-resident workers were needed to take. Thank you.

Mr. DOOLITTLE. Well, my time is actually up. I'd like just to clarify one thing. Governor, you wish to have the assistance of OSHA in your Commonwealth, is that correct?

Governor TENORIO. We feel that the presence of OSHA in CNMI should work closely with our labor and immigration so that we could come up with whatever recommendations that they have in order for us to maintain the employees. Because, in the past, we have been getting workers' complaints from different companies and the OSHA always visit in a different time and also impose some fine to the companies. And, of course, we would like to see the OSHA more involved in administering the Federal law.

Mr. DOOLITTLE. All right. Well, you're one of the few governments I know that really wants more OSHA presence. But since you want it, here's an invitation for OSHA. Now why aren't they taking up that invitation?

Governor TENORIO. No, sir. What I'm trying to say is that we are being accused of all kinds of abuse and everything and the presence of OSHA are there and they are aware what is going on. And, unfortunately, sometime I wonder where are those information are coming in. They are the one who are submitting all of these reports, I believe, to the U.S. Congress. I have confidence in our department. We are having a inspection on almost on a weekly basis to all the companies. And we are also trying to work closely with the garment industry.

As a matter of fact, Mr. Chairman, when I first took office, I invited all of the garment industry, the construction company and we met almost every week. And I told them that they have to police their own company. Please try to comply with all Federal laws and local laws so that we could work closely in helping each other. Their success will be, of course, our success of the government.

Mr. DOOLITTLE. Well, thank you, Governor. And I appreciate you and your colleagues coming today. I'd like to recognize Mrs. Christensen for any questions she may have.

Ms. CHRISTENSEN. Thank you, Mr. Chairman. And thank you for holding this long-awaited and very important meeting. And I want to say to you and to our guests who are here this morning that please do not take my being late for lack of interest. This is an issue that I'm very interested in. I want to take this opportunity to commend our Ranking Member, George Miller, for his commitment over the years to securing justice for the alien workers of the CNMI and to ending the practice of abuse that they received.

I'm glad that I was able to get over here to welcome the witnesses today. I know many of you have traveled long distances and I'm sorry that we don't have better weather for you here. We had great weather when I was in CNMI. A special hello to Governor Tenorio and the members of the delegation, including the speaker of the House of Representatives, Diego Benavente, and President of the Senate Paul Manglona. I want to publicly thank you for all the graciousness and hospitality that you extended to me and the rest of our delegation while we were in the CNMI last February.

And to welcome my colleague Juan Babauta. And it's good to see you again. I want to just say to you something that I said to you when we were there, that this issue, for me, is separated from the

issue of whether you are a delegate or not and I look forward to having you join us here in the near future.

Mr. Chairman and my colleagues, the situation with regard to the alien worker population in the CNMI has been a very serious one for years. And I'm afraid that, despite reports that it's getting better, I think it's time for the Congress to begin to address it. I was able to witness for myself the large number of foreign workers who are living on the streets of Saipan. My husband would not even go into some of the places that they lived, with me, as a result of being promised jobs by CNMI recruiters in their home countries only to find that there were no jobs available when they arrived and, after paying recruiters thousands of dollars in fees. And we were able to speak to some of these individuals about their particular plight, some of which were quite horrifying.

What is particularly troubling about all of this is that these problems aren't new. They've been going on for several years prior to my being elected to Congress. And, despite serious concerns being expressed by successive administrations and members as far back as 1980, if there has been any change, it's been very little.

In response, the Senate Energy and Natural Resources Committee last year reported a bill sponsored by Chairman Murkowski, Ranking Democrat Bingaman, and Mr. Akaka, to, among other things, extend the provisions of the U.S. Immigration and Nationality Act to the CNMI. A similar bill focusing solely on extending U.S. immigration laws was also introduced by the same three senators this year and a hearing, of course, was held last Tuesday.

While I am sympathetic to the issues of fellow U.S. off-shore areas, particularly one that does not have a representative in Congress to defend their concerns, I regret that I must agree with those who believe that the time has come to extend U.S. immigration laws to the CNMI, if for no other reason than to end the terrible abuses that have been shown to be occurring time and time again. Extending U.S. immigration laws to the CNMI was not an easy conclusion for me to reach because I am an off-shore territorian, because even in my own district, the Virgin Islands, many of our residents have voiced concern and interest in having us have control over our immigration to the Virgin Islands. But, on the other side, as a strong supporter of workers and workers' rights, I find it unacceptable that workers in any part of the United States should be subjected to the kind of forced working and living conditions as those that we witnessed and that we hear about.

Again, I want to just thank the Chairman for holding this hearing. I have perhaps maybe just two questions. One, I was looking at the graph here and it just called to mind that some unemployment issues that we heard of when we were in the CNMI and, as I recall when you looked at employment or unemployment, that there were still large numbers of citizens, U.S. citizens in the CNMI, that were unemployed versus the non-citizens who were coming for employment. What is the unemployment rate in U.S. citizens and has that improved since we were there?

Mr. MICHAEL SABLAN. The unemployment rate this year for U.S. citizens, residents, is a slight reduction from last year. Last year, it was 14.3 percent. This year, it's 13.4 percent. Again, the overall unemployment in the CNMI is 5.5 percent. In the CNMI, because

of our limited population, percentages can be misleading. 13.4 percent represents 1,400 people in the CNMI.

Ms. CHRISTENSEN. Well, it's, by proportion, in terms of your citizens, it's a large proportional number even though the numbers are small. I mean, we may have 10 percent of the Virgin Islands having a particular statistic and it'll be maybe 11,000 people. It's a small number, but it's still 10 percent of the population. And, in this case, 13.4.

I had a question on the testimony. And I will read all of the testimony in its entirety. This is the one from the members of the legislature with regard to their quest for appropriate Federal funding to reimburse the Commonwealth for financial costs that unrestricted migration has incurred upon the CNMI. And I'm not sure I understand it because I understand in the case of Guam where they do not have control over their immigration and they're faced with a situation like this. But I'm not—I don't understand, since you have control over immigration, why it is a matter that we should still address on your behalf.

Mr. BABAUTA. Well, let me try to explain first. And as I've responded to the same question earlier, actually. Yes, we do have the authority because we control immigration. We do have the authority to also treat citizens from the FAS as non-resident and would be barred from coming into the Commonwealth except for tourist or work permit. The fact is, we have chosen not to do so because of several reasons. One of those reasons is the need for workers that are required under the garment industries, which is required to hire 20 percent U.S. citizens, and, for the purpose of the 20 percent, the FAS citizens are considered U.S. citizens.

We've also decided not to because of our relationship with the FSM citizens of the states. As you know, we were part of Micronesia, one of the six districts of Micronesia, and we still value the relationship that we have with them. We also—one thing that I did not mention in my earlier response was the fact that we also are—we recognize the United States policy with this matter and have chosen to be consistent with that of the United States and allow FAS citizens to come into the United States freely.

I think, most importantly, one of the reasons why we've chosen all that is the fact that we would have been reimbursed just like Guam for any of the expenses incurred by the influx of those citizens. Yes, we have the choice and, yes, we can stop. But we've chosen not to do so. But we feel that, still, because we've chosen not to do so and because there are compact-impact that is costing the government, we're asking for that reimbursement that is a commitment by the United States. Thank you.

Ms. CHRISTENSEN. Thanks. At the risk of asking questions that were already asked, again, I'm going to—I won't ask any more questions. But, as I said, I will read all of the testimony that's been presented thoroughly and take into consideration any arguments that are made. And thank you, Mr. Chairman, and thank you, my colleagues, for allowing me to go out of turn. Thanks.

Mr. DOOLITTLE. Thank you. I'd like just to observe that this panel has now sat here for two and a half hours. At this rate, we'll finish the hearing at about 9 tonight because there's three other panels after this one. Are there members that feel compelled to

want to say something? Mr. Miller has indicated a desire to make a few concluding comments. Anybody else who wanted? Maybe can we do—just—yes, how about two minutes apiece? Is that okay? Great. All right. Mr. Underwood and then Mr. Faleomavaega.

Mr. UNDERWOOD. Yes. Okay. Thank you, Mr. Chairman. You know, I'm not a big fan of OSHA in the sense that I want them to be there all the time, but we have had an unintended consequence because I think if you guys could get OSHA to just go directly to Saipan, I'd appreciate it a lot more.

[Laughter.]

Mr. UNDERWOOD. Because I think they've had the justification of having and you know that Guam and the CNMI have, because of this overexposure to OSHA I think, has had a high rate of assessments. And I'm sure they would find the same number of abuses if they had that level of inspection given.

But I do just want to make the point about minimum wage and raise the issue again, perhaps in the context of what our friend, Mr. Faleomavaega, has pointed out. When I first started going to the CNMI to do training, primarily to teach classes, on a regular basis, I remember back in the mid-seventies that I was having discussions with several of my students. And I went to Joten and I asked the people in Joten how much money they made an hour. They said they made 75 cents an hour. And then I asked some of the people who were trying to get a bachelor's degree to become teachers. And they were indicating to me that, at that time, that if they actually got a degree and became teachers, they would, in the 1970s, make the equivalent of about $1.50 an hour.

And so, in recognition of that and in having several discussions and in my understanding through, you know, multiple discussions with a number of officials over the years, my understanding of the minimum wage exemption was that they were going to get out of that old trust-territory economy and into eventually an American-style economy. And that was the reason for it. It wasn't meant to help sustain a foreign work force. That it was to provide a kind of a natural bridge between people who were working as professionals for $1.50 an hour in the 1970s so that today we assume that those people would be making what would be comparable wages to the rest of the United States.

And, yet, I'm puzzled because I don't sense that—and I fully understand the desire. I fully understand—and I'm sure my other colleagues from the insular areas—fully understand the desire to tell the Federal Government to butt out and to hold jealously as much authority as you can because there's so precious little authority given to insular areas. But I must really ask the question about minimum wage. Is the intent to have a Federal minimum wage down the line?

I got an e-mail from someone who used to be in the previous administration under the previous Governor Tenorio, who e-mailed me and said there's something wrong with a system where he lives next door to a 19-year-old young man out of high school who can't get a job and he looks across the street and he sees a young lady from Nepal pumping gas. Now, the distinction between those two is that, well, you can say, well, maybe the young man is culture-

bound to hang around with his parents. I don't know. I don't think that's the issue.

I think the issue is that the system that we have in place that may, indeed, have many problems if we immediately address the issue of a Federal minimum wage, would create a lot of disconnects and disjuncture and a lot of economic dislocation. But I want to hear: is the objective to get to a Federal minimum wage? Is that the objective? Because if it isn't, then I think we're going to have serious structural problems in the nature of your economy.

What is the minimum amount of money that a person can work for inside the CNMI government? Because we have an overloaded number of people who are CNMI residents who are working in the government and none in the private sector. What is the minimum amount that a person can make in the CNMI government?

Mr. MICHAEL SABLAN. Mr. Congressman, I think the lowest salary in government is approximately $11,000 or $12,000 per annum.

Mr. UNDERWOOD. And what does that come out to in terms of—in comparison to the minimum wage in the private sector?

Mr. MICHAEL SABLAN. That's approximately $5.28 per hour.

Mr. UNDERWOOD. And people are willing to work for the government. Local CNMI residents are willing to work for the government.

Mr. MICHAEL SABLAN. Yes.

Mr. UNDERWOOD. At $5.20 an hour. Well, I would submit that that should be a valid objective. That should be the objective of an economy that wants to not just help, you know—I understand the need to have revenues and I understand the need to have an alternative to tourism. And I understand that Guam is fortunate to the extent that they have the military economy. But, believe me, that has its ups and downs as well.

But, in reality, at some point in time, I seriously believe we must ask ourselves the question: What kind of economic opportunities are we going to provide for our own people? The people that you and I—you know, you and I, well all share the same ancestors. And if we go back four or five generations in Saipan, we know that most of them have connections to Guam, except Mr. Manglona there who continually says the people of Rota, of course, are very different. But——

[Laughter.]

Mr. UNDERWOOD. I say that respectfully. I say that respectfully. But, in reality, you know, I'm trying to understand what is the objective of that? I mean, you know, the garment industry's going away. We've given a view of mom-and-pop stores. I'm just, you know, I went way over my two minutes, Mr. Doolittle, but I appreciate that.

Mr. DOOLITTLE. And here, I want you to know, I've been liberal today.

[Laughter.]

Mr. DOOLITTLE. Okay.

Mr. MILLER. Mr. Chairman, I want you to know, even though you say it, we don't believe it.

[Laughter.]

Mr. DOOLITTLE. I had Mr. Faleomavaega next. But, yes.

Mr. ABERCROMBIE. Mr. Chairman, I just wanted to reserve that Mr. Miller may not believe you, but I believe you. It's just that I know that it's of no permanent nature.

[Laughter.]

Mr. DOOLITTLE. Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Mr. Chairman, unlike my friend from Guam, I happen to be very grateful for OSHA's presence in American Samoa. And let me tell you why. For eight years, during the Reagan Administration, OSHA was not even on the radar screen. And after repeated efforts to talk to the management of Starkist Tuna Company, about a lot of the violations as far as working conditions are concerned, they wouldn't do anything until they finally slapped a $1.8 million fine, which Starkist, by the way, paid immediately. And I say to myself, what is the worth of $1.8 million if the lives of those workers in that canning facility would have been at risk or they would have died as a result of hazardous working conditions?

So, yes, we can go to the extreme about some of the bureaucratic problems we deal with, but I, for one, am grateful for OSHA's presence because I firmly believe in the working man's conditions and, certainly, they ought to be given fairness in that respect.

Governor, I have the highest admiration and respect for you and I think in times past that we've discussed some issues that, for one reason or another why, I have always tried to restrained myself in terms of the fact that so much of the transitioning was effected during the political campaign period. But now that you're on board, I just wanted to ask you: Can you distinguish clearly some of the clear policies that your administration is currently doing as contrast to your predecessors and the problems that we've had to deal with your predecessor?

Governor TENORIO. Thank you.

Mr. FALEOMAVAEGA. In the spirit of bipartisanship, by the way.

Governor TENORIO. Well, my administration is trying to correct some of the deficiencies that happened during the past administration.

Mr. FALEOMAVAEGA. There is a provision in the Covenant relationship that allows the leaders of CNMI to conduct consultations with the leaders of the United States Government. And I'd like to ask the governor, what has been your experience in dealing with that? And at what level is your government supposed to be discussing these consultations with the leaders of the United States?

Governor TENORIO. I believe that there is a section in our Covenant, Mr. Chairman, section 902 of the Covenant gives us the authority to meet periodically with the representative of the President and discuss some of the issues, whether it's a Federal law that will be affecting the CNMI or any other issue that will affect that CNMI should be discussed during that forum. And, unfortunately, we just recently we had one meeting with the representative of the President and we have more or less been told that they are only telling us that this is what we want. Indirectly, they are saying we are not here to discuss some other issue. We want to discuss only one issue, in that spirit.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. My time is up.

Mr. DOOLITTLE. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman. Again, after listening to this morning's testimony, I think we continue to be saddled with a problem that goes back to an inherent flaw in the current situation and that is the failure to have U.S. immigration laws apply here. Because it is that failure that allows the CNMI to continue to provide a surplus of labor within the CNMI which then continues to allow you to pay a substandard wage to those workers, that allows a kind of abuse of those workers that we have witnessed over the past decade to continue because those workers are put in the situation where they really, essentially, have little or no rights with respect to their legal standing in the country. Where workers continue to have the failure-to-pay actions against their employers, failure to pay for hours worked and for time rendered to their employers.

Where people are still able, because the conditions and circumstances in which people are brought to the CNMI because they do not have to go through the kinds of checks, they do not have the rights other people would have, under our immigration systems. That those individuals can be diverted into the sex trade, they can be diverted into prostitution, they can be diverted into barroom dancing, and all of the other activities that are well-documented, not a matter of speculation. And until we remedy that problem, we will not be able to adequately provide for the protections and the rights of these individuals as human beings, whether or not they are foreign guest workers or not.

The fact of the matter is we see a situation that is a false economy; that it's failing. It continues to be subsidized by the inflow of low-wage workers. And, yet, it fails to provide the kinds of needs that the citizens of the indigenous people in Saipan are entitled or, in fact, will carve out a future for those individuals.

It is also this gaping hole in our immigration law that allows us to really have, in spite of all of the suggestions here this morning, we really don't have a way of validating the documentation, the health care checks, the criminal backgrounds of the individuals entering the country. I appreciate they're going to same clinic, but let's not pretend for a moment one of the hallmarks of organized crime and those who seek to evade the immigration laws is about false documentation. We have a way, under American immigration laws, to at least dramatically reduce the probability of that happening and keeping track of those individuals.

I appreciate that you're going to use the same clinics and the same law enforcement people. Again, if you have to apply for a visa to the United States under our law, it's a far more extensive check in terms of activity and past history and all of the rest of it. And that's what protects this country against communicable diseases. That's what protects this country against increases in crime and the foothold of crime, to the extent that we can, in the drug trade.

So you can continue to resist applying American immigration laws to Saipan and you may very well be successful. It's well-documented that the leadership of this House is not interested in seeing that legislation moving. I don't know whether Senator Murkowski and Senator Akaka will be able to move their legislation or not. I know that they've asked you to comment on that. I would hope that

you would, because you apparently led them to believe that you had some suggestions how to improve that legislation.

But the fact of the matter is, whether it's because of when the current international regime for garments and textiles comes off and whether or not this business will go to China, as many suspect, or to yet a lower cost producer. Or just the fact that the garment manufacturers I meet with have decided that they're going to reduce their reliance on Saipan simply because they don't want to be associated with this kind of activity where workers are abused, not paid, and exploited and they don't believe that you have the local capabilities to keep that from happening and so they, as many of you have already testified, are reducing their exposure to that kind of activity.

Mr. Chairman, I'll finish when I finish, okay? So I don't really expect that these hearings are going to put you in great jeopardy. You'll just keep doing what you're doing. You'll just keep paying the price. And, unfortunately, so will the citizens of Saipan, because all of the indicators are going in the negative fashion, in terms of their wealth, in terms of their poverty, in terms of their employability, in terms of their education, in terms of infant birth. All of it's going in the wrong direction. But if you continue to believe that that's a great position for you to hold for the people you represent, you're certainly welcome to that.

As has been pointed out here, it's a tragedy what's happened over the past decade to the thousands and thousands of workers that have been there legally, illegally and have been exploited. And whatever time is running on the textile arrangement between now and 2004, I would hope that the situation would improve for them. But, clearly, it's not—you don't have an ability at the time being to do that with the current leadership in the House. So I suspect that those workers will continue to be brought in illegally. They'll continue to be exploited because that's the long history. And that's to the advantage of many people on Saipan.

And the fact of the matter is that, in the most recent episode of many of the people you have paid to repatriate, those people came not with forged documents, they came with official documents of your government that were presented at the airport. They were clearly duped by those recruiters and they continue to be beholden. And I appreciate your gesture of $3,000. Many of those people are out $35,000 and $40,000 to recruiters in their own country. They borrowed money in good faith from the villages from which they came, from their families, and from their friends. So they will not be made whole and that's unfortunate and it's going to be unfortunate that there will continue to be others who will be put in that same situation. Thank you very much, Mr. Chairman.

The CHAIRMAN. [presiding] Governor, after that presentation, I can tell you I'm quite pleased with what has occurred under your stewardship. Most of the bad things that have occurred and the media's been reported were results of the previous administration. By the way, it happened to be the party of my good friend on my left. I always find that kind of ironic. We have, myself, have been involved in this much longer than Mr. Miller has. And I have seen the difference. And, again, because of the Covenant and because we gave you the opportunity to have a House and a Senate and a gov-

ernor and department heads and you are duly elected, I think it is very inappropriate for members of this Committee and, in fact, this administration to decide it's best to be run by the Federal Government.

The Federal Government itself has done a deplorable job in all the territories. Absolutely disgusting. And, very frankly, I'm not the least bit proud of the Federal Government, regardless of what administration. I'm not particularly proud of this administration because I believe, indirectly or directly, they've tried to impede, even force the destruction of the Covenant. That didn't happen a year and a half ago. It didn't happen two years ago. Didn't happen three years ago or four years ago when most of the atrocities were taking place.

Now I've told you, Governor, and the speaker and the representative and Mr. President, because I was out there before, as long as I continue to see progress—and I believe immense progress has been made—if anybody takes time within the media to study the progress that has been done in the media in the year and a half. I also would like to suggest, respectfully, that there are different areas and different cultures and different problems. That we have to recognize a duly elected people have to have some say in what occurs. It's presumptuous to think that government has all the answers.

Anybody can show me that government is doing a good job in any field that couldn't be done better on a local level, without spending a considerable amount of money. I can go back to the BIA, one of my favorite subjects. The millions and billions of dollars they waste trying to help out my aboriginal people. They should go directly to those people; let them do it themselves. If they mess up, that's their problem.

So, as long as what you continue to do—and I want to compliment the panel—is to present to this Committee, as long as I'm Chair, and I hope my predecessor will have the same courtesy to duly elected individuals that opportunity. If you screw up, I'm going to be on you. But I think I've seen great progress in the last year and a half and I hope that continues. So this has been a good panel. I'm sorry it took so long. But I think you traveled far and far and I think it was important, so I do thank you and you are excused. And stay available.

Mr. MILLER. Mr. Chairman.

The CHAIRMAN. Yes.

Mr. MILLER. If I might——

Governor TENORIO. Mr. Chairman, if I may.

The CHAIRMAN. Yes, Governor?

Governor TENORIO. Just assert. You asked me to submit the Customs report?

The CHAIRMAN. Yes.

Governor TENORIO. The Customs only gave us the report to us in the condition not to release, because of its contents are confidential figure in the business. Can this Committee give us the authority to release the report, despite this?

The CHAIRMAN. The Customs cannot keep that report if I request it.

Mr. SCHAFFER. Mr. Chairman.

The CHAIRMAN. Yes.

Governor TENORIO. Thank you, sir.

Mr. SCHAFFER. Mr. Chairman, I requested that report from the Customs Department of the Treasury. They sent that report to me just the day before yesterday.

The CHAIRMAN. That's right.

Mr. SCHAFFER. So they have submitted to me already.

The CHAIRMAN. So you're off the hook.

Governor TENORIO. Well, I just wanted to make sure, sir. Thank you very much.

The CHAIRMAN. Yes.

Mr. FALEOMAVAEGA. Will the Chairman yield? Mr. Chairman, I would like to ask unanimous consent if our distinguished guests could sit with us here on the dais so that, in case or the event of questions——

The CHAIRMAN. I have no objections to that, if they'd sit on the lower dais. But first I think they ought to be excused to get a sandwich; go to the restroom; wipe your sweating brow; whatever you want to do. Mr. Miller.

Mr. MILLER. Mr. Chairman, I would just say that I appreciate your statements against the Federal Government, but it was not the Federal Government that brought these thousands of people to this island. And it's not the Federal Government that imposed the punishment and the exploitation on those individuals. And I appreciate cultural differences and I think my public service has been very respectful of those, but I don't know any culture where it's accepted that you exploit other human beings. And I think that's a matter about laws and enforcement of those laws.

The CHAIRMAN. I thank the gentleman. You're excused, gentlemen.

Mr. MILLER. Mr. Chairman.

The CHAIRMAN. The gentleman.

Mr. MILLER. If I might, I have testimony that I'd like to submit for the record as part of—to make a part a part of the record of this hearing.

The CHAIRMAN. From?

Mr. MILLER. From Mr. Wan Lan, who is a Chinese laborer; Mr. Albert Meyerhoff, who is one of the attorneys in the lawsuits; from the I guess this is the Take Pride in America Coalition; and Honorable John Dingell.

The CHAIRMAN. Without objection.

Mr. MILLER. Thank you.

[The information follows:]

STATEMENT OF ALBERT H. MEYERHOFF PARTNER, MILBERG WEISS BERSHAD HYNES & LERACH LLP

My name is Albert H. Meyerhoff. I am a partner with the law firm of Milberg Weiss Bershad Hynes & Lerach LLP. I am also counsel for the plaintiffs in litigation brought in January of this year arising from conditions in the garment industry in the Commonwealth of the Northern Mariana Islands ("CNMI"). I appreciate the opportunity to testify before this Committee today and would like to primarily focus my remarks on a potentially landmark settlement agreement reached with several of the U.S. retailer defendants in that litigation. Before doing so, however, let me summarize events leading up to the litigation and the factual underpinnings of the case.

Following an investigation conducted for the better part of a year, on January 13, 1999, two Federal class action lawsuits were filed on behalf of foreign "guest workers" from the Peoples Republic of China, the Philippines, Bangladesh and Thailand now working in the CNMI garment industry. A third companion lawsuit was filed in California state court by four national human rights and labor organizations (Global Exchange, Sweatshop Watch, Asian Law Caucus and UNITE!) alleging that U.S. retailers had engaged in false advertising (by claiming their goods were "Made in the U.S.A." or "No Sweat") and were trafficking in "hot goods" manufactured in violation of U.S. labor laws. The facts providing the basis for these three cases can be summerized as follows.

FACTUAL BACKGROUND

The Commonwealth includes the principal island of Saipan and a chain of 13 other islands north of Guam. After World War II, these islands were designated as a U.S. territory and, since 1975, have been a Commonwealth of the United States. While U.S. minimum wage and immigration laws were not extended to the Commonwealth, the Covenant establishing the Commonwealth did not exempt it from all other applicable U.S. labor laws, including OSHA, the provisions of the Federal Fair Labor Standards Act requiring the payment of overtime, and Federal civil rights laws, including Title VII and Anti-Peonage laws.

The Covenant granted the Commonwealth authority over its own immigration policies. While the purported intent of this provision was to provide for stricter control over immigration than existed on the U.S. mainland, the Covenant had the opposite effect, resulting over the last decade in a rapid influx of foreign immigrants who now make up the substantial majority of Saipan's population of 70,000.

Garment manufacturers operating on Saipan—more than 70 percent of which are owned by foreign interests—actively promoted this immigration policy so they could import contract foreign laborers to work in their factories. The foreign garment workers in these factories are actively recruited by quasi-private agencies operating in China, Bangladesh, Thailand and the Philippines at the behest of the Saipan garment factories. These recruiters advertise well-paying jobs in the U.S. with comfortable working and living conditions. However, the workers they recruit are charged exorbitant recruitment "fees" of $2,000 to $7,000 or more for one-year contracts as a condition of obtaining such promised "benefits," which are either paid in advance or deducted from the workers'paychecks. As these workers receive a minimum wage of $3.05 per hour, between the average recruitment fee of $5,000 and food and housing costs of $2,400 a year, they must work up to 2,500 hours a year just to repay this debt—before earning a single dollar for themselves. Over 90 percent of the garment industry jobs in the Mariana Islands are now held by such foreign "guest workers." Since 1996, over 200,000 apparel industry jobs were lost in the continental United States.

The CNMI garment workers live in a state of peonage. If they are prematurely terminated for failing to work as demanded or for complaining and are summarily deported, either they or their families must nonetheless repay the huge recruitment fee. Moreover, workers are routinely required to sign "shadow" employment contracts establishing unqualified obedience to their employers while prohibiting them from participating in social, political or religious activities, asking for salary increases or alternative employment, marrying, becoming pregnant, attempting to change employers, or engaging in worker organizing efforts. These contracts are enforced by threats of immediate termination of employment, deportation and other means.

As documented by Federal agencies, members of this Committee and others, the working conditions in the Saipan garment factories are, simply put, often deplorable. Little water is provided to workers during working hours, even though typically there is no air conditioning in these factories, where temperatures regularly reach or exceed 100 degrees. Impossible piece work quotas are imposed; when those quotas are not met, the workers are forced to provide "contributions to the company"—specifically, involuntary overtime work for no pay, Mistakes also result in uncompensated labor, as does perceived disobedience. Saipan's garment workers routinely work 12 hours a day, 7 days a week, and late into the evening, often for no pay beyond the first 40 hours or based on piece rates alone, with no overtime premium based on hours worked. Documented OSHA violations are rampant and are merely the tip of the iceberg, since inspections are announced sufficiently in advance to permit the CNMI contractors to remedy the most egregious violations.

Living quarters are overcrowded, with four to six persons in a 250-square-foot room and barracks often surrounded with inward-pointing razor wire. The "kitchens" consist of a hotplate and fresh drinking water is routinely not supplied. The food is of poor quality and often contaminated, resulting in several recent and seri-

ous incidents of mass food poisoning. Workers who attempt to leave these barracks have their names recorded and, unless they return within imposed curfews, are reported to management and forced to work unpaid overtime.

Major American retailers, such as The Gap, Inc., Wal-Mart Stores Inc., Tommy Hilfiger USA, Inc. and others have reaped a rich economic harvest from this system of exploitation. For the fiscal year that ended in October 1998, the *wholesale* value of garments shipped duty-free to the U.S. mainland from the CNMI totaled over $1 billion; retail value is conservatively estimated at over $2 billion. Most of these garments enter the United States through California ports and are thereafter distributed nationwide. Notwithstanding that these garments are manufactured by foreign workers in primarily foreign-owned factories using foreign cloth and materials, because the factories are located in the Commonwealth these garments are labeled as being "Made in the U.S.A." Such labeling enables these garments to be sold both duty-free, at a higher price, and avoids quotas that would otherwise be in force if the factories were on foreign soil.

Last year alone, the Federal Government estimated that CNMI contractors and U.S. retailers avoided more than $200 million in duties for $1 billion worth of garments shipped from Saipan that would otherwise have been paid for the same clothing than if it were manufactured on foreign soil. Some Chinese garment interests have moved their textile operations to Saipan virtually "lock, stock and barrel," in large part to avoid U.S. duties and quota restrictions. The Federal Government estimates that this increase in Chinese apparel production in Saipan has allowed China to exceed its import quota by 250 percent in 1997 alone.

American retailers frequently acknowledge their obligation to eradicate sweatshop conditions, but those promises are honored in the breach. For example, the National Retail Federation Statement of Principles on Supplier Legal Compliance states that:

> We retailers stand behind *our responsibilities* and commitments *to our customers* and our employees. It means we are committed to selling products that are made legally, ethically and morally. It means we hold our suppliers accountable if they fail to uphold worker rights. Our employees expect it, *our customers demand it, and our reputations depend on it.*

The Principles, signed by many of the U.S. retailers, also state that its members:

- Will require suppliers to comply with all applicable laws and regulations.
- Will take appropriate action against non-compliant suppliers which may include canceling the affected purchase contract, terminating the relationship with the supplier, commencing legal actions against the supplier or other actions as warranted.

Based upon these facts, a complaint was filed in the U.S. District Court for the Central District of California against both the largely foreign-owned CNMI garment contractors as well as U.S. retailers for violations of the Racketeer Influenced and Corrupt Organization ("RICO"), Anti-Peonage laws and the Alien Tort Claims Act, also sometimes known as the "Law of Nations." A second lawsuit was filed in the CNMI solely against the CNMI contractors for violating the Federal Fair Labor Standards Act and certain provisions of CNMI law. Finally, a third lawsuit was brought by four national human rights and labor organizations against U.S. retailers for alleged false advertising, fraud and trafficking in hot goods.[1]

II. PREVIOUS GOVERNMENT OVERSIGHT AND INVESTIGATIONS

A host of government and Congressional investigations, reports and previous litigation have documented the serious and ongoing problems in the CNMMI garment industry, from forced prostitution and abortions to a working environment characterized by exploitation and fear of retaliation. In 1992, the United States Department of Labor filed suit against five garment factories owned by Mr. Willie Tan for labor and safety violations. The lawsuit alleged that employees were forced to work 84 hours per week without overtime pay, wages were paid below the already-low minimum wage, and employees were locked in their work sites and living barracks. Mr. Tan paid $9 million in restitution to 1,200 workers—the largest fine ever imposed by the United States Department of Labor. Tan's company also pled guilty to felony charges for violating 18 U.S.C. § 1001, prohibiting fraudulent or false statements to the government.

In 1997, a series of government and investigative reports were released detailing serious problems in the CNNU's administration of its labor and immigration policies, based on worker interviews and on-site inspections. These reports include: Office of Insular Affairs, United States Department of the Interior, *Report to Honorable George Miller's Congressional Delegation re: CNMI Labor and Human Rights*

[1] Selected press coverage of the litigation is attached to this testimony as Exhibit "A".

Abuse Status Reports, Jan. 29, 1998 to Feb. 14, 1998 (Aug. 12, 1998) ("OIA Report"); United States Department of Labor, *Evaluation of the Hays Report Minimum Wage Analysis for the Commonwealth of the Northern Mariana Islands (Mar. 1998); Democratic Staff Comm. on Resources H.R. Beneath the American Flag: Labor and Human Rights Abuses in the CNMI* (Congressman George Miller (Mar. 26, 1998)); United States Department of the Interior, *Federal-CNMI Initiative on Labor, Immigration, and Law Enforcement in the Commonwealth of the Northern Mariana Islands,* Third Annual Report (1997); Democratic Staff Comm. on Resources H.R., *Economic Miracle or Economic Mirage? The Human Cost of Development in the Commonwealth of the Northern Mariana Islands* (Congressman George Miller April 24, 1997). With the exception of a report by the Washington-based Hay Group (commissioned by the CNMI government at a reported cost of $1.48 million), all of these reports are highly critical of the sweatshop conditions in the CNMI and advocate a variety of sweeping reforms. In response to these reports, on May 30, 1997, President Clinton informed then-CNMI Governor Froilan Tenorio of the Government's concerns about the labor and immigration policies of the CNMI in a letter stating that "certain labor practices in the islands ... are inconsistent with our country's values."

In July 1997, the Clinton Administration issued its own inter-agency report that corroborated the conclusions of these earlier studies and likewise called for fundamental changes in labor practices in the CNMI.

A government report dated February 14, 1998 and issued by the U.S. Department of Interior, Office of Insular Affairs ("OIA"), described the degrading treatment, abuse, and punishment of foreign garment workers, based on a two-week inspection tour by government officials. The following excerpts provide a summary of the OIA's findings:

> "This is a report prepared by a seven member team who were retained by the Office of Insular Affairs, United States Department of Interior to prepare an itinerary for the Congressional delegation that was scheduled to visit the CNMI in February 1998 on a fact-finding trip. The itinerary was to include opportunities for the visiting members of Congress and their staff to speak directly to foreign contract workers, and to visit sites that exhibit serious problems connected to the present systems of labor and immigrants in the CNMI. The delegation's fact-finding mission was unexpectedly canceled at the last minute while team members were in Guam making final arrangements to go to the CNMI. Nevertheless, the Office of Insular Affairs believed that it was important for team members to gather the latest information regarding emerging problems of particular concern to the Federal Government. These issues included:
>
> • The problems faced by the unemployed legal and illegal population of foreign contract workers in the CNMI include fraudulent recruitment practices, substandard living conditions, severe malnutrition, and health problems, and unprovoked acts of violence being inflicted upon foreign contract workers that are not being addressed by an ineffective CNMI labor and immigration system;
> • Underage Filipino or Chinese waitresses forced to work as bar girls, who have been recruited under false pretenses to work as waitresses, garment factory workers, or cashiers, but subsequently forced to work as strippers and prostitutes in Karaoke bars, discos, massage parlors and clubs;
> • Living and working conditions of the Chinese garment workers prevalent in CNMI garment companies, the restrictions imposed by "shadow contracts" they are required to sign in China, and the flow of Chinese contract workers from the CNMI into Guam to seek asylum;
> • Reports of women from the People's Republic of China who have become pregnant while working in the CNMI and are forced to return to China to have an abortion or forced to have an illegal abortion performed in the CNMI.
> • Workers describe a Chinese garmentwork force compelled to live and work under conditions of employment that were tolerated due to the fear of retaliation, economic and otherwise from their government.

Shadow Contracts and Fear of Retaliation

From the time garment workers first came to the CNMI, to the present time, the Chinese deploying agency sending them abroad has required all workers to sign contracts, kept by the deploying agency, which specify the workers' conduct and control over his wages while abroad. These contracts also contain sanctions the workers face if they break this contract while working in the CNMI. Because one of the sanctions specified provides for punishment if the workers reveal labor-related problems to the government agencies in the CNMI, workers are fearful of sharing any information to interviewers and investigators.

Copies of these contracts have been made available to the Department of Interior, and as they all contain essentially the same restrictive provisions, many of which are in direct contravention to Federal and local labor and civil right laws, this information will not be repeated here. . . .

• [W]orkers feared returning to China because while employed in the CNMI, they had violated provisions of the Chinese contracts, also known as "shadow contracts." These are called shadow contracts because they are never made available to governmental agencies or other interviewers. The violations they had been involved in included attending religious services in the CNMI, refusing to have an abortion, and complaining about labor violations during the period of time they worked here.

Working and Living Conditions

• Two team members visited workers at the [Redacted] barracks. There appeared to be little change during the past year despite OSHA inspections of the site.

• *Workers are housed in rooms approximately 25 feet by 10 feet with four to six people to a room.* The floors are bare concrete and the beds are made of plywood with light padding. The rooms are hot and stuffy because there is no air conditioning. Insect infestation is a common complaint and most workers need to sleep under mosquito netting.

• An interview revealed *that the water is turned on for only 15 minutes Per day for bathing and house cleaning.* At this time workers will fill buckets for use later either flushing toilets or cleaning. Hot water is made by immersing heating elements into buckets and leaving them for a period of a few hours. *Some workers [Redacted] are not provided with drinking water at their barracks and must fill bottles at the factory to bring back with them.*

• During the course of this inspection, team members encountered a woman crying quite loudly in her bunk. Coworkers explained that she was new to the factory and still "needed to get used to the situation." After more questioning it was learned that the women was upset because of the little amount of money she was earning. The workers made the claim that *she must provide a certain amount of free work to the factory every day*. She was able to give a detailed explanation of the quota system, which is based on hourly and total percentages. The woman was concerned that she would be unable to repay the money she borrowed for her recruitment fees and she worried for the well being of her family because she didn't have enough money to send home."

OIA Report, at 1, 15-16 (emphasis added).

The Fourth Annual Report of the Federal-CNMI Initiative on Labor stated that "the Administration continues to be concerned about the CNMI's heavy and unhealthy dependence upon an indentured alien worker program and on trade loopholes to expand its economy." (Emphasis added.) A press release by the United States Department of the Interior accompanying the publication of this report stated, "the underlying immigration, labor, and trade problems of the Commonwealth of the Northern Mariana Islands (CNMI) remain as troublesome as ever, despite a year's worth of reforms set in motion by the recently-elected Governor of the [CNNI]." Press Release accompanying the Fourth Annual Report of the Federal-CNMI Initiative on Labor, at 1 (emphasis added).

Violations of OSHA regulations by the CNMI contractors have been frequent and numerous. During the first half of 1997, OSHA sent four inspection teams to the CNMI and found over 500 violations in the labor barracks alone. Inspectors found that barracks were unhealthy, with overcrowding, unsanitary facilities, dirty and inoperable toilets, dirty kitchens and electrical hazards. Further, Federal investigators noted evidence of class members being abused or fired for complaining about these poor facilities. During the most recent inspections carried out in February 1998, the OSHA Regional Administrator noted in an interview with a local news agency that working conditions in Saipan were worsening. In fact, since 1993, there have been over one thousand regulatory violations identified by OSHA inspectors in the CNNU garment factories with which the U.S. retailers do business.[2]

Following these Federal OSHA inspections (and three weeks before hearings in the United States Senate on labor and immigration conditions in the CNMI), the local government in or about April 1998 embarked upon surprise inspections of its own at various garment factories in the CNMI to check for illegal safety violations. At one factory, inspectors found the emergency exit nailed shut and tape covering smoke detector sensors. Another was cited for electrical wiring problems and dys-

[2] A photograph of typical CNMI garment worker housing is attached as Exhibit "B".

functional air conditioning, and investigators discovered an unlicensed nurse and illegal medical clinic there.

Despite all of these reports confirming a system of peonage, indentured and involuntary servitude and illegal working conditions in the CNMI garment factories, neither contractors nor the CNNH government have acted to rectify these conditions. Likewise, except as described below, American retailers—whose quality-control personnel routinely oversee production—have failed to require these conditions be either corrected or eliminated as a precondition of doing business in the CNMI with the contractors.

III. THE SETTLEMENT AGREEMENTS

In a significant breakthrough concerning the pervasive problems confronting the CNMI garment industry, on August 8, 1999, Nordstrom, J. Crew Group Inc., Cutter & Buck and The Gymboree Corporation became the first U.S. retailers to settle claims against them in the litigation described above. In addition, "agreements in principle" have been reached with Polo Ralph Lauren, Donna Karan, Phillips-Van Heusen, Chadwick's of Boston and Calvin Klein. Under these settlements, the retailers have agreed in their future contracts to require their CNMI contractors to comply with a set of "monitoring standards" establishing mandatory minimum workplace and living standards. These standards will address a host of the problems identified by members of this Committee, government agencies and others in the past. They will require, for example, that employees receive at least the CNMI minimum legal wage with no "off the clock" or "voluntary" work, be ensured freedom of movement within the CNMI, and freedom to worship as the workers please. Employees will be paid at least one and one-half times their regular wages for work over 40 hours, and will be provided with safe and healthful working conditions. In addition, contractors doing business with these retailers will no longer be permitted to recruit workers from any employer broker that utilizes "shadow contracts," contracts signed in China or elsewhere that limit freedoms guaranteed by U.S. law—or that impose unlawful "recruitment fees" that now create a condition of indentured labor. While actual costs of transportation to (but not from) the CNMI and legally-required government fees (e.g., for passports) will be allowed, they will be capped, and no recruitment fees will be charged. If garment workers, in the future, are required to pay such fees to brokers, their CNMI contractor employers will be obligated to reimburse the workers for those fees.

Under the terms of the settlements, a comprehensive monitoring plan will be established to ensure that the standards are met. Monitoring will be performed by Verite§, a Massachusetts-based non-profit organization that will establish offices in the CNMI to oversee compliance with the standards. Verite§ is empowered to conduct inspections and evaluations of working conditions, including unannounced inspections and worker interviews, require CNMI contractors to "cure" identified violations, place them on probation for repeated violations and, in the case of a pattern and practice, require the retailer to terminate the contract. A settlement fund of $1.25 million will be established to fund the monitoring, as well as for public education, and to partially reimburse workers for unlawful recruitment fees paid in the past. CNMI contractors that will now be subject to monitoring under the settlement include Global Manufacturing, Inc., Concorde Garment Manufacturing Corp., Trans-Asia Garment Forte Corp., Jin Apparel, Inc., Marianas Garment Manufacturing, Inc., Mirage Saipan Inc., N.E.T. Corp. dba Suntex Manufacturing, Inc., Onwel Manufacturing Saipan Ltd., Diorva Saipan Ltd. and Micronesian Garment Manufacturing, Inc.

These settlement agreements hold significant promise for improving working and living conditions in the CNMI garment industry. By using their economic leverage, these retailers will force change in the their contractors—or they will lose their business.

IV. CONCLUSION

The controversy raging over conditions in CNMI's garment industry actually raises in a particularly visible context a more fundamental human rights debate over globalization of particular industries—garment manufacture included—and the duties and obligations of U.S. multinationals as global citizens. As trade barrier dissolve and American capital follows cheap labor, what will become of American values? Whose rights will remain protected? What laws will apply? And, in what form will disputes be resolved?

For most Americans, the CNMI—and its principal island of Saipan—is remembered as the site of one of the great battles of World War II—where more than 100,000 Americans fought and 3,100 lost their lives. The freedom won for this tiny island at the sacrifice of so many American lives should be protected, not exploited.

We should expect—and Congress should require—that U.S. companies ensure that basic human dignity is protected in the CNMI.

In the long term, action by Congress is essential to address comprehensively the continuing problems in the CNMI that have repeatedly been documented but never resolved. Today's hearings are an important step in that process, and we look forward in the future to working with this Committee and Congress in achieving fundamental reform in the CNMI.

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National Public Radio (NPR)

SHOW: MORNING EDITION (10:00 AM on ET)

January 13, 1999, Wednesday

LENGTH: 869 words

HEADLINE: HOUR 2; US CLOTHING RETAILERS BEING SUED FOR THE SWEATSHOP CONDITIONS IN SAIPAN WHERE THEIR CLOTHES ARE MADE

ANCHORS: BOB EDWARDS

BODY:

BOB EDWARDS, host:

This is NPR's MORNING EDITION. I'm Bob Edwards.

Eighteen of the nation's largest clothing retailers are being sued today. The companies are accused of selling clothing made in sweatshops located on US soil under conditions that violate US law. Defendants include The Gap, Tommy Hilfiger, Nordstrom's, Sears, Ralph Lauren and Wal-Mart. They're being asked to pay damages and other claims in excess of $1 billion. NPR's Kathleen Schalch reports.

KATHLEEN SCHALCH reports:

The site of the alleged abuses is the Pacific island of Saipan, which is located near Guam. It's part of the US Commonwealth of the Northern Mariana Islands. CNMI, as it's called, is exempt from federal immigration and minimum wage laws, and these loopholes have permitted manufacturers from China and elsewhere to open plants in Saipan.

Mr. ALLEN STAYMAN (Interior Department): In our view, these are essentially bits of--of mainland China that have been airlifted into the United States.

SCHALCH: According to Allen Stayman, who directs the Interior Department's Office of Insular Affairs, foreign-owned and operated plants now export $1 billion worth of apparel to the continental US every year, duty and tariff free. The workers are mostly young women from mainland China. They and other so-called indentured aliens now make up more than 90 percent of the island's private-sector work force. And Stayman says they don't always know what they're getting into.

Mr. STAYMAN: They are told that they're going to the United States, and in some cases, that places like Los Angeles are just a bus ride away. It's not explained to them that they're--they're thousands of miles to the west, and that they're are still outside the US immigration zone, that they have no right to travel outside of the CNMI.

SCHALCH: Stayman says these guest workers are often housed in prisonlike compounds, surrounded by barbed wire. It gets worse, according to Al Meyerhoff, an attorney with the Manhattan firm Milberg-Weiss.

Mr. AL MEYERHOFF (Attorney): They are then put into sweatshops, where they're working 70 and 80 hours a week at a couple of dollars an hour. Money is taken out of their salary for their housing and their food. And worst of all, perhaps, is that they pay a fee in order to be brought to Saipan--or they promise to pay a fee--of several thousand dollars. And until they work off that debt, they're essentially kept in these sweatshops.

SCHALCH: The garment workers, trade unions and human rights groups Meyerhoff represents are filing three class-action lawsuits against the manufacturers on Saipan and the US retailers that do business with them.

Mr. MEYERHOFF: Essentially, this attacks conditions of human bondage, nothing more than that, nothing less than that.

SCHALCH: One of the lawsuits accuses Asian manufacturers and US retailers of violating a federal law against indentured servitude. Another charges them with breaking labor laws by forcing workers to put in extra hours without paying them overtime. A third alleges that US companies have violated a California statute against false advertising by touting garments made in Saipan as being made in the USA. Again, Al Meyerhoff.

Mr. MEYERHOFF: This is far and away the most comprehensive and ambitious litigation ever brought involving sweatshops. I mean, this is a major case. We're going to be seeking many hundreds of millions of dollars in damages of--for these workers. We're going to be seeking disgorgement of profits from these major retailers for benefiting from this exploitation. We're going to be seeking injunctive relief to clean up Saipan. I think we have the law on our side and we have right on our side.

SCHALCH: Some lawyers aren't convinced. They say it will be difficult to prove US firms knew about, or encouraged, the alleged abuses or engaged in false advertising. Jack Abrammoff, a lobbyist who has represented both the CNMI government and the island's garment industry, says the allegations in the suits are either false or widely exaggerated.

Mr. JACK ABRAMMOFF (Lobbyist): In the Northern Marianas, they're scrupulously careful to make sure that no one, if possible, is mistreated in any way. Just because of the incredible microscope these people are under.

SCHALCH: Abrammoff says the vast majority of foreign workers employed in Saipan are happy to be there, earning far more money than they would at home.

Mr. ABRAMMOFF: Most of the workers on the island are--would be violently upset if they understood what these self-proclaimed helpers of the workers are up to, which is in essence, destroying their jobs and destroying their families' opportunities.

SCHALCH: Abrammoff says without these foreign workers, the island's apparel industry would simply move elsewhere and the local economy would collapse. Pamela Rucker, of the National Retail Federation, says the lawsuits have taken retailers by surprise.

Ms. PAMELA RUCKER (National Retail Federation): The initial reaction, of course, one of one shock.

SCHALCH: Rucker says the American companies listed among the defendants would not have knowingly allowed workers to be abused and laws to be broken.

Ms. RUCKER: The important thing to remember is that retailers don't want these things to happen. They don't turn a blind eye, they do take action.

SCHALCH: But plaintiffs in this case want more than that. They want back wages and other damages for up to than 50,000 workers. They want fines imposed on US retailers, and they're demanding fundamental changes in the way foreign workers are treated on the island of Saipan. Kathleen Schalch, NPR News, Washington.

LANGUAGE: English

LOAD-DATE: January 27, 1999

South China Morning Post

"Lured by jobs 'in the US', workers denied even basic human rights"

Sunday January 24 1999

Glenn Schloss in Saipan

WHEN Zhang Jianli left her native northern Chinese province of Jilin for a garment factory job in the United States, she did not expect the working hell she says a Hong Kong company gave her.

After paying mainland government officials 36,000 yuan (HK$33,480) for the job, the seamstress said she did not expect to labour in a sweatshop seven days a week, work overtime for a year without pay, sleep in a crowded bedroom, share one shower and toilet with 15 other women, eat in unsanitary conditions and suffer scoldings from supervisors.

She is on the verge of quitting after two years in Saipan.

She says the garment factory, Hong Kong-owned Micronesian Garment Manufacturers, owes her seven fortnightly wage payments worth more than US$2,000 (HK$15,480).

'Before I came, I was told Saipan was very close to the US and the living conditions were just like a hotel.' The garment factories have earned the wrath of Washington and a US$1 billion lawsuit for what are described as sweatshop working and living conditions.

Lawyer Tim Skinner says many Chinese workers have been told it was 'just a train ride to Los Angeles'. In fact, the City of Angels lies 9,000km away across the Pacific.

Conditions at the factory and barracks, owned by the SAR's Diorva Knitters, were described by the 28-year-old factory worker, whose identity has been changed to protect her while she remains in her job.

The Sunday Morning Post met her outside the factory on a muddy rural track, far from the glittering tourist strip, coral reefs and azure seas which have earned the Northern Mariana Islands the reputation of a tourist paradise.

While Ms Zhang is not yet one of the 50-odd employees who have so far signed on to the class-action lawsuits - she was not even aware of it - her complaints mirrored those outlined in the legal actions.

Her willingness to talk openly contrasted with most workers who have been instructed by factories not to speak to inquisitive outsiders; or to tell them everything was fine, said Mr Skinner, who launched the lawsuit.

At the tall wire fence that surrounds the plant with its oddly stacked piles of containers, a security guard tells the Post not to take photos: 'We are not murderers'.

Inside the factory, says Ms Zhang, conditions literally resemble a 'sweatshop'. The seamstresses sit nearly elbow to elbow in cramped conditions. 'Almost none' of the workroom air-conditioners function. Doors are left open to provide some relief from the tropical weather, she said.

'Some of the workers pass out because of the heat. I have never passed out but in the hot season I sweat all over and feel weak,' said Ms Zhang.

She also alleged the five toilets in the factory used by a few hundred workers were dirty and regularly failed to flush. Emergency exits in workrooms, housing between 70 and 80 workers, were blocked by equipment at times, she said.

Flies buzz around diners in the canteen where dishes were not washed properly and she refuses to eat the food. Nevertheless, she is forced by her contract to pay US$200 a month for room and meals - preferring to spend her own money on food bought outside.

'When they hear there are government officials coming to inspect, the dining hall is closed,' said Ms Zhang.

In the factory dormitory, where only 14 workers are supposed to sleep in bunks, there are 16. Two are asked to move out whenever inspectors visit, she says. Attempts to contact the company's directors were unsuccessful.

A manager said she was not aware of the conditions for Chinese workers but denied air-conditioners were faulty.

'I worked four hours a day without any pay,' said a woman who resigned from L&T, owned by Hong Kong tycoon Willie Tan Wai-li, out of frustration after 10 months.

She had paid 19,000 yuan to Chinese officials and middlemen acting as recruiters for the job, who also supply hard-to-obtain travel documents and air tickets.

The worker who quit from L&T, a subsidiary of the SAR's Luen Thai group, said they were set quotas to meet and forced to work overtime without pay.

Supervisors would scold workers for mistakes or not meeting quotas, hurling insults such as 'stupid, no brains, you have a brain like a pig', a woman who quit after 18 months alleged.

In the L&T factory, tension fills the air-conditioned workshop as workers labour to meet their targets. Rows of Chinese seamstresses stoop over their sewing machines, concentration etched on their faces. It was a shock to see a sign above each of the hundreds of labourers - red Chinese characters declaring 'under quota' and the low scores of underachievers, along with their names, while those who were on target had black scores.

While there are allegations, which the factories deny, of pregnant workers being forced to have abortions, the Chinese labourers who quit from L&T said colleagues falling pregnant were sent back to China.

Another Tan Group worker said they were scolded for spending too long at the toilet.

The Post made an unannounced late evening visit to the barracks of Hong Kong-owned US-CNMI. The living conditions are similar to the squalid temporary housing areas Hong Kong has sought to demolish.

They are a world away from the images conjured by the upmarket Polo Ralph Lauren and Abercrombie and Finch clothing labels the labourers stitch together.

The 300 workers live in bare rooms accommodating two to six people in bunks. A single fan rotates in an effort to circulate the humid air.

Inside one L&T dormitory, on another unannounced visit, I was alarmed to see rooms with double-deck bunks for 12 women, similar in style to Hong Kong's notorious cage housing. The visit was cut short. As I spoke with some Chinese workers, a car sped into the parking lot, two security guards leapt out and told us to leave the premises.

They interrogated the women.

The Associated Press State & Local Wire

OSHA: Massive food poisoning outbreak at Saipan garment factory

State and Regional
April 7, 1999, Wednesday, AM cycle

BYLINE: By RON HARRIS, Associated Press Writer

DATELINE: SAN FRANCISCO

Health officials are investigating a massive outbreak of food poisoning that sickened more than 1,000 garment workers in Saipan, authorities said Wednesday.

Workers at the Tan Holdings Corp. clothing plant first reported falling ill on March 24, many of them suffering from seizures and vomiting, federal investigators said. About 300 required intravenous fluid treatment. No deaths have been reported.

"It kind of looked like a battle zone. People were lying on the ground with IVs sticking out of them," said Frank Strasheim, a regional administrator for the U.S. Occupational Safety and Health Administration, which oversees work conditions in the U.S. commonwealth.

It was unclear where the food poisoning originated.

"There really has not been any determination to the cause of the outbreak," said Steven Pixley, a lawyer for Tan Holdings.

Inspectors had tried to conduct a routine check of the clothing plant the day before the outbreak but were refused entry, OSHA said. While seeking a warrant to gain entry, inspectors learned that 1,176 workers had fallen ill.

"I've never seen a food poisoning case of this magnitude," said Strasheim, who's worked for OSHA for 28 years.

Pixley denied that OSHA inspectors were turned away before or during the outbreak. He said Tan Holdings was examining its policies on food and health and has hired a health safety consultant.

Most of Tan's 3,000 workers are Chinese women who eat, sleep and work at the plant's Western Pacific compound, conditions that can hasten food poisoning, Strasheim said.

Global Exchange, a human rights watchdog group, claims several food poisoning incidents have occurred in Saipan over the past six weeks.

The San Francisco group called on retailers such as The Gap, Tommy Hilfiger, Liz Claiborne and Polo Ralph Lauren to demand that their contractors in Saipan demand better working and living conditions for plant employees.

"U.S. retailers can't stand idly by while their contractors endanger the health and safety of workers laboring on U.S. soil to make garments in their name," Global Exchange spokeswoman Medea Benjamin said.

Pixley refused to say which U.S. retailers have contracts with Tan.

The Centers for Disease Control and Prevention and Saipan's Department of Health also were investigating the outbreak. Saipan, part of the Commonwealth of the Northern Mariana Islands, is a U.S. possession about 3,700 miles southwest of Hawaii.

The Washington Post

Human Rights Group Urges Action on Saipan

By William Branigin
Washington Post Staff Writer
Monday, May 24, 1999; Page A06

Human rights and labor groups are urging the Justice Department to crack down on the trafficking and abuse of foreign workers on a U.S. island in the western Pacific.

The plea, in a letter to Attorney General Janet Reno, accompanies the release today of a report on an eight-month undercover investigation by a Washington-based human rights group, Global Survival Network, into conditions in the Commonwealth of the Northern Mariana Islands. The group found that the U.S.-affiliated archipelago "has become a center of international human trafficking operations" involving Chinese and Japanese organized crime, debt bondage, sexual slavery and the exploitation of workers in garment sweatshops.

The letter to Reno, signed by a dozen organizations including the American Bar Association's East European Law Initiative, also asked her to look into whether a leading congressional friend of the commonwealth's $1 billion-a-year garment industry, House Majority Whip Tom DeLay (R-Tex.), "improperly" used his position to block reform legislation.

,3 A spokesman for DeLay said Delay's actions are aboveboard and that DeLay believes the proposed legislation would mean "big government" and destroy the islands' "free-market economic growth."

Successive commonwealth governments have charged that reports of human rights and labor abuses on the islands are exaggerated and asserted that local authorities are adequately dealing with those that occasionally arise.

The Global Survival Network's report and the letter to Reno represent the latest challenge to the commonwealth and its garment industry, which have been fighting greater federal controls, private lawsuits and charges of health violations. Class-action suits filed in January on behalf of 50,000 current and former garment workers seek to hold 18 major U.S. retailers responsible for a "racketeering conspiracy" to produce clothing in sweatshop conditions on the commonwealth's main island, Saipan.

Rep. George Miller (D-Calif.) proposed legislation in February to impose federal immigration and minimum wage laws on the commonwealth. Last month, a bipartisan group including Sen. Spencer Abraham (R-Mich.) and Rep. Bob Franks (R-N.J.) introduced a bill to end the ability of foreign-owned factories, using "ill-treated indentured labor" and materials from China, to put "Made in U.S.A." labels on their clothing and avoid duties and quotas at an annual cost to the United States of $200 million in revenue and 20,000 jobs.

Under a 1976 "covenant" with the United States, the commonwealth sets its minimum wage -- now $3.05 an hour -- and is exempt from federal immigration laws. That has allowed it to bring in 38,000 foreign guest workers, mostly from the Philippines and China. They do most of the work in the private sector and outnumber the 27,000 native islanders and other U.S. citizens, who have a 16 percent unemployment rate.

In carrying out the Global Survival Network's investigation, the group's director, Steven R. Galster, posed as a clothing buyer from New York and used a hidden camera to videotape visits to garment

factories and meetings with industry officials on Saipan.

The videotape shows Chinese women toiling at sewing machines beside huge piles of clothing on crowded factory floors in what Galster described as unsafe working conditions. Factory officials explain that, unlike in their homelands, the workers cannot easily change jobs, because that requires approval from the local government, which usually refuses.

Workers are charged up to $10,000 each by recruiters to get the jobs, which they are told pay generous salaries "in the United States," Galster said. The system has spawned gambling and loan-sharking by Chinese organized crime on the islands, and some of the female garment workers have been diverted to a burgeoning sex trade on Saipan that caters largely to Japanese tourists, he said.

Among those interviewed with the hidden camera was Willie Tan, a powerful Saipan garment manufacturer who has been fined by the federal government for labor law violations. He spoke of his close relationship with DeLay, who he said had promised to prevent any reform legislation from advancing in the House.

"You know what Tom told me?" Tan said. "He said, 'Willie . . . I make the schedule of the Congress. And I'm not going to put it on the schedule. . . .' So Tom told me, 'Forget it, Willie. No chance.' "

The letter asked Reno to investigate whether DeLay "may have improperly promised the use of his elective office to protect and defend criminal enterprises on the island of Saipan."

DeLay's deputy chief of staff, Tony Rudy, said DeLay "has made it publicly clear" he opposes the bills in question and wants to prevent federal bureaucrats from imposing "more red tape and regulations" and "trying to govern the islands from 12,000 miles away." He said DeLay also opposes the minimum wage in the United States.

"They're trying to kill economic growth on the islands," Rudy said. "The whole campaign is driven by labor unions that hope these jobs will move from Saipan to Philadelphia. In reality, they're going to move to the Philippines."

Associated Press

08/09/1999 17:03:24

CA Saipan Sweatshops,0872

Four retailers settle lawsuit over **Saipan** garment workers

LOS ANGELES (AP) Nordstrom Inc., J. Crew Group Inc. and two other retailers agreed Monday to settle a federal class-action lawsuit claiming garment industry **sweatshop** abuses on the U.S. territory of **Saipan**.

Under settlements filed in U.S. District Court, the four retailers agreed to require independent monitoring of their **Saipan** contractors in working toward compliance with U.S. labor laws and international human rights treaties.

U.S. District Judge Christina A. Snyder must approve the settlement reached with Nordstrom, J. Crew, Cutter & Buck Inc. and Gymboree Corp.

``No one wants to destroy the garment industry in **Saipan**, but it should not come at the price of indentured servitude,'' plaintiff attorney William Lerach said.

He refused to say whether he was in settlement talks with the other 13 defendants.

Three lawsuits filed Jan. 13 described 32 contractors in **Saipan** as ``America's worst **sweatshop**'' where there were beatings, forced abortions, vermin-infested quarters, barbed wire and armed guards. Employees worked 12 hours a day, seven days a week, the suits claim.

In the Los Angeles class-action suit against 17 retailers, attorneys for the remaining 13 defendants argued Monday that California has no jurisdiction and the case should be moved to **Saipan**. The judge told lawyers to submit more documents next week.

Another federal suit filed in **Saipan**, targeting overtime pay, was dismissed by a judge on Friday because the identification of ``John Doe'' plaintiffs could jeopardize their safety on the island, Lerach said.

Meanwhile the third suit, filed at state court in San Francisco against 18 retailers, will also be settled, Lerach said.

Additionally, a letter of agreement in principle to settle with Polo Ralph Lauren, Phillips Van Heusen, Donna Karan, Chadwick's of Boston who were about to be named as defendants in the suit was filed with the Los Angeles federal judge on Monday. That case should be settled this week, Lerach said.

Under terms of Monday's settlements, the retailers will establish a $1.25 million fund to finance the independent monitoring program, provide money to the workers, create a public education campaign and pay attorneys' fees.

Retailer contributions to the fund varied. Nordstrom Inc. contributed $395,000.

``We believe the settlement is a positive step toward our goal of ensuring that the goods we contract to manufacture in **Saipan** are made in compliance with law,'' Nordstrom's co-president, Erik Nordstrom, said in a statement.

Cutter & Buck would pay $293,000 to the fund. ``We don't feel like we should've been in this suit to begin with. We think that we would have prevailed in the case had we stuck it out, but this is a business decision,'' said Harvey Jones, chairman and CEO of Cutter & Buck.

He noted that his company already closely monitored its contractors for wrongdoing.

Statements released by J. Crew and Gymboree stressed the companies weren't admitting any wrongdoing in settling the suits.

The class-action suits were the first legal attempt to hold U.S. retailers accountable for alleged mistreatment of workers by subcontractors under the federal Racketeer Influenced and Corrupt Organizations Act.

Saipan is a 13-mile-long Western Pacific island in the Northern Marianas. More than 50,000 people, mostly young women, have been recruited from China, the Philippines, Bangladesh and Thailand with promises of good wages, only to wind up in **sweatshops**, the suits claim.

According to the suits, workers' passports were confiscated upon arrival, they weren't allowed to leave the factory compound and their social activities were strictly monitored.

The 32 Saipan factories mostly owned by Chinese, Japanese and Korean subcontractors stamp their clothing with ``Made in the USA" tags, which makes consumers believe the items were made in compliance with U.S. labor laws, activists contend.

In the fiscal year that ended in October, the 32 Saipan companies shipped an estimated $1 billion in wholesale clothing duty-free to the U.S. mainland, saving more than $200 million, according to Lerach.

The Northern Marianas, seized by U.S. troops from Japan in World War II, negotiated a commonwealth relationship with Washington that left control of immigration and minimum wages in local hands. It also exempted Saipan's exports from the U.S. duties and quotas that limit imports.

(PROFILE (CO:Nordstrom Inc; TS:JWN; IG:RTS;) (CO:Cutter & Buck Inc; TS:CBUK; IG:TEX;) (CO:Gymboree Corp (The); TS:GYMB; IG:RTS;) (CO:Polo Ralph Lauren Corp; TS:RL;) (CO:Phillips Van Heusen; TS:PVH; IG:TEX;) (CAT:Business;) (CAT:Education;) (CAT:Crime;) (CAT:Labor;) (SRC:AP; ST:WA;)) AP-NY-08-09-99 1703EDT

:TICKER: JWN CBUK GYMB RL PVH
:SUBJECT: CA TXTL LENF WA RET CONW

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NewsEdge

The CHAIRMAN. I also at the same time have a statement by Billy Tauzin. I ask unanimous consent to have it submitted for the record. Without objection, so ordered.

[The prepared statement of Mr. Tauzin follows:]

STATEMENT OF HON. BILLY TAUZIN, A REPRESENTATIVE IN CONGRES FROM THE STATE OF LOUISIANA

As we again revisit the issue of local labor and immigration authorities exercised by the Commonwealth of the Northern Mariana Islands, two issues have significantly changed the legislative landscape from just a year ago. First, numerous press accounts make clear that the Office of Insular Affairs (OIA) in the Department of Interior—that part of the Federal Government charged with responsibility for managing insular policy—has in fact been secretly operating for years as an adjunct of the Democratic Party and specifically of the Democratic Congressional Campaign Committee.

At the time it was evident to even the most casual observers that OIA and Interior were waging *jihad* against the Marianas. In last year's Senate Energy and Natural Resources Committee hearing, Secretary Bruce Babbitt described the islands as a "plantation economy" where reform had failed irrevocably, whose un-American practices could not be fixed and "should never be allowed under the American flag." When Sen. Rod Grams raised questions in the hearing concerning politicization of OIA and its then-Director, Secretary Babbitt dismissed them peremptorily, decried the "massive campaign of intimidation" he claimed was being orchestrated against that official, and the Secretary announced on the spot that he was putting the official in for a departmental commendation. Sen. Grams followed up with a letter to the Inspector General of the Department of the Interior, but nothing was done.

Thanks to the careful investigation conducted by the Chairman of this Commitdee, we now know that as these events gere unfolding, OIA's then policy director was using his government computer in his government office on government time to orchestrate a genuine campaign of intimidation. Using a hit list of Republican Members of Congress who had failed to see the wisdom of OIA's solutions for the Marianas, he sent memos, press releases, and whatever else he could find to the DCCC and to those Members' Democrat opponents. He explained that his aim was to elect Democrats to the House. His reward would be the defeat of those he targeted.

But this man did not act alone. He sent copies of his political prose to the Director. His decorated Director sent his own political memorandum to the DCCC on behalf of all the "politicals" at OIA urging that the Democrats repudiate the then Democratic governor of the Marianas for the unpardonable sin of agreeing with Republicans opposed to OIA's so-called solutions for the territory.

We know that what has been revealed thus far suggests violations of the Hatch Act, along with other statutes intended to insulate Federal civil servants from politics on the job. This Committee's investigation must determine which superiors were informed of these actions, who else was involved and what they were doing. We can hope that the issues Sen. Grams first raised more than a year ago in the Senate Energy and Natural Resources Committee will finally be looked at by the Inspector General, who belatedly has begun to ask some questions at Interior.

My has this bit of "mud politics," as the *Wall Street Journal* calls it, changed the legislative landscape? First, the full extent of what was going on at OIA must be unearthed. Those who broke the law, and those who should have prevented them from doing so, must be held accountable. Those whose responsibility it was, and is, to manage the Department of Interior must provide solid assurances that this political "dirty tricks" operation has been shut down and cannot be resurrected. All these things will take time. In the meantime, and for the foreseeable future, the credibility of OIA is seriously damaged. Officials willing to bend the rules in one area are just as likely to have done so in others. The exaggerated Administration descriptions of conditions in the Marianas have always been suspect. The evidence of a secret effort to defeat those who took an opposite view calls into question the accuracy of what we have been told by officials up to now. It is hard to discount the likelihood that the secret war against Republicans had its public counterpart in the overt Administration assault on the Marianas.

One example of the hyperbolic excess we have come to expect from Interior is particularly noteworthy. The key charge made against the territory and its businesses is the systematic mistreatment of its foreign worker population. Last year's Senate hearing record is replete with charges of worker abuse. Yet the Philippine Consul in the Marianas, who looks after the largest group of foreign workers present in the

islands, took the initiative shortly thereafter to write the Governor of the Marianas to inform him of a report the Consulate had prepared after investigating the treatment of Filipino workers. As she put it to the Governor, "The Consulate's report emphatically reiterated the good working conditions of our Filipino workers and the effective coordination efforts between the Consulate and the local government." Since the Consul and her staff reside in the Marianas and have day-to-day contact both with Filipino nationals and local officials, and because she appears to have no reason to be less than vigorous in her assessment, her report has a credibility I no longer assign to Departmental testimony on this issue.

There is another new factor in the policy debate affecting the Marianas. This element is directly related to the Commonwealth's immigration system. Last year and this year as well the Congress was told that the immigration system in the Marianas was ineffective and not fixable. One of the Administration's concerns was that the Marianas did not provide a process for considering asylum claims, an obligation the United States had assumed by international treaty.

This criticism, however, appears to contradict other recent actions by government officials. This spring and summer Chinese smugglers, called "snakeheads," have navigated overcrowded, leaking vessels from the coast of the Fujian province towards Guam. The vessels have been jammed with thousands of illegal Chinese migrants from whom the snakeheads had extracted large sums to land them on American soil. Yet when these ships were interdicted en route to Guam, the Administration ordered many of them to the Marianas. Why? As one INS official later testified before the House Judiciary Committee, this was considered "an effective response to the recent increase in smuggling activity." Gone were the concerns about asylum. Front and center was the desire to quickly deport these illegals under Marianas' law! As another INS spokesman put it, "We just wanted to make the message get out that they should not go with these smugglers because they only expose themselves to danger only to be repatriated." So much for a flawed immigration system. The Coast Guard continues to send Chinese boat people to the Marianas.

Because this Committee is being asked by the Administration, specifically the Interior Department, to consider whether the Marianas should retain their labor and immigration authorities, we should also take stock of what we really know about conditions in the islands. We should listen with particular attention to what Marianas officials are able to report about how it is being administered and improved. And we should examine with care the actual consequences, particularly the economic cost and consequences to the labor force, of changing those local authorities that the evidence shows at least some parts of the Federal Government actually find useful and effective, the protestations of Interior to the contrary notwithstanding. Let us do what is best for the citizens of the Marianas.

The CHAIRMAN. Panel two: The Honorable John Berry, Assistant Secretary for Policy, Management; Mr. John Fraser; Mr. Donald Shruhan; and Mr. Nicholas Gess. Now before you all sit down, you all have to stand up. And I see two people well aware of that. The names that I just mentioned, Mr. Berry, Mr. Fraser, Mr. Shruhan, and Mr. Gess—is it Gess or Geese? Gess, okay—will take the oath and say I do or whatever it is when you get down.

[Witnesses sworn.]

You're sworn in. You may take your seat and, Mr. Berry, you're the first one up.

STATEMENT OF JOHN BERRY, ASSISTANT SECRETARY FOR POLICY, MANAGEMENT AND BUDGET, U.S. DEPARTMENT OF THE INTERIOR, WASHINGTON, DC

Mr. Berry. Thank you, Mr. Chairman. Mr. Chairman, I'd like to begin by complimenting you, this Committee, and the Senate committee for reducing the rhetoric. And I will try to do the same on this issue.

I would like to—there have been a number of press statements and others over the past year by members of the Department of Interior. I want to make clear for this Committee that I know Governor Tenorio. I've worked with him. I know Representative John

Babauta and I've worked with him. They are good men. They are honorable men. They are well-intentioned men. And this is a complex problem. And they have taken significant steps, like you have been described, that you've heard this morning. And the Federal Government has increased its presence and taken an increased presence in terms of law enforcement, from the Federal perspective, on the Marianas Islands.

But, as Representative Babauta used the correct analogy, we are chasing a symptom rather than treating the disease. Since 1995, over $14 million has been spent on a law enforcement initiative jointly by the Marianas Islands government, $5 million of that directly passed through to them for their initiatives, many of which you heard this morning and over $8 million by Federal agencies that has been transferred from the Interior Department to other Federal agencies.

You've heard the Marianas. They have increased. They've hired investigators. They've assisted with emergency shelter. And they've assisted with health screening of aliens.

In the Federal perspective, we have increased the presence on the island from 4 permanent people to 18 now present. We have assigned Wage and Hour investigators. There was much discussion about the NLRB and EEOC. In terms of NLRB, Mr. Chairman, I'm informed that that member is now resident of Marianas Islands and is located there. The EEOC has significantly stepped up. They've made a number of cases. You heard some of those described about the prostitution cases and sexual discrimination cases that they have pursued in the past year, aggressively, with the Marianas government. They are also looking at establishing a permanent presence. So I think you're going to find that will come.

There have been U.S. attorneys, FBI, INS, DEA agents assigned. The Ombudsman Office has been created in our office with two people. Pam Brown, who is our ombudsman, as directed by the Appropriations Committee. We have established that office. It was opened in May of this year.

Despite all of these efforts, as we've said, we're chasing symptoms rather than treating the disease. And I think, when we look at the scale of the problem or the scope of the problem, it's akin to holding back the tide. When you—it has often been referred that this is—the economy is healthy. We would not perceive or at least use terms of health when 90 percent of the private sector are alien workers. And, as what has been discussed today, you heard 13 percent to 14 percent of locally born residents unemployment rate. If you actually use—and I don't want to get into a statistical war here—but if you the Census and Department of Labor standards, we believe that number is not 13 percent but 16 percent unemployment rate. So there's a significant unemployment rate among the local population. And, as has been discussed already, with the heavy public payroll.

The immigration has gone—immigration control, which, as you are well aware, Mr. Chairman, which was originally left to protect the local population, has gone from 14,000 population in 1973 to 60,000 in 1995 to 80,000 in 1999. And, as you can see from this chart, over 58 percent of the population of the island is now alien population.

The CHAIRMAN. Mr. Berry, if I should take and have that chart put in front of the TV or get the TV out of the way, I might be able to see it.

Mr. BERRY. Okay. I think we've also given you a copy to have in front of you, Mr. Chairman.

The CHAIRMAN. That's better right there. Okay. Go ahead.

Mr. BERRY. Okay. And the increase in the U.S. citizens line that you note there, as was noted by Mr. Doolittle, is largely due to children born from aliens in the Commonwealth of the Marianas Islands who become U.S. citizens, obviously, upon their birth on U.S. soil. So that U.S. citizen line, you can see from statistics in another of those charts, is largely due to that result.

It's our belief, Mr. Chairman, that things are not getting better in terms of the overall situation that's been described. The ombudsmans, you heard the governor that their complaints from labor complaints have gone from 900 to 143. I think we may be able to explain that in that, in the three months the Ombudsman's Office has been open, they've received over 760 complaints. So I believe a number of those complaints that were originally going to the officials in the local government are now transferring over to the Ombudsman's Office, which is trying to work effectively with the Marianas. But those complaints track all of the stories and the statistics that you've seen in the past: payless days, holding back of wages, other things that you ran into on your trip to the islands.

The labor permit issue. The governor testified that there was a cap applied of 15,000 people. I think to accurately reflect that, what I've been informed, at least—and, again, I think it's going to be important that we get these things straight—but the cap that was in place on 1998 was 13,000 people. And last year, the local government raised that cap by 2,500 to increase the aliens. So the cap is now above the 15,000 number that you heard. But the Senate passed, just before the governor came here, legislation to, again, raise those caps again. Now the governor, to his credit, vetoed that. But it is clear that this is sort of a pass/repeal game that we're in here and we have to be careful with that when we look at that.

We are beginning to investigate complaints from the Philippine Embassy, what was discussed here. People come in on tourist visas and then are even given work permits or are illegally employed. The Philippine Embassy figures that we're working with, with the Philippine Embassy now, that problem may be as high as 10,000 people on Philippine tourist visas in the past 5 years alone. So you can see the numbers and the scale that what were dealing with when we're talking about sort of trying to hold back the tide.

The garment industry. The complaint has been made that the garment industry is suffering. Our statistics show in the first half of 1998, the garment industry orders were $493 million. In the first half of 1999, they were $511 million, up a significant increase. So the garment industry continues to increase and continues to expand their export of the made-in-the-U.S.A. goods by alien workers, by alien companies, to the United States.

The CHAIRMAN. John, how much more do you have?

Mr. BERRY. About a minute and a half, sir. That will be okay? All of that being said—and I think those statistics and we could,

you know, go back and forth on the statistics all day—I think, to sum up, when you discuss the core problem here, I disagree with Representative Babauta when he describes the core problem.

In my opinion, the core problem is when you have 90 percent of your private work force that is not allowed to vote locally. They are not—all of the horrors that we hear and all of the things that we're trying to enforce Federal laws to correct, all stem from the fact that these people are aliens to the United States. They are aliens to this community. And they don't have a local presence. And if they do raise their head and complain, I, quite frankly, Mr. Chairman, have been very surprised at the number of complaints our ombudsman has received.

You've been there. It's an island nation; an island culture. And you're well familiar with an island area. People know one another. And when someone sticks their head up to complain, it's very clear who they're complaining to and it's easy to track that. And retaliation can occur. And we can't protect them against that. So I'm pretty surprised at the number of complaints that have continued.

But we need, I think, the immigration system can't control this. They can't provide the double-check that our current immigration system does. They don't have the embassies and consulates abroad that can do the pre-screening before they get on-island, to do the health screening before they get on-island. People coming in with tuberculosis don't have to be screened for 30 days. They're present on the island and exposing to workers and other residents of the CNMI during that 30-day period. With U.S. immigration control, we would have a much better handle on being able to address those issues.

But I am very sensitive and I don't want to leave the impression in this Committee that I think this immigration is going to be a magic wand to solve all of these problems. I agree with the governor. The economic situation in the territories—and I agree with you, Mr. Chairman—is a tough one. And we need to be creative. We need to create an economic diversification in the economy. The proposal that both Senator Murkowski has introduced and the administration's proposing is not trying to do this overnight. We're looking at an 8 to 10 year phase-in of these principles and laws of immigration and minimum wage. We recognize you can't shock an economy like that.

But, at the same time, we can't just say, do that and leave alone. We have to have an active/proactive partnership with this Committee, with the government of the CNMI, to create that economic diversification to help their tourist industry, to help attract other American industries, so that they can employ higher wage jobs on the island.

Mr. Chairman, thank you for your leniency in the time.

[The prepared statement of Mr. Berry follows:]

STATEMENT OF JOHN BERRY, ASSISTANT SECRETARY OF THE INTERIOR FOR POLICY, MANAGEMENT AND BUDGET

Mr. Chairman, and members of the Committee on Resources, I am pleased to appear before you today to discuss Federal law enforcement and the use of Federal funds in the Northern Mariana Islands.

The Department of the Interior, itself, does not have Federal law enforcement responsibility with respect to immigration, labor and trade issues in the Common-

wealth of the Northern Mariana Islands (CNMI). The Departments of Labor, Justice, and Treasury have law enforcement responsibilities which their witnesses will address. We will all explain why, despite the best efforts at Federal law enforcement, current Federal law is insufficient to correct the continuing inadequacies caused by CNMI immigration and labor policy. It remains the position of the Administration that the need to apply—and phase—Federal immigration, wage, and trade standards is inescapable.

Initiative Funding

In 1994, the Congress was sufficiently alarmed over the ever-worsening immigration and labor situation in the Commonwealth of the Northern Mariana Islands (CNMI) that it appropriated $7 million for fiscal years 1995 and 1996 to the Department of the Interior for the Federal-CNMI Initiative on Immigration, Labor, and Law Enforcement. The program was intended to be, and our first two annual reports reflected, a partnership between the Federal Government and the CNMI. The goal was two-pronged: aid the CNMI in dealing with the problems the Congress identified, and encourage Federal agencies to commit increased resources to the enforcement of Federal law in the CNMI, where they have authority.

As a result, we embarked on an ambitious Initiative with the CNMI to curb the excesses of the CNMI immigration and labor system, with both CNMI and Federal components. Since the inception of the Initiative in fiscal year 1995, the CNMI has received $5 million. The CNMI used these funds for development of a special investigation unit for the Attorney General's office, funding for a non-government protective service agency for alien workers with employment claims, the hiring of additional prosecutors and investigators, the updating of the CNMI criminal and labor codes, and the prototype development of the Labor and Immigration Identification system (LIIDS) database to track and control migrants and labor permit holders. The LIIDS system was intended to be fully integrated for immigration arrival and departure and on-island labor tracking. Despite the expenditure of $1.5 million, it has never been used for immigration, but is limited to an alien labor picture and identification system.

The Initiative has devoted $9 million to Federal efforts in the CNML Federal officials have used the additional funds to establish a more active presence in the CNML This funding has increased law enforcement activities, technical assistance and training by the Wage and Hour Division, Solicitor's Office, Occupational Safety and Health Administration, and the Employment Training Administration in the Department of Labor; the Immigration and Naturalization Service, the Federal Bureau of Investigations, the U.S. Marshals Service the Drug Enforcement Agency, the U.S. Attorney's Office, Civil Rights Division, and the Criminal Division/Child Exploitation and Obscenity Division of the Justice Department; the Secret Service, U.S. Customs Service, and the Bureau of Alcohol, Tobacco and Firearms of the Department of Treasury; and the Diplomatic Security Service of the Department of State. Law enforcement personnel on-island has increased from four law enforcement related personnel in 1994 to 18 in 1999. A number of Federal agencies budget additional funds of their own for CNMI enforcement actions. Attached to my written statement is a more complete description of Initiative activities.

After two-and-a-half years of experience with the program, and increasingly dismal statistics and on-the-scene reports, the Administration, in 1997, concluded that the problem is not a lack of resources and enforcement. The problem is the CNMI immigration and labor system itself, and the lack of will to change it fundamentally.

This realization was reflected in the comprehensive 3rd and 4th annual reports on the Federal-CNMI Initiative on Immigration, Labor, and Law Enforcement, which fully described the problems and outlined a legislative solution. Draft legislation addressing immigration, minimum wage, and trade issues in the CNMI was sent to the Congress on October 6, 1997. The Administration's proposal was introduced as S. 1275, in the 105th Congress, and was reported with amendment by the Senate Committee on Energy and Natural Resources.

The Problem

The Administration arrived at its position due to the unending stream of allegations, administrative determinations, court decisions, and statistics validating the fact that alien workers are routinely mistreated in the CNMI, with severe ramifications for both the Federal Government and the people of the Northern Mariana Islands. The Administration's firm position continues because the actions in the CNMI do not bring improved results in either statistics or real world experience.

CNMI Actions

The current CNMI administration has sought to do more than its predecessors to address immigration and labor issues. These actions, characterized by the CNMI as ameliorating the immigration and labor situation in the CNMI, are:

- health screening for alien workers
- moratorium on hiring alien workers
- minimum wage review committee
- law for new funding for the CNMI deportationfund for workers with awards
- required exit for alien workers after 3 years in the CNMI
- 6-month limited immunity for self-reported aliens who are out of status

On the surface, it appears that these CNMI actions are intended to redress the grave consequences of the CNMI's immigration and labor policies. Startling CNMI population growth statistics, however, bring us back to reality: 32,822 non-United States citizens born in Asia were in the Saipan labor force in the first quarter of 1999—an increase of nearly 10,000 from the 1995 census and an increase of about 2,000 from the June 1998 survey, 9 months earlier. Violations of the spirit and letter of the moratorium law added to the increases in alien workers during the past year. In 1997, the CNMI House of Representatives, in legislation, found there to be 7,000 illegal and undocumented aliens in the CNMI.

While possibly well-intentioned, these six CNMI actions merely address symptoms. They do not strike at the heart of the problem: (1) the indenture—a contract between a CNMI employer and a poverty-stricken alien worker for his or her labor, and (2) the availability of virtually unlimited numbers of such workers, at a minimum wage, and virtually a maximum wage, of $3.05 per hour (less for domestic and agricultural workers). Under the indenture, the employee is tied to a specific employer, with most job transfers requiring the permission of the current employer or occurring at the end of the contract. During the year-long indenture or contract, the employer has nearly unfettered sway over the employee, because the suggestion of alternative employment will likely bring retribution, including return to the employee's home country with no means of repaying huge debts owed to recruiters, and a reduction in overtime work, which for some can be lucrative. The employee's poverty in his or her home country, debts stemming from recruiting fees paid for jobs in the CNMI, and extremely low wages paid in the CNMI, usually limit the employees choices to one—continuing to work for the same employer and bearing whatever treatment the employer may mete out.

An increase in enforcement funding and personnel, either CNMI government or Federal Government, will not solve this problem. The problem is inherent in the CNMI system, not the fault of law enforcement. The Federal immigration and minimum wage laws that apply in the fifty states, and in prosperous Guam, only 35 miles away, are non-existent for the CNMI.

Mistreatment

The mistreatment and consequences that occurred under the CNMI's immigration and labor system in past years are well-documented in the Administration's 3rd and 4th annual reports. Plentiful, recent illustrations continue to indict the CNMI's immigration and labor system.

- During the past year, the CNMI reneged on its own moratorium on alien workers: the Governor liberally exercised his executive discretion for granting exceptions, the Legislature by admitting 2,500 aliens as garment workers, and the CNMI Department of Labor and Immigration by giving work permits to thousands of Philippine citizens who came to the CNMI on visitor permits in violation of the CNMI-Philippine memorandum of understanding.
- CNMI attempts at fixing the symptoms of the problem often spawn their own sets of problems. Such is the case with the CNMI's limited immunity and illegal alien registration act which gave temporary immunity to undocumented workers who identify themselves and then seek to secure work within the law's 3 month limit. Several personnel or resident managers began charging workers for guaranteed labor system that requires the massive importation of poverty-stricken, low-paid, indentured alien workers. It has harmful effects for the interests of the Federal Government, including:

- Loss of jobs for U.S. citizens in the CNMI
- Legal circumvention of the U.S. textile import quotas by countries that have reached their quota limits
- Avoidance of over $200 million annually in U.S. tariffs—benefiting the overwhelmingly alien-owned CNMI garment companies

- A concession to the CNMI government of Federal control over the conferring of United States citizenship in the CNMI
- An exception to the basic Federal immigration principle that aliens admitted on a temporary basis may not fill permanent jobs
- Smuggling of aliens from the CNMI to Guam by organized crime syndicates, with some seeking United States asylum
- Exposure of the mainland United States citizens to tuberculosis through travelers from the CNMI where a large number of aliens carry the disease. Embarrassment for the United States in the international community due to complaints from nations whose nationals are mistreated in the CNMI

The CNMI system also harms CNMI interests:

- 16.1 percent unemployment in 1999 among locally-born United States citizens—an increase of nearly 2 percent in 2 yearsaliens account for 76% of the total working population of the CNMI, and
- more than 90 percent of private sector employment while 56 percent of locally-born United States citizens work for the CNMI government.
- 35 percent poverty rate among locally-born United States citizens
- 32,822 non-United States citizens born in Asia were in the Saipan labor force in the first quarter of 1999—an increase of nearly 10,000 from the 1995 census and about 2,000 from the June 1998 survey
- a tuberculosis rate six times higher than on the United States mainland severe strain on infrastructure (mostly Federally funded) and social services due to unanticipated population growth
- expansion of organized crime, including extortion, prostitution and smuggling of illegal aliens into nearby Guam
- inefficient use of a large portion of CNMI government funding and personnel to perpetuate this immigration and labor system.

ATTACHMENT A

FEDERAL-CNMI INITIATIVE ON IMMIGRATION, LABOR, AND LAW ENFORCEMENT

Activities

In 1994, Congress appropriated $7,000,000 for fiscal year 1995 to address the problems of labor, immigration, and law enforcement in the Commonwealth of the Northern Mariana Islands (CNMI). The Department of the Interior coordinated efforts from the Departments of Justice, Labor, and Treasury to work in partnership with the CNMI to develop a plan to address the problems by establishing the Federal-CNMI Initiative on Labor, Immigration and Law Enforcement.

In the first year of the Initiative, the result of these interagency and intergovernmental efforts was the allocation of the $7,000,000 appropriation through direct grants and reimbursable support agreements. CNMI was awarded $3,000,000, of which $1,500,000 was used to develop a computerized alien identification and tracking system and $1,500,000 was used in local immigration and labor projects. The Department of the Interior entered into a several reimbursable support agreement amounting to $4,000,000 with the Departments of Labor and Justice; U.S. Customs Service; the Bureau of Alcohol, Tobacco, and Firearms; and the U.S. Secret Service to strengthen enforcement of Federal laws. The funds were used to hire additional investigative agents, attorneys, marshals, and provide technical law enforcement assistance to the CNMI.

Congress continued to provide additional annual appropriations from fiscal year 1995 to the present with the enactment of Public Law 104-134, which authorizes for the purposes of labor, immigration, and law enforcement in the CNMI a maximum annual $3,000,000 allocation through fiscal year 2002. The maximum $3,000,000 was appropriated in fiscal year 1997, $2,000,000 in fiscal year 1998, $2,000,000 in fiscal year 1999, and $2,000,000 is sought in fiscal year 2000. Additional Federal agencies have joined the Initiative including the National Labor Relations Board, the Equal Employment Opportunities Commission, the Bureau of Census, the Office of the Inspector General for the Department of the Interior, Center for Disease Control, Immigration Health Services, and the Diplomatic Security Service.

Since the inception of this initiative in fiscal year 1995, the CNMI has received $5,000,000. The CNMI used its share of the fiscal year 1995 and fiscal year 1997 funds amounting to $4,000,000 to address specific needs in its government institutions that could otherwise not have been funded in its operational budget. This in-

cluded development of a special investigation unit for the Attorney General's office, creation of a non-govenrment protective service agency for guest workers, the hiring of additional prosecutors and investigators, and the updating of the CNMI criminal and labor codes. The Labor and Immigration Identification system (LIIDS) database to track and control immigrants and immigration labor permit holders was created by this initiative. Although the system is not yet fully functioning, it is esed to issue and track labor permits.

In fiscal year 1999, the CNMI used $1,000,000: (1) to assist the Department of Public Health with its health screening program ($320,000); (2) to provide assistance for emergency housing and shelter for alien workers ($200,000); (3) to continue joint law enforcement efforts by the FBI-CNMI Joint Task Force ($60,000; (4) to further supplement the Attorney General's Investigative Unit to identify and prosecute corruption relating to alien smuggling, organized and white collar crime, immigration and labor violations ($245,000); and (5) to enhance the canine unit at the Customs Department to detect drug trafficking, particularly in the arrival and departure of aliens to the CNMI ($175,000).

Federal officials have used the additional funds to establish a more active presence in the CNMI. This funding has increased law enforcement activities, technical assistance and training by the Wage and Hour Division, Solicitor's Office, Occupational Safety and Health Administration, and the Employment Training Administration in the Department of Labor; the Immigration and Naturalization Service, the Federal Bureau of Investigations, the U.S. Marshals Service the Drug Enforcement Agency, the U.S. Attorney's Office, Civil Rights Division, and the Criminal Division/ Child Exploitation and Obscenity Division of the Justice Department; the Secret Service, U.S. Customs Service, and the Bureau of Alcohol, Tobacco and Firearms of the Department of Treasury; and the Diplomatic Security Service of the Department of State.

Law enforcement personnel on-island has increased from four law enforcement related personnel in 1994 (1 Assistant U.S. Attorney, 2 FBI agents, and 1 U.S. Marshal) to 18 in 1999 (3 Assistant U.S. Attorneys, 5 FBI agents, 2 DEA agents, 2 U.S. Marshals, 1 INS officer, 4 Wage and Hour labor investigators, and I part-time DOI Inspector General criminal investigator). In addition, attorneys from these agencies, the National Labor Relations Board, and the Equal Employment Opportunity Commission have been temporarily assigned on occasion to the CNMI on special detail to litigate and prosecute cases and additional Stateside Federal personnel have been utilized. All the Federal agencies have provided technical law enforcement assistance to the CNMI, including the National Institute of Corrections has provided specialized expertise to plan for a new correctional facility. The Federal District Court criminal cases, cases filed by the U.S. Attorney, and incarcerations have all increased dramatically since the beginning of this Initiative.

In fiscal year 1998, the Department of Justice increased its base operations budget to assume total financial responsibility for the additional law enforcement personnel in the CNMI. The Department of Labor increased its base operations budget to assume twenty-five percent of its additional presence in the CNMI.

Through the Initiative, the Department of the Interior has provided assistance to the Northern Marianas College to convene an economic development conference. A report is to be written by a steering committee under the direction of the College. The Department has also provided funding assistance to the Bureau of Census and the CNMI Bureau of Statistics to produce population and labor surveys with statistical data. In addition, funding was used to prepare two reports by the Department of the Interior consultant regarding labor, immigration and garment issues in the CNMI in February 1998. The first report, on the living and working conditions of the workers, consisted of hundreds of interviews. It was considered a "sample snapshot" of the situation in the CNMI.[1] The second report, on garment companies and transhipment, compiled by a national expert on transshipment of garments from Asia via Saipan to the United states. While the report did not document the full extent of transshipments through Saipan, it did confirm that specific incidents had occurred in the past. Both reports were turned over to the Department of Justice and Treasury respectively.

The CHAIRMAN. I thank you. And during the question and answer period, you can address some other things that you missed. Mr. Fraser.

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[1]The consultants who prepared this report were originally retained to assist a Congressional delegation from the U.S. House of Representatives, Committe on Resources, in obtaining firsthand experience. The delegation's fact-finding mission was canceled, the consultants who were already in the area, were asked to compile the information on personal interview and site visits.

STATEMENT OF JOHN R. FRASER, DEPUTY ADMINISTRATOR, WAGE AND HOUR DIVISION, EMPLOYMENT STANDARDS ADMINISTRATION, U.S. DEPARTMENT OF LABOR, WASHINGTON, DC

Mr. FRASER. Mr. Chairman, Mr. Miller, other members, I'm John Fraser, deputy administrator of the Wage and Hour Division at the U.S. Department of Labor. And I am representing the Department of Labor, which gives me the honor today to address questions you may have about OSHA as well. So I look forward to that and I'll be honored to do that and straighten out some of the——

The CHAIRMAN. And, Mr. Fraser, you know, I have not mentioned OSHA, so somebody else will answer those questions.

[Laughter.]

Mr. FRASER. Mr. Chairman, you haven't, but you missed some interesting discussion and we need to straighten that out, I think.

All of us have submitted written statements, which I trust will be put in the record. I'd like to focus on just a couple of points in my statement this morning. The first of those is that there are extremely serious, pervasive, and stubbornly persist immigration, labor, and human rights problems in the Commonwealth of the Northern Marianas. And I hope all the witnesses you hear from today will at least acknowledge the existence of those problems.

But, secondly and more importantly, these problems arose in the first place and they will persist because they derive from systematic, structural weaknesses in the legal framework in the Commonwealth and any solution to these problems demands a comprehensive, structural solution. I have a great deal of respect, like my colleague Mr. Berry said, for the governor; for his colleagues; for our colleagues, our law enforcement colleagues in the Commonwealth. Their efforts can help solve the problem. Their commitment to reform, if it lasts, if it persists, can help solve the problem.

Enhanced Federal law enforcement is part of the solution to the problem. External economic influences, like the monitoring that will be done as a result of the settlement of part of the garment lawsuit that was filed in January of this year can be part of the solution.

But the cause of the problems, as you've heard over and over again this morning, the cause of the problems in the Commonwealth is a structural, inapplicability of Federal law and that's the only solution that we see that doesn't constitute a Band-Aid on what's otherwise a gaping wound. The system in the Commonwealth, Mr. Chairman, produces casualties and the best we can do, through Federal law enforcement, through the Commonwealth efforts, is treat the wounded. We should be approaching this problem in a way so that we're not—we don't have a system that creates casualties.

One of the things I think I can do for the Committee is to refute the notion that the problems in the Commonwealth are ancient history. And just to give you some information, just from this year's Department of Labor Enforcement in the Commonwealth, the Wage and Hour Division has found more than $8 million in back wages owed to more than 2,600 workers of 13 employers in the Commonwealth. To give you some perspective, to put that in perspective, that's 7 percent of the private sector work force owed back

wages in our cases. That's $3,000 a person. That's about 800, 900 hours of work for which they weren't paid.

In one of these cases earlier this year, we found that, for the second time in one year, within nine months of having entered a consent judgment in court with a commitment to future compliance, we found a Micronesian garment manufacturing failed to pay its workers for 3 months and ended up having to pay—this was the second time, after finding them owing $550,000 in back wages, getting a consent judgment, they stopped paying their workers again, didn't pay them for 12 weeks, and owed $1 million in back wages.

In two other cases, not included in the statistics I gave you, we found and obtained a default judgment against the gentleman named Byung Yong Moon for more than—almost $900,000 in back wages. But we've been unable to locate this gentleman. We're suing two other companies: Hyunjin Saipan, it formerly did business as Coral Fashion, which was formerly S.R. Saipan, to recover back wages for those workers. And there are other cases just like that.

And I think the most discouraging new development this year, as you know—I believe part of this occurred during your visit earlier this year—is that there have three episodes of food poisoning affecting large numbers of workers. In February of this year, 50 workers at TransAsia and Concorde Barracks, owned by Tan Holdings, became ill in a food poisoning incident. A week later, 150 workers employed at United International barracks, owned by Mr. James Lin, became ill in a food poisoning incident. On March 24, 1,100 workers at Tan Holdings barracks became severely ill with food poisoning. It created an unprecedented health emergency in the Commonwealth.

Unfortunately, the day before, OSHA had tried to inspect that facility. They'd been denied access, so the incident occurred when OSHA was out trying to seek a warrant. Unfortunately, when the hospital tried to respond and send medical personnel to the factory and to the barracks, they were denied access and had to get the local police to allow them in to treat the workers who were ill.

So the problems are pervasive. They're serious. They're current. Federal enforcement's a part of the solution, the efforts of our colleagues in the Commonwealth government are part of the solution, but we really do need structural changes to address the structural weaknesses that give rise to the recurrence of these problems. And we'll be happy to talk some more about that in the question period, Mr. Chairman.

[The prepared statement of Mr. Fraser follows:]

ATTACHMENT B

We are writing to urge Congress to enact legislation extending Federal immigration and wage laws to the Commonwealth of the Northern Mariana Islands, as originally anticipated by the Covenant agreement that joined the Commonwealth in political union with the United States in 1976.

For close to 15 years—through the Reagan and Bush Administrations and now during the Clinton Administration—Federal officials have expressed deep concern about the CNMI's growing dependence on indentured alien labor paid at unfairly low minimum wage rates to build its economy.In the past five years, we have found that conditions have deteriorated, including high unemployment, failure to pay wages, poor living and working conditions, even incidences of "hidden" contracts forbidding the exercise of political and religious rights. These problems have become so severe that the United States has received formal complaints from three coun-

tries concerned with the treatment of their citizens in the CNMI. The current CNMI Governor has acknowledged many of the problems that have resulted from these policies and he is responding with changes in local laws and more vigorous law enforcement.

Despite these efforts, however, we remain deeply concerned that the local reforms—like those that have come and gone before—will not solve the problems inherent in an economic policy of relying on a majority population of indentured alien workers who account for more than 90 percent of the private sector workforce. The situation does not appear to have improved. For example, because of the favorable treatment the CNMI enjoys under our trade laws and the low minimum wage paid to alien workers, garment shipments to the United States continue to increase at a rapid rate (about 40 pecent for the year June 1997 to June 1998, now close to $1 billion annually); the number of indentured alien workers has not declined nor has their vulnerability to exploitation and human rights abuses decreased; and there are continuing adverse impacts of ineffectiual, border control, such as organized crime and public health problems, smuggling of illegal aliens to Guam, and strained infrastructure. Past local reforms have proven to be fleeting. Throughout the years we have supported many local reforms, only to have those reforms repealed or ignored when local administrations change or media attention fades.

In this regard, we were both perplexed and disappointed to learn that the CNMI government recently canceled consultations with the President's Special Representative, Edward B. Cohen, to discuss fundamental Federal concerns with the CNMI's immigration and labor policies.

In fiscal year 1999,the CNMI used $1,000,000: 1) to assist the Department of Public Health with its health screening program ($320,000); 2) to provide assistance for emergency housing and shelter for alien workers ($200,000); 3) to continue joint law enforcement efforts by the FBI-CNMI Joint Task Force ($60,000; 4) to further supplement the Attorney General's Investigative Unit to identify and prosecute corruption relating to alien smuggling, organized and white collar crime, immigration and labor violations ($245,000); and 5) to enhance the canine unit at the Customs Department to detect drug trafficking, particularly in the arrival and departure of aliens to the CNMI ($175,000).Federal officials have used the additional funds to establish a more active presence in the CNMI.

This funding has increased law enforcement activities, technical assistance and training by the Wage and Hour Division, Solicitor's Office, Occupational Safety and Health Administration, and the Employment Training Administration in the Department of Labor; the Immigration and Naturalization Service, the Federal Bureau of Investigations, the U.S. Marshals Service the Drug Enforcement Agency, the U.S. Attorney's Office, Civil Rights Division, and the Criminal Division/Child Exploitation and Obscenity Division of the Justice Department; the Secret Service, U.S. Customs Service, and the Bureau of Alcohol, Tobacco and Firearms of the Department of Treasury; and the Diplomatic Security Service of the Department of State.

Law enforcement personnel on-island has increased from four law enforcement related personnel in 1994 (1 Assistant U.S. Attorney, 2 FBI agents, and 1 U.S. Marshal) to 18 in 1999 (3 Assistant U.S. Attorneys, 5 FBI agents, 2 DEA agents, 2 U.S. Marshals, I INS officer, 4 Wage and Hour labor investigators, and 1 part-time DOI Inspector General criminal investigator). In addition, attorneys from these agencies, the National Labor Relations Board, and the Equal Employment Opportunity Commission have been temporarily assigned on occasion to the CNMI on special detail to litigate and prosecute cases and additional Stateside Federal personnel have been utilized. All the Federal agencies have provided technical law enforcement assistance to the CNMI, including the National Institute of Corrections has provided specialized expertise to plan for a new correctional facility.

The Federal District Court criminal cases, cases filed by the U.S. Attorney, and incarcerations have all increased dramatically since the beginning of this Initiative.

In fiscal year 1998, the Department of Justice increased its base operations budget to assume total financial responsibility for the additional law enforcement personnel in the CNMI. The Department of Labor increased its base operations budget to assume twenty-five percent of its additional presence in the CNMI.

Through the Initiative, the Department of the Interior has provided assistance to the Northern Marianas College to convene an economic development conference. A report is to be written by a steering committee under the direction of the College. The Department has also provided funding assistance to the Bureau of Census and the CNMI Bureau of Statistics to produce population and labor surveys with statistical data. In addition, funding was used to prepare two reports by the Department of the Interior consultant regarding labor, immigration and garment issues in the CNMI in February 1998. The first report, on the living and working conditions of the workers, consisted of hundreds of interviews. It was considered a "sample snap-

shot" of the situation in the CNMV. The second report, on garment companies and transhipment, compiled by a national expert on transshipment of garments from Asia via Saipan to the United States. While the report did not document the full extent of transshipments through Saipan, it did confirm that specific incidents had occurred in the past. Both reports were turned over to the Department of Justice and Treasury respectively.

The consultants who prepared this report were originally retained to assist a Congressional delegation from the U.S. House of Representatives, Committe on Resources, in obtaining first-hand experience. The delegation's fact-finding mission was canceled, the consultants who were already in the area, were asked to compile the information on personal interview and site visits.

The Administration has proposed legislation, introduced as S. 1275, that would phase-in Federal immigration and wage laws over a 10-year period. While S. 1275, as amended, has been reported by the Senate Committee on Energy and Natural Resources and would take steps toward addressing the immigration issues discussed above, we believe that the Administration's proposal more appropriately balances the CNMI's legitimate concerns about its economy with the Federal Government's interest in resolving these long-standing concerns over the negative consequences of the CNMIs labor, minimum wage and trade policies. We, therefore, urge Congress to enact legislation that appropriately addresses the full range of concerns set forth in the Administration's proposal before the close of the 105th Congress, and thus complete implementation of the Covenant as anticipated in 1976.

The CHAIRMAN. Just for your comment, Mr. Fraser, about food poisoning. They just had an outbreak in the United States Senate cafeteria, too.

[Laughter.]

Mr. FRASER. I take your warning, Mr. Chairman.

[Laughter.]

The CHAIRMAN. Mr. Shruhan.

STATEMENT OF DONALD K. SHRUHAN, JR., EXECUTIVE DIRECTOR, DOMESTIC OPERATIONS WEST, U.S. CUSTOMS SERVICE, U.S. DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Mr. SHRUHAN. Good afternoon, Mr. Chairman and members of the Committee. My name is Donald Shruhan. I'm the executive director of Domestic Operations West, the Office of Investigation, U.S. Customs Service. I'm pleased to be here today to discuss the responsibilities of the U.S. Customs in enforcing laws in the Northern Marianas Islands. I have submitted a complete statement for the record. And, with your permission, I'll summarize it now.

CNMI is considered, for U.S. Customs purposes, to have the same relationship in the U.S. as Guam, meaning that we do not have title 18 authority. In other words, U.S. tariff laws do not apply in the CNMI. We do have title 18 authority for criminal investigations, with a few exceptions. We can conduct criminal investigations and can make arrests in CNMI, as we do in Guam. Investigations are conducted by agents from our offices in Guam and Honolulu. As we work with CNMI Customs, we provide training on customs interdictions, contraband enforcement, money laundering, transshipment of textiles, and narcotics controls. CNMI Customs has implemented a number of recommendations we have offered relating to examination of containers.

The following are U.S. Customs enforcement initiatives conducted in the CNMI. Textiles. Garment exports from CNMI reached $1 billion last year and is expected to exceed that amount this year. CNMI Customs Service relies upon reviews of documents that are presented by the manufacturers as to the production capabilities of the factories. We have and will continue to work with

CNMI Customs Officials on this issue in order for the U.S. to accept as accurate the import documents certified by CNMI for export.

In September of 1988, agents from our Honolulu office, Customs inspectors from the Port of Honolulu, and a Customs Service import specialist from San Francisco conducted an on-site assessment of textile shipments in CNMI. Working with CNMI Customs officials, they examined 51 inbound containers. All of the examined shipments were found to contain fabric, as had been manifest by the Asian suppliers. The team also examined records maintained by CNMI Customs. All of the production data was provided by the manufacturers with little verification being completed. The team found no direct evidence of finished products being imported into the CNMI from Asia. We expect to continue our efforts with CNMI Customs on this issue.

Narcotics. Our agents have been involved in investigations concerning the smuggling of narcotics into CNMI. Crystal methamphetamine, also known as ice; heroin; and the import of marijuana continue to be counted in the CNMI. CNMI Customs Service has requested our assistance in identifying internal airline conspiracies involving illegal importation of narcotics. We continue to work with CNMI Customs on narcotic investigations and on enhancing their investigative capabilities.

Money laundering. Customs has investigated the possible laundering of money derived from drug trafficking and illegal weapons sales by Asian organized crime syndicates. The U.S. currency report requirements do apply in CNMI, however enforcement by CNMI officials has been sporadic over the past years. There is a growing concern that money from the legalized casino gambling will be moved internationally without compliance with the reporting requirements.

Pornography and international property rights. There's anecdotal information that export violations and child pornography activities are occurring in CNMI. We are looking into both of these issues. There has also been alleged that vendors related to the tourist trade have been selling counterfeit merchandise protected by trademark and copyright laws. Recent information suggest that Japanese organized crime members may be involved in the trafficking of such merchandise.

U.S. Customs will continue to work with CNMI Customs on each of the areas I've mentioned. We believe the U.S. Customs Service has sufficient authority to address any potential illegal activity coming out of CNMI and directed towards the United States. The administration's proposed legislation will include additional investigative authority that would be useful for addressing illegal activity within CNMI itself through our office in Guam and Honolulu.

I can assure the Committee that enforcing the laws of the United States is the primary concern of the Customs Service. Mr. Chairman, this completes my remarks and I'll be happy to answer any questions.

[The prepared statement of Mr. Shruhan follows:]

STATEMENT OF DONALD K. SHRUHAN JR., EXECUTIVE DIRECTOR, DOMESTIC OPERATIONS WEST, OFFICE OF INVESTIGATIONS, UNITED STATES CUSTOMS SERVICE

Good morning Mr. Chairman and Members of the Committee. I am pleased to be here today to discuss the responsibilities of the U.S. Customs Service in enforcing laws in the Northern Mariana Islands. We share the concerns of this Committee that the relationship between the Commonwealth of the Northern Mariana Islands (CNMI) and the United States not create an opportunity for violations of U.S. laws, particularly regarding the importation of goods.

First let me explain the relationship the Customs Service has with CNMI. The agreement by which the CNIMI joined the U.S., provided that the islands would be outside the Customs territory of the U.S.—as are smaller territories—but their products would be able to enter the U.S. Customs territory duty free. This enables the goods of nearby foreign countries to enter the islands at lower cost but the islands also have the benefit of having the U.S. effectively be the islands' market. With the signing of Presidential Proclamation #4534, the CNIMI is considered, for U.S. Customs Service purposes, to have the same relationship with the U.S. as Guam. In fact, the agreement mirrors Customs law for Guam in the CNMI. That means that the U.S. Customs Service does not have Title 19 authority relating to Customs duties. This means that tariff laws do not apply in CNMI. We do have Title 18 authority for criminal investigations with a few exceptions to include, Section 545 dealing with the smuggling of merchandise and Section 542 dealing with the entry of merchandise through false statements. The U.S. Customs Service conducts criminal investigations and can make arrests in CNMI as it does in Guam.

The U.S. Customs Service participates as a member of a joint Federal working group for the Federal/CNMI Initiative on Labor, Immigration, and Law Enforcement. Our Resident Agent in Charge in Honolulu, Hawaii (RAIC, Honolulu) is the regional representative of the Customs Service for the Commonwealth of the Northern Mariana Islands. Investigations are conducted by agents from the Resident Agent Office in Guam and the RAIC, Honolulu office. In addition to textile transshipment investigations, we also conduct narcotics smuggling investigations and other investigative case categories enforced by U.S. Customs. As we work with CNMI Customs, we provide training on; customs interdictions, contraband enforcement, money laundering, textile transshipment and narcotics control. Based on recommendations made by U.S. Customs to the CNMI Customs during an on-site assessment, the CNMI Customs recently relocated its office space adjacent to the area utilized to off-load inbound container shipments. Further, facilities have been established at that location to allow for conducting intensive container examinations. At the suggestion of the U.S. Customs, the CNMI Customs has begun to conduct container examinations without the consignee/importer present. Prior to this, most container examinations were conducted in the presence of the consignee/importer and at the importer's premise. CNMI Customs collects a 3.7 percent excise tax on garments produced in CNMI and exported. There are no excise taxes levied on imported material used in the textile manufacturing process. Therefore, CNMI Customs concentrates on exports as opposed to imports.

U.S. Customs Service conducts investigations and enforcement initiatives on CNMI, in conjunction with CNMI Customs with existing authority however, we do not have the authority to examine containers without prior notification to CNMI Customs. To that end the following are U.S. Customs enforcement initiatives conducted in the CNMI:

TEXTILES

The most significant U.S. Customs Service enforcement initiative involves textile transshipment. Given that merchandise that originates in CNMI enters the United States duty free, and that wages there can be lower than the minimum wage in the United States, many overseas garment manufacturers have opened plants in CNMI in the past 10 years. These manufacturers typically use all Asian equipment, materials, management, and workers. These workers are primarily from the People's Republic of China, the Phillippines, and Bangladesh.

The CNMI garment industry can legally produce goods with the "Made in USA" label. In July 1997, the country of origin regulations changed to make the origin of the goods the country where the apparel was assembled. Prior to July 1997, the country in which "cutting" of the material took place constituted the country of origin of the merchandise. Fabric therefore had to be cut in CNMI in order to shipped to the U.S. duty or quota free. Presently, the country in which the merchandise is assembled constitutes the country of origin for duty and quota purposes. If components are imported and assembled in CNMI, they will be quota free. However, concerning duty, if the components are from a third country and only assembly costs

are added in CNMI, the cost of the assembly must be more than 50 percent of the value of the imported product to qualify for duty free treatment.

The export of garments from CNMI reached 1 billion dollars last year and is expected to exceed that amount this year. Given that volume of exports, allegations of textile transshipment are expected to continue. At the present time, the CNMI Customs Service does not have the expertise or manpower to determine production capabilities in the factories. Instead, they review documents that are presented by the manufacturers as to the production capabilities. We have and continue to work with the CNMI Customs officials on this issue in order for the U.S. to accept, as accurate, the import documents certified by CNMI for export.

In September, 1998, agents from the RAIC/Honolulu, inspectors from the Customs Area Port of Honolulu and a Customs Service Import Specialist from San Francisco conducted an on-site assessment of textile-related importations and exportations in CNMI. During this assessment, these U.S. Customs officers, working in conjunction with CNMI Customs officials, examined fifty-one inbound containers destined to textile manufacturing facilities. All of the examined shipments were found to contain fabric as had been manifested by the Asian suppliers.

The team also conducted an examination of the records being maintained at the CNMI Customs Garment Section. The export records were very detailed since they are the basis for the collection of the CNMI Government's 3.7% User Fee. Hogever, all the production data was provided by the manufacturers with little verification being completed by the CNMI Customs officials. The CNMI Customs outbound inspectors were inundated with processing the paperwork generated by the $1 billion-a-year export industry. The team we sent found no direct evidence of finished products being imported into the CNMI from Asia. The amount of textiles being produced in the area however, does make it easier for fraudulent activities to be commingled with legitimate activity. At present, the CNMI Customs has taken suggestions provided by the U.S. Customs Service to address these observed shortcomings. We expect to continue our efforts with the CNMI Customs on this issue over the next few of years.

NARCOTICS

The U.S. Customs Service is concerned about the possible trafficking of narcotics in and through the CNMI. Our agents based in Honolulu and Guam have been involved in several investigations involving the smuggling of narcotics into CNMI from Asia and other Pacific islands. Crystal methamphetamine ("ice"), heroin, and imported marijuana continue to be encountered in the CNMI.

The CNMI Customs Service has requested U.S. Customs assistance in identifying internal airline conspiracies involving the illegal importation of narcotics. In the past we have helped identify corruption within the confines of the international airport. We continue to work with CNMI Customs on narcotics investigations and on enhancing their investigative capabilities.

MONEY LAUNDERING

Another area of concern is money laundering. In the past few of years, Customs has investigated the possible laundering of money derived from drug trafficking and illegal weapon sales by Asian organized crime syndicates. The U.S. currency reporting requirements do apply in CNMI, however, enforcement by CNMI officials has been sporadic over the past years. The reporting requirements act as a trigger mechanism to identify other violations of law in CNMI. There is a growing concern that money from the legalized casino gambling industry on the island of Tinian will be moved internationally without compliance with the reporting requirements. It is suspected that Asian organized crime will move their money through Tinian.

PORNOGRAPHY AND INTELLECTUAL PROPERTY RIGHTS

There is anecdotal information that export violations and child pornography activity are occurring in the CNMI. We will analyze the intelligence regarding this information and develop a strategy to address these concerns while seeking more solid evidence.

Finally, due the tourist trade in the CNMI, it has been alleged that many vendors have been selling counterfeit merchandise protected by trademark and copyright laws. Recent information suggests that Japanese organized crime members may be involved in the trafficking of such merchandise.

U.S. Customs will continue to do factory inspections in conjunction with CNMI Customs. We will also continue to work with and help them develop the capability to perform production verification visits to factories in CNMI. We also plan to continue to work with CNMI law enforcement personnel on conducting narcotics trafficking and money laundering investigations. We believe that the U.S. Customs

Service has sufficient authority to address illegal activity coming out of CNMI and directed towards the United States.

As noted by the other Administration witnesses, the Administration will be submitting its proposed legislation on CNMI shortly. The proposed legislation will include additional investigative authority that will be useful for addressing illegal activity within CNMI itself through our offices in Guam and in Honolulu.

I can assure the Committee that enforcing the laws of the United States is the primary concern of the Customs Service. We will continue to work with the other agencies and the CNMI Customs Service to ensure that all applicable laws are enforced. Mr. Chairman, this completes my prepared remarks. I will be happy to answer any questions.

The CHAIRMAN. Thank you, Mr. Shruahan. Mr. Gess.

STATEMENT OF NICHOLAS M. GESS, ASSOCIATE DEPUTY ATTORNEY GENERAL, U.S. DEPARTMENT OF JUSTICE, WASHINGTON, DC

Mr. GESS. Thank you. Mr. Chairman, Congressman Miller, members of the Committee, good afternoon. My name is Nicholas Gess. I'm an associate deputy attorney general of the U.S. Department of Justice. First, let me thank the Committee for the opportunity to testify today. Second, I have provided and submitted a written statement and I recognize that the Committee's time is particularly valuable. Mr. Chairman, I'd ask you to make my written statement a part of the record and allow me to—thank you.

We have had a very positive impact on crime in the Commonwealth of the Northern Mariana Islands. Although it's a special and remote location, you've heard testimony earlier today about the active task force operations that occurred with participation by both the FBI and local law enforcement. That's as it should be in the CNMI and it's as it should be everywhere in this nation. People of the CNMI are entitled to the same level of protection from crime as all America and law enforcement needs the tools to get it done.

Despite the lengthy distances involved to travel from the Continental United States, we are doing all that we can to enforce Federal criminal law. We have increased the operating strength of the United States Attorney, the Federal Bureau of Investigation and DEA, and we've placed a liaison officer from INS on the islands. At the same time, you should be aware that, in addition to permanent resources, we have made specialized resources. We've detailed attorneys from here at the Justice Department out there on an as-needed basis.

However, as crime victims and law enforcement alike tell us across the nation, our first and most important duty is to prevent crime in the first instance. Clearly, once a crime is committed, we have a duty to investigate it and, if appropriate, prosecute. But if we can prevent the crime from occurring, we are all safer and the victims are spared whatever agony is involved.

A crucial link is missing in the CNMI and that is the simple fact that the INA does not apply. Hence, foreign organized crime elements are readily able to infiltrate the islands and will continue to do so until and unless there is an effective immigration mechanism. And that, unfortunately, means applying the INA in the sensitive manner described by my colleague from the Interior to the CNMI. The analogy I would give you, Mr. Chairman, is simply that, if 15 people showed up at a hospital emergency room with broken ankles reporting that they had stepped in a hole in the

pavement, if I were the hospital administrator, I could say, boy, I need to go out and hire more orthopedic specialists. But I would suggest that it would be far better to go fill the hole and not go through that. And that is the crux of the problem.

Choices are stark and, so long as the INA does not apply, we will do our best to mop up by investigating and prosecuting. But when the CNMI is afforded the protections of the INA, we will be better able to protect the people and, for that matter, the rest of the citizens of America who are the worse off for allowing foreign organized crime to get a toehold on American soil.

I am here to answer the Committee's questions and to assure you, on behalf of the administration and Attorney General Janet Reno, that we are here to work with the Committee. Thank you.

[The prepared statement of Mr. Gess follows:]

STATEMENT OF NICHOLAS M. GESS, ASSOCIATE DEPUTY ATTORNEY GENERAL,

I. Introduction

Mr. Chairman, Congressman Miller, and members of the Committee, good afternoon. I am Nicholas M. Gess, Associate Deputy Attorney General of the United States Department of Justice. I would first like to thank the Chairman, the Ranking Minority Member, and the Committee Members for the opportunity to testify today. The issue of law enforcement in the Commonwealth of the Northern Marianas is as important to the Department of Justice as law enforcement anywhere else in the United States, and we are grateful for your invitation to provide our views to the Committee.

II. Law Enforcement Problems in the CNMI

Under the leadership of Deputy Attorney General Eric H. Holder, Jr, several components of the Department of Justice have taken important strides to address law enforcement issues in the CNMI. The United States Attorney's Office, FBI, DEA, and Civil Rights Division, as well as the Child Exploitation and Obscenity, and Public Integrity Sections of the Criminal Division, the INS, Marshals Service and National Institute of Corrections are all involved in the Department's effort to combat crime in the CNMI. This effort addresses specific areas of crime in addition to systemic problems we face in enforcing laws in this newest jurisdiction of the U.S.

The Department of Justice, in cooperation with the Departments of Labor and Interior, has had a positive impact on the law enforcement situation in the CNMI. We have been successful in prosecuting individual cases. We have shut down illegal businesses and taken drugs and guns off the islands. While we are doing everything we can and our efforts have produced measurable results, our hands are tied to correct the problem.

Every day as we work to investigate and prosecute these cases, more criminals arrive on the CNMI. As we investigate to determine whether a recruiter who promised jobs to workers to get them to come to the CNMI committed fraud or is just a bad businessman, another group of cheated workers lands at the airport. As we seize a load of drugs brought in by members of the Japanese Yakuza or Chinese triad gangs, others are already on their way, ensured of easy access to the islands. As we put one gang member in jail, others arrive. In short, we are winning individual battles, but we may be losing the war.

Law enforcement in the CNMI is complicated by a number of factors not present in most U.S. jurisdictions. These factors, which go to the heart of effective law enforcement, arise from the immigration policies of the CNMI government.

Under the agreement by which the CNMI joined the United States, Congress has the authority to extend the Immigration and Nationality Act to the CNMI at any time. The Federal Government agreed for several reasons to not apply the INA immediately (in a decision which was not intended to be permanent) in the mid-1970s when it negotiated the eventual termination of the U.N. trusteeship over the islands. A reason put forth by the CNMI was the fear of the islands' negotiators that their archipelago might be overwhelmed by a massive influx of immigrants from nearby countries. Ironically, what has resulted from local CNMI control over immigration is indeed an explosion of the alien population that has had drastic consequences for the islands. This is not an immigrant population admitted for integrating into society with a view toward eventual citizenship. These alien workers are permitted by the CNMI to remain in the CNMI only for periods of a year or

two, but we find that many workers are staying much longer. As a result, CNMI policies have led to a continual population increase of exploited temporary workers that lack political power. This alien population now actually accounts for 76 percent of the total working population of the CNMI.

This immigration policy has had a severe negative effect on law enforcement. Many of the aliens who find themselves on the CNMI are the victims of fraud. They left their homelands to follow promises of good paying jobs and U.S. citizenship and arrived in the CNMI to find neither. Many gave everything they owned to crooked recruiters and have no means of returning home. They are recruited and employed under indenture contracts that give their employers virtually total control over their stay.

These unfortunate souls have few options. They lack the resources to return home, and are forced to work for twenty or thirty dollars a day in a place with a cost of living comparable to that of Hawaii, one of the highest in the Nation. Until recently, many of these shops were surrounded by barbed wire fences. The barbed wire arched inward, as if to keep the workers in, rather than to keep others out. Even today almost all of the factories and many barracks are surrounded by high cyclone fences, with security guards controlling the movement of employees. Conditions in many of these factories are deplorable.

The dire situation these workers find themselves in causes them to shun law enforcement. Few legal aliens will step forward to report crimes for fear of losing their jobs, and even fewer will testify. Many come from countries where the citizens do not trust law enforcement officials, which leads them further away from our efforts. Others entered into foreign-based recruitment agreements that discourage any form of cooperation with law enforcement. We have discovered Chinese "shadow contracts" that forbid an employee to cooperate with CNMI labor officials. In one case, we had to join forces with the Philippine Labor Office to protect some of our witnesses who were being prosecuted criminally for cooperating with our efforts. The case involved waitresses working in a bar run by Japanese Organized Crime who were subject to lock-down conditions. Fortunately, we were able to get the Philippine law suit quashed and the case resulted in $600,000 judgment for the waitresses. The lock-down conditions were terminated as a result of the case.

Workers will endure a tremendous amount of hardship in order to remain and work because they need to pull themselves out of debt and they know that their contracts are good for only one year. If they fail to please their overseers and monitors they will be ostracized and returned home in debt. Once a worker is branded as a "snitch" he or she is blacklisted by the garment industry and will unlikely be legally employed in the CNMI again. Another obstacle to cooperation has been the local bureaucracy. The CNMI Department of Labor and Immigration (DOLI) has often been reluctant to issue work authorization to laborers who are seeking relief through the Federal system. With both local industry and local agencies often colluding to "starve out" those who cooperate, there is little wonder why workers find it so difficult to assist our law enforcement efforts.

The lack of Federal immigration authority also directly facilitates the entry of criminals. As opposed to a local jurisdiction like the CNMI, a sovereign nation such as the United States is able to operate a "double-check" immigration system. Our double-check system is one in which (except for temporary visitors from certain nations that experience has shown present a low risk of immigration violation, and therefore can be screened at the port-of-entry), arriving aliens are screened twice by trained officers, first by a consular officer at a State Department post abroad before issuing a visa, and then by an immigration inspector at a U.S. port-of-entry. Although no screening system is foolproof in deterring criminal elements, our officers have access to international and U.S. lookout information that in many cases enables them to detect criminals, terrorists and other dangerous aliens attempting to enter the United States.

None of these important safeguards exists in the CNMI, which has no consular operations abroad and therefore cannot operate a double-check system, nor are CNMI immigration facilities sufficiently secure to be granted access to Federal lookout information. As a result, members of Chinese Triad and Japanese Yakuza gangs have infiltrated the CNMI, bringing with them the criminal trades they plied in their homelands—drug trafficking, money laundering, gun sales, and corruption. Perhaps the worst thing they bring to the population of the CNMI is fear. Those who might otherwise be willing to report crimes or even to testify refuse to do so because they fear violence—either to themselves from gang members on the island, or attacks directed at their families back home.

III. Recent DOJ Efforts in the CNMI

These problems complicate law enforcement in the CNMI. Last year, Deputy Attorney General Holder convened a working group of Department of Justice agencies involved in the CNMI to work toward solving the major enforcement problems there. The Department has implemented a number of the recommendations of the working group. Consistent with the Administration's Anti-Violent Crime Initiative, these efforts are in partnership among the agencies and the local authorities.

As I noted above, one of the major problems with prosecuting crimes in the CNMI is the reluctance of witnesses to cooperate and testify. In order to encourage witnesses to report and provide evidence of crimes the Department has established a victim/witness coordinator and has created a Temporary Witness Protection program. These programs are aimed in appropriate cases at making the decision to become a government witness less dangerous, and less difficult. And, because so many of the witnesses are non-English speaking, we are engaged in an uphill battle to locate and hire translators capable of working with prosecutors to gather evidence. We have also provided training to the CNMI law enforcement personnel in gathering, retention and use of forensic evidence, and in numerous other areas.

The Yakuza and Chinese Triad gangs have brought with them the trafficking of drugs, including Methamphetamine, heroin and marijuana. As a result, drug trafficking has become a serious problem in CNMI. To combat this problem, the DEA has established a working group with the CNMI authorities to combat narcotics trafficking. To date, the task force has produced 64 arrests and 42 convictions and has seized 1260 grams of Methamphetamine, 14 kilos of heroin, and numerous assets associated with the seized drugs. In addition to its work with the task force, the DEA has provided and continues to provide counternarcotics training to CNMI law enforcement officers. The DEA continues to assist and support the establishment of a Drug Demand Reduction Program by the CNMI government, but the local government currently lacks the funds to institute it. DEA has committed further resources to the enforcement effort by supplyinq a second DEA agent to the CNMI in June of this year.

The Department of Justice has also taken steps to assist the Federal agencies in fighting public corruption. Last year, an attorney from the Public Integrity Section of the Criminal Division traveled to the Marianas to determine how the Department could best help. The Public Integrity Section has committed to providing training and assistance to the U.S. Attorney's office as it investigates corruption. The FBI has established a joint task force with the CNMI government to investigate public corruption, and is working in cooperation with the appropriate investigative units in the other Federal agencies involved in the CNMI to uncover and prosecute corruption.

Trafficking in women and forced prostitution also exist in the Northern Marianas. Last year, an attorney from the Child Exploitation and Obscenity Section of the Criminal Division went to the CNMI to assess the prevalence of trafficking in women, and to determine how the Department can best address the problem. The Department is currently reviewing her recommendations. The U.S. Attorney's Office recently obtained convictions in three separate cases of persons who had forced young women from the Philippines and from China to engage in prostitution. Attorneys from the Civil Rights Division assisted the U.S. Attorney's office in prosecuting these cases. The Civil Rights Division also sent an attorney for two months to the CNMI to investigate potential criminal and civil violations of the civil rights laws.

Although the INS does not have immigration law jurisdiction in the CNMI, it has stationed an immigration officer there since 1996 for liaison purposes, and has provided technical assistance and training to CNMI officials. The Marshals Service also has a presence on the islands. Two Deputy U.S. Marshals are assigned to the USMS office on Saipan, and three court security officers are assigned to the U.S. Courthouse.

IV. Application of the Federal Immigration Law is Essential

We can and will continue to do our best to fight crime in the CNMI, and to work with other Federal agencies and the government of the CNMI to do so. We will continue our efforts, targeting specific areas of crime, and providing support for investigations and prosecutions. However, in order to control crime in the CNMI, the U.S. government must be able to prevent criminals from gaining unlimited access to the islands. We cannot expect to stop the flow of drugs, or guns, or trafficking in women and forced prostitution, unless we keep out the people who we know are already committing these crimes. The Immigration and Nationality Act that applies on the mainland and in other U.S. jurisdictions helps keep criminals out, and it is the position of the Department of Justice that the only way to fight effectively the larger crime problem on the CNMI is to apply the Act as it is applied in other U.S. juris-

dictions with appropriate transitional phase-in provisions to prevent avoidable adverse impacts on the economy.

As was reiterated at a hearing before the Senate on Tuesday, the Administration both supports (with some necessary amendments) pending legislation that would apply Federal immigration law in the CNMI with appropriate transition provisions, and is preparing to send forward a legislative proposal that would make the necessary immigration reforms and address other needs such as a Federal minimum wage. Federal immigration authority would allow us to screen those who would seek to enter the CNMI to keep out known gang members and other international criminals who would come into the United States to continue their harmful and dangerous activities. Merely preventing these known criminals from entering the CNMI would be a major step toward reducing crime on the islands.

V. Conclusion

Applying the Immigration and Nationality Act to the CNMI is a necessary beginning, but we also will need the resources to enforce those laws effectively, including detaining, removing from the United States, and in appropriate cases prosecuting and imprisoning those who violate them. The Department of Justice stands ready to assist in this effort, and we remain committed to effective law enforcement in the Commonwealth of the Northern Marianas.

I wish again to thank the Chair, Congressman Miller, and the Committee Members for the opportunity to provide the views of the Department of Justice on this important issue. We look forward to working with you.

The CHAIRMAN. Thank you, Mr. Gess. I had one impression when I was out there with the Federal representatives that there was a sense that they had already made up their mind that it was a hopeless and the only way they could solve it was by Federal takeover and including your FBI. I'm hoping that is not the intention of the Justice Department or anybody else to think the only solution is the Federal solution.

Mr. GESS. Absolutely not. Mr. Chairman, I can assure you at this point that later today I will be sitting down with the attorney general to review what has occurred at this hearing because she particularly asked me last night for impressions that I receive regarding cooperation out there, because it is a distant place.

The CHAIRMAN. You see, cooperation is a two-way street. Like I say, every one of the Federal officials out there, I believe, had an attitude that they knew the answers. Don't bother. The government doesn't owe anything, we don't owe anything to the State representative or the Senate or the governor. And, of course, under the Covenant and the recognition of the Marianas by this Congress, we gave them that authority. And I hope everybody at this table understands that this has to be a working relationship. I don't think they can solve all the problems themselves. They can't do it without your help. But don't think you can solve the problems if you exclude them. I hope you've got that in your mind. As long as it's on my watch, that isn't going to happen.

Mr. Berry, I've got to ask you one question that's of interest to me. During the past three years, you and the Department of Interior officials have accompanied non-U.S. citizens previously with the CNMI to appear as witness or give statements before congressional hearings or meetings with congressional staff. Describe to me all assistance provided by the administration to help these non-U.S. citizens to appear before Congress.

Mr. BERRY. Sir, the report that you're referring to—there are two reports. One, which we had done in preparation for the trip that you mentioned that you were going to take over—that unfortunately got canceled.

The CHAIRMAN. By the way, you canceled it. I didn't cancel it. The administration canceled it.

Mr. BERRY. Well, I appreciate that Mr. Chairman. I guess the Department of Defense canceled it.

The CHAIRMAN. Yes. Yes.

Mr. BERRY. We were eager and hopeful for your attendance and we appreciate your follow-up visit thereafter. In dealing with the CNMI, we face a number of issues. One is language.

The CHAIRMAN. Yes. I understand that. But I'm asking directly, now, John. How did these people get here? Who paid for them? And I've got a series of questions after that. How did that occur and how were they picked?

Mr. BERRY. Mr. Chairman, I know we paid for their activities in the CNMI and the cost of that, my understanding is, approximately $175,000 for both——

The CHAIRMAN. To bring them here?

Mr. BERRY. No, to do the report that was subsequently——

The CHAIRMAN. No. I'm talking about the witnesses that come before the committees and talk to staff that were brought here under your wing.

Mr. BERRY. Yes, sir, Mr. Chairman. I'm informed that we did pay for the travel of those people. They were brought in under the request of staff for the hearings that both the Senate and the House were preparing and we did cover that. In terms of the exact amount, if you would be okay, we could provide that for the record.

[The information follows:]

The CHAIRMAN. Okay. How was their entry cleared by the INS?

Mr. BERRY. Mr. Chairman, I'll have to—I'm not exactly clear of the procedures that were followed. If we could——

The CHAIRMAN. I'm going to ask the director of your office of district affairs be—come up and answer these questions. You're right behind him. Instead of whispering in his ear, I want to swear you in, too.

Mr. BERRY. This is Danny Aranza. He's the director of the Office of Insular Affairs.

The CHAIRMAN. Yes. I'm going to swear him in. Danny, raise your right hand.

[Witness sworn.]

The CHAIRMAN. You heard the question. How was their entry cleared by the INS? Or was it cleared?

Mr. ARANZA. Mr. Chairman, the witnesses—the workers in question were brought into the United States under what's called a "significant public interest parole," which means that they came in for—the justification was they were coming in specifically to provide information for these congressional hearings.

The CHAIRMAN. Okay. Who provided for the transportation and the living expenses while they were here?

Mr. ARANZA. My office, Mr. Chairman.

The CHAIRMAN. Your office did. What happened to these individuals after they appeared before Congress and where are they now and what is their immigration status?

Mr. ARANZA. I understand, Mr. Chairman, that they were paroled in for a period of one year. That several of them have applied

for asylum and that these witnesses now reside in Seattle, Washington.

The CHAIRMAN. How were these individuals identified?

Mr. ARANZA. They were identified, Mr. Chairman, by Federal agencies and human rights activists in the Commonwealth of the Northern Mariana Islands.

The CHAIRMAN. By the governments there or by individual parties?

Mr. ARANZA. It was based on people who knew the community, who thought that the congressional committees who were having hearings could get the best information from different sectors of the workers community there.

The CHAIRMAN. Were they told that the results, that they would have free transportation, room, and board and a possibility of asylum?

Mr. ARANZA. They were not told about the possibility of asylum, Mr. Chairman. What they were told was that Congress, staff wanted information regarding the situation in the CNMI. That, as workers, they had a unique perspective to share. And that my office would defray the expenses.

The CHAIRMAN. I'm just concerned about how they were picked out. I mean, if I was an individual from Bangladesh or from China or somebody else and was aware that I'd have a free trip to the United States to appear before the Congress, get my room and board paid for, and I doubt if they didn't know they'd have a possibility of asylum, I would volunteer in a second. I mean, I'm just curious how it occurred.

And, by the way, when the Committee traveled to the Marianas this year to see firsthand the conditions of the islands, a number of alien workers appeared with signs outside of Federal buildings where Members of Congress were meeting with alien workers. Mr. Berry, were you aware of any funds or inducements being provided or suggested to individuals to take part in activities to protest, demonstrate, or lobby against the conditions in the CNMI?

Mr. BERRY. No, sir, I was not.

The CHAIRMAN. You are not aware?

Mr. BERRY. I am not aware.

The CHAIRMAN. Mr. Aranza, were you aware of this?

Mr. ARANZA. No, I wasn't, Mr. Chairman.

The CHAIRMAN. Now, remember, you're under oath.

Mr. ARANZA. Mr. Chairman, I was not aware.

The CHAIRMAN. All right. That's fine. I just want to make sure you're aware of it. The Office of Insular Affairs is directly under your management and responsibility as the head of the office's policy and budget and management. Describe your involvement or your awareness of any action by Federal officers to permit the entrance of non-U.S. citizens into the U.S. from CNMI to lobby for conditions in the Marianas. Anybody aware of that?

Mr. ARANZA. Mr. Chairman, our only involvement as an office was to bring in these workers for the congressional hearings from last year.

The CHAIRMAN. I'm sure both of you are aware that I'm deeply involved in this, your office. And I'm sure you're aware you're under oath. I do appreciate that.

Mr. Customs man, what you were saying, you found nothing wrong, did you?

Mr. SHRUHAN. Pardon me?

The CHAIRMAN. You found nothing wrong with what was going on over there. You had found no illegal—like there have been some allegations made by the media and certain individuals that there was being manufactured goods laundered through Saipan. Is that correct?

Mr. SHRUHAN. Well, there have been allegations of the transshipment of textiles.

The CHAIRMAN. And you found none of that, did you?

Mr. SHRUHAN. Well, when we did that assessment, we were not able to verify that. However, we do have ongoing investigations into that.

The CHAIRMAN. And I hope so.

Mr. SHRUHAN. Yes.

The CHAIRMAN. I'm not saying that. But the allegations were made and they were printed in the papers and—without any backing up. But you found none and yet you're the head Custom person who did this investigation.

Mr. SHRUHAN. Yes.

The CHAIRMAN. Okay. The other thing that concerned me. You know, I heard reports of the recent report on the investigations and it says, "This report remains the property of the U.S. Customs Service's internal use only. Please ensure that its contents are not released to the public or other agencies without our permission." Mr. Schaffer referred to that. Why was that restriction put in and why wasn't it reported to the Department of Interior and why wasn't it reported to the media and who else is involved? Why didn't we have a copy of it until yesterday?

Mr. SHRUHAN. That report was requested by Congressman Schaffer and we provided it to him. The findings and recommendations were provided.

The CHAIRMAN. But the governor was told not to release it. And why wasn't it submit—what I'm suggesting is this was a good report.

Mr. SHRUHAN. Yes. We shared that report with the governor. There was some proprietary information in there that could not be released.

The CHAIRMAN. There's some proprietary information?

Mr. SHRUHAN. That's what I've been advised.

The CHAIRMAN. Like individuals or—what would be proprietary about it? Did Interior know about it? Did Interior have that report? Did they know about it?

Mr. SHRUHAN. They're aware of the visit, yes.

The CHAIRMAN. But were they aware of the—see, what I'm getting to—out of the Department of Interior, there's been a lot of hanky-panky going on concerning the Marianas. Now why wasn't that report—and the governor had it—why wasn't that report sent to the Interior? And why wasn't it made public? Because the allegations, again, were coming out that this was a terrible thing occurring there. Now how can you reverse allegations when they're not factual unless the presentation is made with facts that say this isn't happening?

You know, frankly, we didn't have it. He just got it. The Department of Interior didn't have it. Do you know who said to make it an exclusive document?

Mr. SHRUHAN. No. No, I can get that information.

The CHAIRMAN. Would you do that for me to find out, you know, who said that and so on?

[The information follows:]

The CHAIRMAN. My time's up. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman. Mr. Gess, is it?

Mr. GESS. Yes, sir.

Mr. MILLER. In your statement, you say, "This immigration"—and I believe it's on the second page—"This immigration policy has a severe negative impact on law enforcement." Can you elaborate on that? You're talking about the immigration policy within the CNMI, is that correct?

Mr. GESS. Yes, Congressman, we are. Fundamentally, law enforcement is a seamless web. It is not simply a set of organized crime or narcotics or customs or immigration laws. It functions as a package. The best example I can give you is that Al Capone went to jail for violating Federal income tax laws. Had they not applied in Illinois in the 1930s, he would have gone scot-free. Fundamentally, the problem in the CNMI is that there is virtually unfettered access to the islands. Once people are there, they're there to stay. The problem is that that gives perfectly good people and a lot of bad people the chance to get there, to get a toehold on American soil.

Mr. MILLER. When you say "unfettered access," you're suggesting, therefore, that they have the inability or the unwillingness to keep out people who you think engaged in illegal activities.

Mr. GESS. Yes. The CNMI is—this is not a criticism of a local government. State governments and territorial governments are simply not in a position to run an immigration service. And that protection of the borders to the colonial times has been the function of the Federal Government for exactly that reason. We provide a dual system of protection, which is consular officers of the State Department abroad doing the first-level screening and Immigration officers at the point of entry doing the second screening.

Mr. MILLER. So when the gentleman from the Department of Labor from the CNMI suggested that somehow they now have in place a parallel system, parallel is not to suggest comparable in terms of the checks that are done. When they say they're going to use a health clinic that our government uses in China or the Philippines and they're going to use a local law enforcement agency, that in no way mirrors what we do in terms of immigration policy?

Mr. GESS. Your term is correct. It parallels; it is not the equivalent of.

Mr. MILLER. And so that system, if I read your testimony correctly, that system is an impediment to law enforcement in the CNMI and, eventually, you're suggesting, in this country?

Mr. GESS. It is. It puts our Federal law enforcement officers behind the eight-ball playing catch-up.

Mr. MILLER. You also suggest that you're basically working a revolving door here. You say in the top of that page—I believe it's—yes, same page: "As we seize a load of drugs brought in by mem-

bers of the Japanese Yakuza and the Chinese triad groups, others are already on their way, ensured of easy access to the islands."

Mr. GESS. That's exactly the problem. We, again, are playing catch-up from behind the eight-ball.

Mr. MILLER. I assume, when we look at our drug policy elsewhere in the country, that there is a merging between drug policy and immigration policy in terms of trying to screen people we would suspect of or historically have been involved in the drug trade in one fashion or another?

Mr. GESS. In fact, that is the seamless web of law enforcement.

Mr. MILLER. That's why we go through the double-check system in the country of origin and that system also allows us to check other countries where that individual may have gone, is that not correct?

Mr. GESS. That is correct. We have——

Mr. MILLER. So a person applying from the Philippines or applying from China or from Korea or from Bangladesh, where-have-you, the best that the CNMI can do is check some kind of law enforcement arrangement in that particular country, but that does not extend to the extent to which our consulates and our embassies would check that individual against all the rest of the information.

Mr. GESS. That's absolutely correct. We could not expect any one territorial or State government, it doesn't matter how large or how small, to maintain a consular relationship with every nation.

Mr. MILLER. So, again, you know, we're in the position of commenting on the testimony earlier. They really don't know very much about people who enter the CNMI at all?

Mr. GESS. It's hard to say. They cannot—what's fair to say——

Mr. MILLER. They don't have access to the same system.

Mr. GESS. They simply do not have access.

Mr. MILLER. It's a secure system. You're in the law or you're not in the law.

Mr. GESS. That's exactly it. They cannot get access to the secure systems and do not have the relationships with unrelated foreign governments with which one might not ordinarily expect to have information.

Mr. MILLER. To what extent is the fact that these people do not have the protections now, if you will, of American immigration law, does that impeded their willingness, their ability to come forward and to lodge complaints, either of a criminal nature or over in the Justice Department, people coming forward now to the ombudsman or, prior to that, lodging—because, earlier, the policy was, if you filed a complaint, you would be deported. I think that's now changed and you have, apparently, some right of reentry, which is interesting for a person from Bangladesh who's $30,000 in debt that they would have the right to reenter. But to what extent does the lack of having INS control deportation as opposed to CNMI change the circumstances of those people lodging complaints?

Mr. GESS. Clearly, there needs to be a partnership in law enforcement between Federal and local enforcement efforts, but the impact is that, unless the task force officers who are engaged in a particular operation can assure prospective witnesses or cooperating individuals that they can protect them adequately, there sim-

ply is no question but that a rational prospective witness will not cooperate.

Mr. MILLER. Because as I understand it—and correct me if I'm wrong—many of these people either have paid recruiters—although it was suggested now that the recruiters are no longer allowed or you can't hire from them—but many of these people, in fact, are found within the foreign countries and have been—and some continue to be—subject to shadow contracts about their rights and they can, in fact, be deported by the CNMI government under current law. Is that not correct?

Mr. GESS. That is my understanding.

Mr. MILLER. So if these people have borrowed money or have some other obligation, they or their families in the country of origin, they place themselves at great jeopardy by being deported because deporting them, in fact, could trigger their failure to pay off their debt or some obligation of their family. Is that not correct?

Mr. GESS. That is correct. And, moreover, it puts those people beyond the protection of U.S. law enforcement authorities because they are in a foreign nation where we don't have jurisdiction.

Mr. MILLER. Right, so deporting people or the policy of having the local government here, the CNMI government, the Commonwealth, having it is both a weapon, if you will, and a shield. You can shield people by getting people out of the country, employers who have large complaints against them for back wages or what-have-you or it's a weapon against somebody not to complain about their circumstances or what's happened to them if they've been forced into prostitution or into the drug trade or have not been paid wages.

Mr. GESS. Yes, Congressman.

Mr. MILLER. Under American immigration law, if the State of California wanted to deport this individual for complaining against an employer, they would have to go to the Immigration office of the United States Government and try to make that case.

Mr. GESS. They would.

Mr. MILLER. That that would be grounds for deporting somebody.

Mr. GESS. They would.

Mr. MILLER. I don't know if that's for deportment or not. But the fact of the matter is there is a protection that is given these indentured workers who have been brought here under these circumstances that is not afforded to them in the local immigration laws.

Mr. GESS. That's just as a matter of necessity because we lack authority. And I do say "we"——

Mr. MILLER. You have no ability to enforce or to question those local immigration laws.

Mr. T4Gess. That's correct.

Mr. MILLER. Because our laws don't apply.

Mr. GESS. That is correct.

Mr. MILLER. And so if a local immigration law facilitates the entry of drugs or facilitates the entry of communicable diseases, there's nothing that we can do with that with regard to the immigration laws. Is that correct?

Mr. GESS. Right. We lose a piece of the seamless web.

Mr. MILLER. So then once the person is already on the island, then you try to catch up to them in terms of capturing the drugs that they may be bringing with them, as opposed to trying to prevent them from crossing the ocean to get there.

Mr. GESS. That is correct, except that, at the catch-up point, it is the collaborative task force that——

Mr. MILLER. No, I understand that, because there you have an illegal substance; you have a violation of that law. But the fact is, the person got to the airport on the CNMI or got to the port in the CNMI under a much more lax system than would be allowed anywhere else in the United States.

Mr. GESS. That is a fundamental problem, that they get to the CNMI in the first place.

Mr. MILLER. Thank you, Mr. Chairman. I'll have my other questions on the next round. Thank you.

Mr. DOOLITTLE. [presiding] Mr. Fraser, it's my understanding that American Samoa and the CNMI have similar wage review committees. Is that your understanding?

Mr. FRASER. Structurally, they're similar, Mr. Doolittle. The minimum wage setting system in American Samoa is established under Federal law. It is a provision of the Fair Labor Standards Act. That does not apply in the Commonwealth. The Commonwealth has enacted its own similar procedure for setting minimum wages.

Mr. DOOLITTLE. And——

Mr. FRASER. Which, by the way, has not happened yet, as I understand it.

Mr. DOOLITTLE. What has not happened?

Mr. FRASER. They have established the structure, but they have not—that industry committee process has not resulted in recommendations for any changes to the minimum wage. It's been the same for the last three years.

Mr. DOOLITTLE. Well, it's my understanding that American Samoa's done it, but CNMI has gone through the process, have they not? All right. Well, I guess it's in the process. Apparently, in American Samoa, though, they voted to raise the garment minimum wage by 10 cents, I believe. Is that your understanding?

Mr. FRASER. That sounds correct, sir.

Mr. DOOLITTLE. Okay. And I think the Federal Government recommended 30 cents. And that was rejected and they went to 10 cents, instead, for $2.60 an hour.

Mr. FRASER. Well, perhaps, Mr. Doolittle, it would be useful to take a minute to just explain the process. In American Samoa, under the Fair Labor Standards Act, the Secretary of Labor appoints a committee of external parties. By statute, those parties have to represent workers, employers, and the public's interest. Nominations for members of that committee are solicited from a variety of sources, including from the governor. But that committee does the analysis; hears the testimony; makes the recommendations; and the findings of that committee, the conclusions of that committee, have to be implemented by the Secretary. The Secretary doesn't have any discretionary authority to change the recommendations of the committee. So this is an outside party. It's not the Federal Government.

Mr. DOOLITTLE. No, I understand that. I recognize American Samoa is not the CNMI. But they're both American territories, sort of far-flung from the rest of the United States. I'm just looking at what happened with this committee you've been describing. There was no increase at all in the minimum wage for hotel. No increase for tour and travel services. No increase for private hospitals and educational institutions. Garment manufacturing: they did increase it by 10 cents.

So we hear all of this criticism about the low minimum wage in the CNMI, but, in fact, another American territory has similarly low wages and we don't hear criticism of that. And I just wanted to note the comparison, I guess, because I think CNMI is being really hit for its low minimum wage, but other American territories, American Samoa, has a similarly low wage. Its biggest, I guess, industry, fish canning, they increased it 3 cents.

Mr. FALEOMAVAEGA. Will the gentleman yield?

Mr. DOOLITTLE. Yes. I'll—sure. Well, yes, I'll yield, but let's be brief, though.

Mr. FALEOMAVAEGA. Just to say, briefly, that we have been under the Federal umbrella now for the last 50 years and from which the Federal Labor Relations Act has provided that for us to do that. Now, I'm not necessarily favorable to recommendations that the Committee has made for the past several years because increments of 3 cents an hour, to me, is utterly ludicrous. But that's exactly what we're faced with. And tied into probably rather than being a banana republic, we're a tuna republic and our whole total work force is tied to the situation that I wish that there could be some better ways of doing it. But I just wanted to note that.

My friends in NMI is completely, totally locally controlled and managed. There's no Federal input whatsoever in the process.

Mr. DOOLITTLE. You know, I understand that. All right——

Mr. FRASER. Mr. Doolittle, if I could just finish the point. I think it's important to emphasize that the results of the industry committee process in American Samoa are not the recommendations of the Federal Government. They are not the recommendations of the Secretary.

Mr. DOOLITTLE. Yes, I know. You made that clear.

Mr. FRASER. The law makes us go through a process that has these results. That's not—I don't think—to say that we wouldn't criticize low minimum wages in American Samoa any more than Mr. Faleomavaega might.

Mr. DOOLITTLE. I just wanted to bring out for the record—and I wish now to reclaim my time—that the fact of the matter is CNMI is made to appear in the media and, frankly, made to appear, I think, by statements of people in the administration, that this is somehow extraordinary and unique when, in fact, it's one territory. We only have a handful of them. And another one that's out there in the Pacific with them has got the same kinds of low minimum wages. That's the only point that I wish to make.

Mr. FRASER. And perhaps the counterpoint, sir, would be that——

Mr. DOOLITTLE. Well, I'm not looking for a counterpoint. My time is up and I'm going to recognize now—who?—Mr. Underwood, I

guess. Is that right? Is that the correct order? I don't want to—what is my—I don't have my order here.

Mr. UNDERWOOD. Yes. That's the correct order.

Mr. DOOLITTLE. Mr. Underwood.

Mr. UNDERWOOD. Thank you. Thank you very much, Mr. Chairman.

Mr. ABERCROMBIE. You could always change it to alphabetical, if you want.

[Laughter.]

Mr. UNDERWOOD. I always end up at the end on that system. But I thank you, Mr. Chairman. And just a comment on "far-flung," you know. When you say a territory is "far-flung," it implies that it's been flung. But we were always there. We've always been there. We were never flung anywhere.

[Laughter.]

Mr. UNDERWOOD. I wanted to raise a couple of issues because I know that—and all of you have made commentary on the genuine efforts that have been made by the Tenorio administration and the current leadership of the legislature. And we all know them to be men of honor and they face very difficult challenges, but I just wanted to ask a general statement, perhaps, of Mr. Gess and Mr. Fraser. As a result of their efforts, have we seen any kind of improvement in the conditions which we would consider measurable? Mr. Gess.

Mr. GESS. We can get back to you with a specific assessment.

Mr. UNDERWOOD. Is that because you're under oath or——

[Laughter.]

Mr. GESS. No, I——

Mr. UNDERWOOD. I was just looking for a general impression.

Mr. GESS. It's hard to give general impressions. I can say that I've had the pleasure of working directly with Mr. Zachares under horrible conditions, late at night, given the time differences. And it's a pleasure to do so. It's a collegial relationship. It's the partnership that ought to exist between Federal and local government, whether a territory, a commonwealth, a State, or a city.

Mr. UNDERWOOD. Okay.

Mr. GESS. I am just simply not in a position, sitting here in Washington, to assess the impact and that's why I would prefer to get back to you.

[The information follows:]

Mr. UNDERWOOD. Okay. Mr. Fraser.

Mr. FRASER. Mr. Underwood, I think from the Department of Labor's perspective, there has been some progress, not just from our enhanced enforcement and expanded enforcement, but from the relationships we build with our colleagues in the Commonwealth. I think my OSHA colleagues would say that we've seen some improvements in some of the garment barracks. But I think we would all agree that there are still incredible challenges, incredibly difficult circumstances for many, many of the workers that are there and a long way to go before we'd be anything like satisfied with the conditions either in terms of wage payment or occupational safety and health.

Mr. UNDERWOOD. I appreciate the discussion about the nature of the structural problems that are involved. But I did want to give

some credence to the notion that at least the current political leadership in the CNMI has made an effort, within their resources and their capabilities to do so. Now I understand that there may be structural problems involved, but I did want to make that point.

Mr. Shruhan, you're not suggesting anything that would include the CNMI inside the Customs zone, are you? Because if you are, we're going to have some real problems in Guam.

Mr. SHRUHAN. Could you say that again, sir?

Mr. UNDERWOOD. You're not suggesting anything, any kind of policy directive, which would include the CNMI in the Customs zone?

Mr. SHRUHAN. That is correct. We're not.

Mr. UNDERWOOD. Okay, thank you. Mr. Gess, when, in the hearing the other day, the issue of the illegal Chinese that have been smuggled into Guam and then, subsequently, taken to the CNMI, just before they entered into Guam was raised and I think that INS made a kind of a surprising announcement that the CNMI was going to be reimbursed $750,000. Of course, that's of great concern to us in Guam when the total now is approaching over $5 million and, you know, we haven't seen 5 cents yet of reimbursement. And so is there any movement on that from the perspective of DOJ?

Mr. GESS. Well, yes, Congressman. Actually, it's from the perspective of the entire administration. I can tell you that there is a supplemental request to supplement our Fiscal Year 2000 appropriation request which would provide the funds to reimburse the government of Guam. Because I know this is a very big issue for you and for Governor Gutierrez.

Mr. UNDERWOOD. Thank you. And, just lastly, Mr. Berry, you raised the issue about—and people have raised the issue—that all the insular areas face some structural economic problems. But just as a point of comparison, wouldn't you say that more effort has been devoted to enforcement of Federal regulations in the territories than trying to help them develop alternative economic structures? Certainly in the case of the CNMI, that seems to be the case.

Mr. BERRY. Yes, sir.

Mr. UNDERWOOD. I would then add that, you know, it would be very useful for the Department of Interior to become more involved in trying to develop sustainable ways of maintaining a healthy economy so that we wouldn't have to go through this process repeatedly. Thank you very much.

Mr. DOOLITTLE. Mr. Schaffer is recognized.

Mr. SCHAFFER. Thank you, Mr. Chairman. Mr. Aranza, let me ask some more questions of the chairman's, but maybe a little differently. I just want to press this issue one more time. Were you aware of any activity by Federal employees to assist non-government individuals in the preparation of materials to lobby Congress or promote the administration's positions regarding conditions in CNMI?

Mr. ARANZA. I am not aware of those activities, but I'll be glad to review my files and provide a supplemental answer to that question.

[The information follows:]

Mr. SCHAFFER. The individuals that you mentioned that your agency had assisted in receiving being paroled? Is that the word?

Mr. ARANZA. Yes.

Mr. SCHAFFER. Receiving parole immigration status to come to Washington, are any of those individuals that your agency assisted to be here in the room today or scheduled to testify today?

Mr. ARANZA. No, Congressman.

Mr. SCHAFFER. They are not. So am I correct to understand that your agency provided no assistance to anyone who is here to testify today or in the room, presently.

Mr. ARANZA. To my knowledge, Mr. Congressman, we have not provided any financial support for anyone here to provide testimony to this hearing.

Mr. SCHAFFER. Understood. Mr. Berry, in your statement, you said, "It remains a position of the administration"—the written testimony. I don't recall whether you actually said this. "It remains the position of the administration that the need to apply and phase Federal Immigration Wage and Trade standards is inescapable." Now I would like to ask you further about the seriousness of the administration to work on this issue and problem in CNMI and its objectives that it seeks to achieve here.

Mr. BERRY. Congressman, as I said in my testimony, we see that as an active component of the solution, but I add, as the governor and this Committee have pointed out and as Congressman Underwood just mentioned, we need to also diversify that to include assistance that we can provide to attract more private sector location of industries.

Mr. SCHAFFER. Understood. The reason I'm asking is because I want to know how that squares with the memo from Mr. David North who is in your department. The memo, again, that I referenced earlier and is now part of the Committee record. He says, "You need to be—and I could be fired, not shot for this—more distant from the Clinton Administradion. Bill Clinton has not made this a personal battle with Congress. So I guess, a second point, the administration has not spent—is not spending as much money as it should on enforcement, nor has the Justice and Treasury operations been as strong as its Labor and Interior programs. We will need to figure out how you can say that without implicating me."

Now when Mr. David North issued those statements, who's wrong? Are you wrong or is he wrong?

Mr. BERRY. Well, Congressman, he's wrong. The President is committed. The President has been committed. The administration has been attempting to seek legislation in this regard. Could we do more? Yes, we have been trying to step up on the enforcement side. Could we do more on the economic diversification? Yes, we need to be doing that. But the President is committed.

Mr. SCHAFFER. Are you—first of all, are you aware of this memo I'm referring to, which was subpoenaed by the Committee?

Mr. BERRY. No, sir, I've not read that memo.

Mr. SCHAFFER. Have not read the memo? Let me go on further. These are all editing suggestions to a private report that has been presented to the Committee and was being—in the drafting phase. Here are some themes he suggested in the editing, these are some themes: "Notably, a description of what you saw as a part of a

giant conspiracy. Maybe of how the PRC is taking over with the unwitting help of the American conservatives. A whole American island. This, I think, is a little sexier than the detailed litany of very real human rights abuses."

Do you think—is it the position of the Department of Interior to help paint a picture of a conspiracy where American conservatives are helping to take over a whole American island?

Mr. BERRY. No, sir.

Mr. SCHAFFER. What would you say your responsibility is for a memo like this, in preparing a private report?

Mr. BERRY. I'm not sure I follow the question.

Mr. SCHAFFER. Well, I assume somebody in the Department of Interior is eager to claim responsibility for these kinds of activities. I was hoping it might be you. Do you believe you have some responsibility for these kinds of memos.

Mr. BERRY. Oh, absolutely, sir.

Mr. SCHAFFER. What is the extent of that responsibility?

Mr. BERRY. It would be to ensure that that person follows policies and laws and regulations of the United States, I think, and consistent with the administration policies as well. I think, in that case, that person clearly got carried away.

Mr. SCHAFFER. Very good. In terms of the question I asked Mr. Aranza before about providing the assistance for individuals who have been here before, the Committee received another memo from Mr. David North, Office of Insular Affairs, Department of Interior to Steven—let's see—oh, it's from Steven Galstar, which requests the Department of Interior to help somebody get here.

And then it results in a second memo on Department of Interior letterhead which is to "David Johnson, Officer in Charge of INS in Guam" and this memo suggests that, "There's an organization we know and trust and has our advice to help securing brief visits in Washington, DC, via Guam for a Bangladeshi national who has been active in the workers' rights movement in Saipan." And then it says that, "We need his assistance and advice as to how to proceed. I assume that a parole would be in order, but there may be some other mechanisms causing this individual to return to Bangladesh—causing him to go back to Bangladesh to secure a visa would not be possible because of both financial and time considerations. Ideally, you or someone on your staff would fax or call Steven Galster and tell him what steps to take before the request was made."

That was, indeed, done, as I understand that individual is here in Washington, DC. Are either of you aware of your department's involvement in assisting in the parole—achieving this parole to come here?

Mr. ARANZA. Mr. Congressman, when I answered the previous question, I think I made it clear that we didn't provide any financial assistance to a particular witness. I think, based on that memo, it appears as though—was that a North memo, Mr. Congressman?

Mr. SCHAFFER. A what?

Mr. ARANZA. Was that a memo from Mr. North?

Mr. SCHAFFER. Yes, it was.

Mr. ARANZA. Well, if it was from Mr. North, then—and it was on Department of Interior letterhead, it appears, then, that we had communicated with the INS.

Mr. SCHAFFER. Thank you. Who's from Customs? The Customs report? Mr. Shruhan. Congressman Young, the chairman, is exactly right that there was some effort in the States—right?—in the cover letter to the governor of CNMI that the Customs report, "remains the property of U.S. Customs and it is for internal use only. Please ensure that its contents are not released to the public or other agencies without our permission." Now that letter was January 11, which is, I presume, approximately when the report was concluded. Can you tell us one more time why this report was not shared publicly or was not able to be used until Tuesday in a forum like this?

Mr. SHRUHAN. What this report—was done was an assessment. We went out—the U.S. Customs Service went out to CNMI with a team to do a textile verification assessment to look at the operations on CNMI in conjunction with CNMI officials. CNMI Customs officials were present at the time. This was done with CNMI Customs and with U.S. Customs officials. As a result, we shared their, basically, the findings and recommendations with CNMI officials.

Mr. SCHAFFER. In addition to the finding of—or no finding of any problems in transshipments on the day of the investigation——

Mr. SHRUHAN. It was a week of investigations where we looked at approximately 51 containers.

Mr. SCHAFFER. The issue of opening containers while the owner of those containers is nearby was one that you raised in the letter. I just want to be clear and understand. Am I accurate to understand that U.S. Customs has suggested that CNMI Customs downlist the risk factor of those containers from the high-risk factor that they placed under today?

Mr. SHRUHAN. Well, that is CNMI's—what we would like to do is see that the containers be searched without the consignees present.

Mr. SCHAFFER. Right now those containers are regarded as high-risk when they come from another country.

Mr. SHRUHAN. According to their policy now, I believe that's so.

Mr. SCHAFFER. Right. And your recommendation is to lower the risk of those containers. Is that correct?

Mr. SHRUHAN. I believe our recommendation was we should do this—CNMI Customs should do the search without consignee present.

Mr. SCHAFFER. So, where it says here that, "In addition, containers arriving in CNMI which are manifested as fabric should be considered low-risk and not subject to the restrictions." You're saying that you said something other than "low-risk"? Is it——

Mr. SHRUHAN. Right now——

Mr. SCHAFFER. Did you suggest they be characterized as low-risk rather than high-risk?

Mr. SHRUHAN. I believe from during our inspection out there, CNMI Customs has indicated that they have searched numerous containers entering from Asia and they have not found any trans—they've only found fabric.

Mr. SCHAFFER. Just to be clear, you believe it to be prudent to lower the risk category of those containers when they come into CNMI? Am I reading this incorrectly?

Mr. SHRUHAN. The people that did the assessment believe that to lower it would be fine.

Mr. SCHAFFER. Thank you, Mr. Chairman.

Mr. DOOLITTLE. Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you, Mr. Chairman. Mr. Berry—oh, by the way, even though I'm not under oath, Mr. Chairman, I think I should tell you I have a great deal of affection for Mr. Berry as a result of his work in Hawaii and that Mr. Aranza is a personal friend of longstanding, whom I've met through his wife. Is that sufficient? His wife who worked and whom I love and admire. I want to make sure that no one misunderstands anything I have to say.

Mr. Berry, if somebody in the Department of Interior abused his or her authority or responsibility or obligations, either as an employee or as a representative of the policy or obligations of the Department of the Interior, that person would be disavowed, would he or she not be?

Mr. BERRY. Yes, sir. And further than that, we would begin investigations. In this case, in both cases, Mr. North, for example, is no longer with the Department of Interior. But there is an ongoing inspector general investigation. The minute that I was informed—I have an ongoing policy under my administration of the Office of Policy, Management and Budget, whenever anything alleging any illegality or impropriety is brought to my attention, I immediately refer it to the inspector general and ask for his or her advice on what should be done.

Mr. ABERCROMBIE. Okay.

Mr. BERRY. In this case, this case was Mr. North. As soon as the committee made us aware of it, it's been referred to the Office of the Inspector General but, further, it's also been referred to the Office of the Special Counsel, which is an independent government agency set up to investigate violations of the Hatch Act.

Mr. ABERCROMBIE. So, to the degree and the extent this individual did anything along the lines that you've just outlined, you were not aware of it until it was brought to your attention. Is that right?

Mr. BERRY. Yes, sir.

Mr. ABERCROMBIE. And when it was brought to your attention, you took appropriate steps immediately, right?

Mr. BERRY. Yes, sir.

Mr. ABERCROMBIE. So if somebody in the department here or even perhaps in the United States Congress does something stupid or illegal that presumably when that stupidity is made manifest or the illegality is found out, appropriate action will be taken?

Mr. BERRY. Yes, sir.

Mr. ABERCROMBIE. And you disavow anything that was said—I don't know if you can disavow anything that was said stupidly because you might not have enough time during your tenure in office to do it.

[Laughter.]

Mr. ABERCROMBIE. But anything illegal or, for that matter, against the policy of the department and so on, you disavow.

Mr. BERRY. Yes, sir. Absolutely.

Mr. ABERCROMBIE. Thank you. You notice I didn't say it will never happen again, right?

[Laughter.]

Mr. ABERCROMBIE. Mr. Fraser, maybe you can help me with this. I want to understand exactly the question around, not so much the minimum wage, which I have an idea is pretty close to the maximum wage. Would that be a fair statement? Is there much wages, except for the instance that we mentioned about some government jobs, in which the minimum wage is $3.05? Is that pretty much the mean average wage, excluding those other occupations?

Mr. FRASER. Mr. Abercrombie, there are very rare exceptions. If you look at the want ads in the local papers, almost all the jobs, no matter what they are, are listed at the minimum wage. If it's an accountant, whatever it might be.

Mr. ABERCROMBIE. Okay.

Mr. FRASER. But there are some few exceptions, that you will find some job listings, a few job listings where $3.05 per hour is not the advertised pay.

Mr. ABERCROMBIE. Okay. If that's the case. Then, what's the situation with the so-called recruiter fees? Why wouldn't the manufacturer pay the recruiter fees? Why on earth would the employee coming pay the recruiter fees? Doesn't that put what amounts to an indentured—I won't say indentured servant—but an indentured worker at almost an immediate disadvantage in which he or she will, in all likelihood, be playing catch-up for the rest of their working time in the contract?

Mr. FRASER. Not almost an immediate disadvantage. Many of the workers I've talked to in the Commonwealth have typically had to borrow money or sell assets to come up with $3,000 or $5,000 or $7,000 to get on a list of potential workers to be referred for employment in the garment industry or in construction or in——

Mr. ABERCROMBIE. And is in the nation of origin?

Mr. FRASER. Both in their home country and, in some cases, in third countries, they will have to come up with these fees. In fact, we have—and I think the Committee today will hear evidence that this very practice goes on within the Commonwealth when employees seek—when employees are dismissed and seek to find a new job or are transferring from one employer to another. They are commonly asked by the employer to pay a fee to be considered for employment. So the employee doesn't start out whole.

Mr. ABERCROMBIE. So is the practice—I'm sorry, I don't understand it. Does this mean that some—I'm not quite sure. What is the recruiting? If the country—if you're paying $3.05 an hour, that's not a lot of money in the American economy. Okay? And someone's coming to take the $3.05 an hour, and you're telling me that the recruiting fee may be in the thousands——

Mr. FRASER. Several thousand dollars typically, yes.

Mr. ABERCROMBIE. Several thousand dollars. Well, I mean, is that money taken out of the salary as it's earned? Because they couldn't have it ahead of time.

Mr. MILLER. Would the gentleman yield?

Mr. ABERCROMBIE. Sure.

Mr. MILLER. Because I think it's very hard for us to comprehend this. No, the money's not taken out of the salary. The money is paid to somebody in the country of origin or the third country for the right to get a ticket to come to America. That's what it's about.

Mr. ABERCROMBIE. It's paid upfront?

*Mr. MILLER. As many of these have testified, they, their village——

Mr. ABERCROMBIE. Who pays it?

Mr. MILLER. [continuing] or their family believe that they've won the lottery by getting the ticket because they're told they're going to America. And then they pay the money. They come here. They found out they don't have the job. Now they're in violation of the law in the CNMI. And now they do the best they can.

Mr. ABERCROMBIE. I see. So these—am I correct—I'm sorry to sound naive about this, but I'm trying to get through all this. I'm reading the material and when I see it, I haven't quite grasped how it works. That's a lot of money. How do people accumulate that money—I'm thinking about how the plantation system worked in Hawaii, you know, 100 years ago. Or even to the point of the Filipino workers coming in after World War II. How would people in Bangladesh or the Philippines, for that matter, accumulate that kind of money to send somebody to work? And at the idea that it'd be $3 an hour, because the ratio doesn't make sense to me.

Mr. FRASER. Well, if the worker is lucky enough not to be a victim of recruitment fraud and arrive in Saipan only to find out there isn't a job and that they are unemployed and don't have any way of paying it back——

Mr. ABERCROMBIE. Well, even if they are employed, at $3 an hour, that's 100——

Mr. FRASER. They have 20 weeks, 30 weeks, 40 weeks, in some cases a year or more work to do before they can start paying back—before they start earning money that they don't already owe before they've arrived.

Mr. ABERCROMBIE. Okay. All right. Well, I'll let that go at this point. But that seems to me that that amounts to, essentially, to slavery.

Mr. FRASER. Well, it's part of the reason that we are here talking about the need for a structural solution. That normally, in a situation where an employer or an economy is investing in low-wage, labor-intensive industry, when it doesn't have a labor force, you question the wisdom of that economic strategy, but you'd also think employers would have to go out and spend money to recruit workers. What's happening in this upside-down economy is just the opposite. Workers are spending money to get these jobs. Employers are facilitating that. That's coming out of their earnings. So the already low earnings they have are already owed to somebody else when they start that work, if they're lucky enough to have a job.

Mr. ABERCROMBIE. Thank you.

Mr. DOOLITTLE. Thank you. Mr. Faleomavaega is recognized.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. This is one of the biggest problems that those of us who do represent the insular areas, when one insular area is pitted against another for findings of fault and shortcomings and the problems attending to not only NMI, but certain the territory that I represent. And I'm certain

that it was not all intentional, but this is where we are and that's the problem that we have to deal with.

Mr. Berry, you mentioned that 90 percent of the work force currently in NMI is alien workers?

Mr. BERRY. Of the private sector, Congressman.

Mr. FALEOMAVAEGA. I see. And——

Mr. BERRY. And 76 percent of the total work force, as I'm advised.

Mr. FALEOMAVAEGA. And 90 percent of the work force of the government is NMI?

Mr. BERRY. The exact percentage, Danny, do you have the exact——

Mr. FALEOMAVAEGA. Can you submit that for the record? I know my time is short, so I want to——

Mr. BERRY. Yes, sir. But it's in that approximate range.

[The information follows:]

Mr. FALEOMAVAEGA. Mr. Berry, it's my understanding over the years that the Department of Interior is the lead agency for the insular areas, whether we like it or not. The DOI is the lead agency on matters affecting the welfare and the needs of the territories. Basically, the position that you currently hold towards NMI—and I think, as it was alluded to earlier by my friend from Guam—we're exposing the problems affecting NMI's needs and the limited resources. We can go regurgitate all of that, but my question is what is the Department doing to give assistance to NMI to resolve these basic issues? If you're saying that they are structurally incapable of fulfilling its responsibilities towards immigration and so on. And what—how much of an effort has really been made by the administration to give assistance? Or should you give assistance?

Mr. BERRY. Well, Congressman, in terms of—as we've described and I think as has been discussed and debated fully this morning, the issue of immigration, it's not a question of more enforcement of a Federal law, it's the ability to enforce a law that we cannot do right now. That is one, as we believe, as the administration believes, is one of the cornerstones to much of the pain and problems we find. There are many other things that we've discussed that apply, as you've correctly identified, to all of the territories, including the Virgin Islands in the Atlantic, that we need to seek a way to encourage American companies to invest in our American territories.

Mr. FALEOMAVAEGA. Mr. Berry, this has been a farce, you and I know that, for the past 50 years. American companies will not come to these insular areas to invest. I guess, by chance, we were lucky to have Starkist, our canning industry, to come because it had no 3A in section 936 that was also benefiting Puerto Rico. And that's the only reason why they're down there. It's not because they have a love for the Samoan people. They want to make the money. And exporting $450 million worth of canned tuna to the U.S., it's not pennies, as far as I'm concerned.

So we talk about self-sufficiency that has already been there. The words that have been used for how many years now? But it's not getting there. And I just wanted to ask you, what are the real advents of what the administration has done to improve the situation? Because you've given us the problems, give us the solutions,

now, to these problems. Aside from, you know, a bill has been introduced in the Senate to do this. Does the administration support that?

Mr. BERRY. Sure. Congressman, could I ask Danny to discuss some of the initiatives that we've taken in Insular Affairs, along these lines? We have begun——

Mr. FALEOMAVAEGA. Well, my time is limited. Can you submit that for the record?

Mr. BERRY. Absolutely.

Mr. FALEOMAVAEGA. I would like to personally know about this.

The information follows:]

Mr. BERRY. One of the things we've done which I would like to seek to expand to the other territories as well is we have begun a process of working with the Marianas Islands. We have had a study in place, jointly with the Marianas Islands, on economic diversification. It——

Mr. FALEOMAVAEGA. Okay. My time. I've got to run to Mr. Fraser now. As I've said earlier, now my territory is being pitted against NMI because of low wages. Mr. Fraser, you know, we recently had a Wage and Hour Committee hearing in American Samoa. And I always felt comfortable this has the umbrella of the Federal presence because it will help us. Now, given the fact that some of these industries are giving only a 3 cents raise here, 10 cents—my God, it will take 132 years before we reach minimum wage, which is supposedly the Federal goal for American Samoa to achieve.

Now these wage recommendations, to tell you quite honestly, it's unpardonable, as far as I'm concerned. But I'd like to hear your comment. I don't even know what our standard of living, the cost of living, the per-capita income, the price indexing. The food that we buy costs almost the same as in Hawaii and other States in America. Our per-capita income now is somewhere $6,000 per annum, which is twice below the poverty level of this country. I mean, that's what we're faced with economically. And I must say that the wage-price committee has not given justice to this idea that we're supposed to come up to the minimum wage. We've been doing this for the last 30 years and we haven't gotten anywhere. Can you help us on that?

I think my criticism of the Department of Labor is that we haven't had any real economic specialists that could really give us the bottom line as to where we're at and what we're doing and where we're going.

Mr. FRASER. Mr. Faleomavaega, we'd be delighted to work with you on this. This has been a problem from our perspective as well. This industry committee process used to apply in many of the insular areas. It applies now under Federal law only in American Samoa. As I explained earlier to Mr. Doolittle, we do not have power over the activities of—the department, the Federal Government does not have power over the activities of the Committee except in the appointment process. And that is strictly limited.

The committees are supposed to serve two purposes, as you've properly pointed out. One, is to——

Mr. FALEOMAVAEGA. Mr. Fraser, I know my time is up. And I know——

Mr. FRASER. Okay. For the record, Mr. Faleomavaega——

Mr. FALEOMAVAEGA. I definitely would like to work with you. Mr. Berry, with all due respect, you're my dear friend, but I was very dismayed, and the Department of the Interior is the lead agency, to find out from my colleagues that you had made a recommendation to our budget cycle this year, without even consulting me. And I'm very, very disappointed that, if the Department of the Interior is the lead agency giving assistance to the territories and not even the courtesy of notifying their respective—and, yes, I'm a delegate, I don't vote on the House Floor, but I do vote in the Committee. I really, really would appreciate the courtesy of working with my office to find out what your policies are towards American Samoa so that the governor and I could be made better aware of your concerns and the problems that we're faced with. Thank you, Mr. Chairman.

Mr. DOOLITTLE. Thank you. I sense a great deal of frustration by our government officials in the CNMI, who seem to have an expectation—and as I understand the way this is supposed to work, they are entitled to have an expectation—that the Federal officials, through the Department of Interior, but all the Federal officials that are supposed to be involved with their commonwealth are supposed to kind of help them. I mean, I thought that was sort of the role of the Interior Department of Federal officials to help these territories get on their feet and progress. I don't know. Maybe that's paternalism in the good sense. I don't know. But that was what I thought was the purpose of this relationship.

Mr. FALEOMAVAEGA. If the chairman would yield, I just want to say that I've always felt that the relationship is supposed to be a partnership.

Mr. DOOLITTLE. Well, I think that's true. It is a partnership.

Mr. FALEOMAVAEGA. It's supposed to be a partnership.

Mr. DOOLITTLE. That's what it should be, is a partnership.

Mr. FALEOMAVAEGA. It hasn't happened that way, Mr. Chairman.

Mr. DOOLITTLE. Instead, it seems like—it doesn't seem like there's a very helpful attitude reflected. Mr. Berry, you're over all of this, at least in the Department of Interior. Would you care to react to that observation?

Mr. BERRY. Mr. Chairman, as I've discussed, we can do better and we're going to do better. We have begun that dialogue with the Marianas. It must be a partnership. And to be effective, it's going to take both of us rowing in the right direction. But, at the same time, this issue of immigration, which we see is key to many of these problems, we could triple Federal law enforcement. We could quadruple by an exponential factor of 100. It will not solve this problem.

Mr. DOOLITTLE. Well, may I just react to that? I mean, the Marianas came into the United States. It was via the compact, wasn't it? There's a Covenant. I mean, it was an agreement between these two entities. And to sit here and hear all of you from the Federal Government attack one of the underlying premises of that Covenant. I mean, it's fundamental. Which is that they get to control their immigration. That, to me, seems like it's not acting in good faith. That was the terms of the bargain when they joined us.

Mr. BERRY. Mr. Chairman, it was not a permanent term of the bargain. It was recognized in the beginning to protect their indige-

nous population. But when you see that the majority of the population, over 58 percent of this island, is now alien indentured work force, the principle and the spirit with which that was negotiated has been woefully abused.

Mr. DOOLITTLE. Well, you've heard them acknowledge in testimony that this whole thing with the garment industry is going to top out and decline. And it's going to happen in less than five years. So instead of expending so much effort, from the administration's viewpoint, in focusing on just this, what are we doing, what plans are being laid to help them transition to what they, themselves, want to get to? And they admit it is going to be something new and different than where we are.

I mean, they are sort inherently disadvantaged because they are one of these remote territories, so why don't we just work on finding a solution for them and I'm frustrated to hear the constant attack on their minimum wage and all of that. And it's kind of relates—I mean, it's principally focused around the garment industry.

Okay. I mean, in five years the garment industry is on a decline. So what else do we have to—how are you going to help them get to the next stage? That's what I'm interested in.

Mr. FRASER. Mr. Doolittle, if I may, I'd like to start with the first part of the question—and I'm sure John would want to address the next steps. When you say, "Focus on just this," let's remember what "jusd this" is. It's 33,000 poor, vulnerable, entirely dependent, young men and women from Asian countries.

Mr. DOOLITTLE. All right. Now, Mr. Fraser, it's my time and I'm going to reclaim the time.

Mr. FRASER. Okay.

Mr. DOOLITTLE. Just to observe I've been there. I don't have the advantage of having comparatives, like Mr. Young did, but to listen to those who saw it years ago versus how it is now, it's come a long ways. Mr. Berry, do you feel that we've made progress in the CNMI in terms of their overall economic condition, between now and when the Covenant was entered into? Yes or no?

Mr. BERRY. Yes.

Mr. DOOLITTLE. Thank you. I appreciate hearing that. My time is up and I'm going to recognize Mr. Miller for—we're on the second round of questioning now, which I intend to be the final round.

Mr. MILLER. Well, Mr. Doolittle, we have—under the rules, we have time to ask each of the witnesses five minutes worth of questions. So let's see where we go with this.

Well, I certainly wouldn't want to say in my congressional district that success is and improvement is when we've doubled the number of people receiving Food Stamps while we've engaged in a great economic experiment here that has taken its toll on the number of poor, vulnerable workers that you describe. I find it interesting, with all due respect to the gentleman from Samoa, that, yes, you are the lead agency and yet we continue to resist the notion of your recommendations. We have the recommendations of the Justice Department, of the Labor Department, of the Department of Interior, who are far more familiar with this than the members of this Committee, who tell you we have a gaping hole in our system. Most Americans would be shocked to find out that,

given the entire immigration system of this country and the protection of America's borders, that there's a big hole sitting out there in the middle of the Pacific where people can simply show up and we will have no knowledge of their background, their intentions, or their ability to carry out activities against this population or other populations.

You wouldn't accept this in Texas. You wouldn't accept it in Canada. You wouldn't accept it in Kansas. You wouldn't accept it in Florida. But right out there, that's what you have sticking out into the middle of the Pacific.

The goal, as we've heard from numerous Justice reports, this and others, is to get your toe on the foothold here. Because then you go here, you go to Guam, you go to the United States. And that's why the gangs keep coming. And that's why the poor and the dispossessed keep coming is they keep telling them they're getting a ticket to America.

So I find it rather interesting. We keep saying we want a partnership. And my friends on the other side of the aisle here say they want the Federal Government to do more, which is kind of an interesting chant. They want the Federal Government to do more. They want to be partners. Yes. We're the partners on the deck of this ship and the CNMI is the partners below the water line and they won't fix the hole in the ship, but they want us to remodel the cabins.

That's not a partnership. And this ship is sinking, as has been pointed out by every one of these graphs. All of the indicators in the CNMI are negative, they are continuing to go negative, and they've been going negative a long time. And why? Because you have no ability to build an alternative economy when you have an economy that's so heavily reliant on the illegal use of labor in the United States, where you get the benefit of the "made in the U.S.A." label; you get the benefit of no quotas; and you can use that time and time again. And when you can reinvent yourself in businesses, you get a claim against somebody for back payment of wages, they reinvent themselves, and the CNMI—not the Federal Government—the CNMI allows them to open up another business under another name and everybody knows who they are.

When we ask people how do people get in under these false documents? You show them the documents, they say, oh, we know these people who signed this document. Yes, I know this man. No, these people never had a job. That's not a business. That person lives down the street. It is an island, as you say, and they do know what's going on. And the level of corruption is allowed because the immigration laws cannot be enforced.

We can argue over minimum wage until the cats come home. You know what? If you didn't have this huge subsidy of illegal labor, of people who could get in under the immigration law, who mightn't be, in many instances, wouldn't be otherwise able to get in, the minimum wage problem would take care of itself. Because people on the island would have to make a decision about what they're prepared to work for or not work for.

Now most of the citizens have already made that decision. They're working for the government. But all the aliens are working out here in an area where they have no labor protections. They

have no rights of a green card under our immigration laws. It is very difficult for law enforcement to pursue their rights. And yet we're told, somehow, this is a system that's going to transition? It's not going to transition into anything. It's going to continue its downward spiral. But that's what the political system in the CNMI is endorsing and supporting and they're welcome to it. They're entitled to do that; that's their rights.

But let's understand the ramifications of what's taking place. But when you ask the chief law enforcement people what their recommendations are and you continue to reject them and the problem continues, don't put it on their back to clean up the problem. They have told you that they don't believe—throughout their testimony—additional manpower or additional efforts because they are constantly after the fact because they can't engage in preventative activities by knowing and protecting people who come to this country. And, again, there's nowhere else.

I mean, you howled against the protection of the borders and people coming in from Mexico and California's southern border. We've joined to put the troops on the border. We've joined to beef up the INS. We've taken away people's rights. We've deported people. But you know what? In the CNMI, none of it applies. It doesn't apply to drugs. It doesn't apply to diseases. It doesn't apply to criminal activity. It doesn't apply to employment protections.

So this is, as your leader Mr. DeLay said, if this is a wonderful, successful experiment in the free marketplace, then something's terribly wrong with that free marketplace that you would take the poorest people, in some cases, the poorest people in the world and you would exploit them and tax them to support other people.

We have—and, I don't know, maybe there are witnesses who can testify, but we talked to a number of people. You have people who are on the welfare system as citizens—of the country of CNMI—of the United States as citizens of the CNMI, who engage, in fact, have foreign workers as their maids and their servants. And they're on the welfare rolls. That's an encouraging notion of the free market system and of this great experiment and the fact that this is a success. The fact of the matter is that it isn't.

I would like, before we go to the next round, if you want to let me just finish up with Mr. Fraser.

Mr. Fraser, in your testimony, you do recount—you say, "Neither stepped-up Federal law enforcement, nor enduring commitment on the part of the CNMI itself to reform and enforce local laws can solve these problems without structural changes." And then you go on to account that, despite what you consider a strong commitment and the best efforts of the DOL and participating Federal agencies, unfortunately reality is that the problem persists and, in many cases, is getting worse. And then you go on to talk about the question of the rights of the—many of these foreign workers. Do we still see the presence of shadow contracts?

Mr. FRASER. Absolutely, Mr. Miller. It's very common. They're hard to get your hands. They're hard to penetrate. But it's very common. We hear that it's typical. We'd love to have more information about it.

Mr. MILLER. Some of these contracts, if the person complained against the country, there are contracts in some cases made with

people in China and I guess in other countries, that, as a condition of that contract, if you complain against the company, the company tells the holder of your shadow contract and you're deported.

Mr. FRASER. Yes.

Mr. MILLER. That wouldn't be allowed under American immigration laws.

Mr. FRASER. No, sir.

Mr. MILLER. That wouldn't be a condition for that.

Mr. FRASER. Again, I'm not an immigration law enforcement agency.

Mr. MILLER. No, no, I——

Mr. FRASER. But I have never heard of such a circumstance.

Mr. MILLER. So, in fact, so when we're told, again, as we were putting a good face on what the previous panel told us that they believe that the recruitment, you know, you're not allowed to hire anybody who used a recruiter, that hasn't solved the problem of the shadow contract that can have every bit as much hold on these individuals while they're working in the CNMI.

Mr. FRASER. That's correct, Mr. Miller. And if I understood the governor's testimony correctly, I don't believe the Commonwealth has eliminated the use of recruiters entirely, but for certain industries. In the guard service industry in particular where it was a very serious problem I think they've taken steps to try to eliminate the use of recruitment, at least for guard service employment. But I don't believe that's the case across the board.

Mr. MILLER. So, in fact—and, again, they've given their check system of people before they come—and maybe somebody can answer this in Justice—they would have no way of knowing whether a person had a shadow contract. They don't have to ask the question. The person doesn't have to tell them the truth. And they wouldn't know. If that person knew it was illegal to say you came with a recruiter, why would you answer the question yes? There would be no way to verify that under current immigration laws, is that correct? I don't know, maybe Justice is more comfortable—if you're not comfortable answering the question, then we can get it.

Mr. GESS. I frankly am not comfortable answering that.

Mr. MILLER. All right. Leave it there.

Mr. GESS. I could certainly obtain one for you.

[The information follows:]

Mr. MILLER. But, again, if we don't know about the criminal background of individuals and we don't know all the rest of it, it's highly unlikely we'd know whether or not their family had entered them into a shadow contract or had paid money to get them to the United States.

On the question of—you talked about the default judgment, Fraser, against Byung Yong Moon for $870,000 and you say you can't find him. Is his company still in business?

Mr. FRASER. No, sir. We are pursing litigation against the successor company, which is Hyunjin Saipan, to try to recover some or all of those wages.

Mr. MILLER. Do we know if that's truly a successor company?

Mr. FRASER. We understand that that company acquired the assets of Mr. Moon and his former companies and that's why we're

pursuing that enterprise to recover the back wage liability. Whether we'll be successful or not remains to be seen.

Mr. MILLER. I see.

Mr. DOOLITTLE. Will the gentleman yield just a moment?

Mr. MILLER. Yes, sir.

Mr. DOOLITTLE. Mr. Gess has a pressing engagement that requires him to leave and, just before he does, does any member of the Committee wish to pose any questions?

Mr. MILLER. I would like—because it may be joint, but maybe Mr. Fraser can answer the question.

Mr. DOOLITTLE. Well, let me just observe—and you still may wish to ask him—but he's going to leave behind a representative that could answer questions. But, anyway, go ahead.

Mr. MILLER. My question is, with respect to the recovery—and, Mr. Gess, if your representative can answer. But with respect to the recovery of unpaid wages, back wages, and the $3,000 program that was put in place for the stranded Bangladeshis and maybe some others, I'd like to know the complications in recovering that money and what we do about it. Because, again, I understand that in many instances, if you make a claim for back wages, you're then in jeopardy of being deported under CNMI policy. And whether that hampers, if you will, the prosecution of justice.

Mr. GESS. I am, frankly, not in a position to answer that question.

Mr. MILLER. Okay.

Mr. GESS. But, as I heard it, it is an area that I know internally the Justice Department needs to look at. We will and I would like to share that information with the Committee as well.

Mr. MILLER. Thank you. Mr. Fraser, you indicate in your statement that the relief provided under the Act, and that was the Commonwealth Non-Resident Worker Relief Act, is only available to those workers who filed complaints with the local CNMI labor agency and not to those holding orders or judgments from Federal agencies or courts of competent jurisdiction.

Mr. FRASER. That's correct, Mr. Miller. That was the point I was going to make in response to your question. That provision to provide up to $3,000 in return airfare and back wages is not available to any of these 2,600 workers for whom we've found—the Federal Government, the Federal Department of Labor—has found back wages are owed only if the case is brought to the Commonwealth government and an administrative finding issued by the Commonwealth government is that available.

Mr. MILLER. So, in all of these arguments we heard this morning about greater cooperation with the Federal Government and the Federal Government should do more, we have judgments for back wages for 2,600 individuals and they won't let you go ahead and process those. So those individuals can get an airplane ticket and $3,000 and go home, in theory.

Mr. FRASER. Oh, I wouldn't want to put that in the context of cooperation, Mr. Miller. That's my understanding of the law that was enacted by the Commonwealth legislature.

Mr. MILLER. I understand why the law was enacted. Listen, I think I'm fairly well schooled on why the laws were enacted in the Commonwealth. Not what they are, but why they are.

You state that, in many instances, I believe—don't let me put words in your mouth—but in many instances the judgments for those individuals far exceed $3,000. So by taking this great humanitarian act, the worker gets screwed out of whatever is over $3,000 and an airplane ticket. And I understand in some cases the airplane ticket is deducted from the $3,000. So really what we have is a heavily indebted Bangladesh person going home no better off than they came, even though they worked and provided labor and goods and services for their employer.

Mr. FRASER. That's my understanding, Mr. Miller, that many of the workers have administrative decisions well in excess of $3,000. That in some cases, at least the cost of the airplane ticket is deducted from that. That the maximum amount payable is $3,000.

Mr. MILLER. So what happens to those administrative decisions and/or those judgments? How are they collected?

Mr. FRASER. That's really a question I think Mr. Zachares is much better situated to answer than I. If it's a Federal finding in a Federal Department of Labor determination, we would try to ascertain whether assets are available that we could go after, as we are doing in these cases referenced in the testimony. But you're asking a question about how one would proceed under the Commonwealth's law and I do not know the answer to that.

Mr. MILLER. So for every worker that I as the Commonwealth can convince to take the $3,000 and the airplane fare, in many cases, I am saving the employer the cost of paying that judgment.

Mr. FRASER. Yes, sir.

Mr. MILLER. That's a wonderful, humanitarian Act. I am really thankful to the legislature for passing that Act. Thank you, Mr. Chairman.

Mr. DOOLITTLE. Mr. Schaffer. Oh, let's—just a minute. Did you—are you going to address to Mr. Gess? Because I want to be able to let him go. Go ahead. Okay.

Mr. SCHAFFER. Yes. That's the only question I'll ask and I'll save the rest for the rest of my turn. Mr. Gess, I want to get at the question of the Department of Justice's practices in CNMI and similar places as well. Does the Department of Justice pay non-resident aliens to perform any work for the Department of Justice?

Mr. GESS. I don't know, Mr. Congressman. That's an answer that I would need to get to you.

Mr. SCHAFFER. Can you envision any kind of scenario or situation where it ever appropriate for the Department of Justice to pay non-resident aliens for services performed for the Department of Justice?

Mr. GESS. I'm just simply not familiar with the topic, but I can assure you——

Mr. SCHAFFER. How about specifically with respect to translation? Do you know if the Department of Justice pays translators who are not residents to translate in a courtroom?

Mr. GESS. Congressman, I don't know. But I do know after talking with Fred Black, the United States attorney out there, that one of the most severe problems that assistant U.S. attorneys and agents face is interpretation. So your question sounds a bell that really tells me that I need to talk with Mr. Black and find out. Because I know it's a severe law enforcement problem.

Mr. SCHAFFER. Just, given that conversation took place between you and Mr. Black, do you think it's, with all the concern the Department of Justice has and all the other Federal agencies represented here with illegal, you know, work arrangements and so on, do you suppose it's possible that the Department of Justice has ever hired non-resident aliens to translate for them in a courtroom?

Mr. GESS. Congressman, I really don't know. My understanding, though, is that courtroom interpretation is by the courts. But, nonetheless, it's the same concern. And I understand it. Understood.

Mr. SCHAFFER. If I told you I had a check stub of a U.S. Department of Justice check written out to an individual who translated who is not a United States citizen who was here on a tourist visa, would that sound out of the ordinary?

Mr. GESS. Again, Congressman, this is just simply a topic that—the only reason it rings a bell is the United States attorney telling me that there's a problem with obtaining interpreters. Nobody has suggested who is used or who isn't used. If you have any information, may I contacd your staff after the hearing and ask for a copy?

Mr. SCHAFFER. You can contact me, sure. But let me just say I have one check stub of that sort that I was able to find in my five days on the island. I would appreciate information from you, frankly, if there are others like this. I would like those, instead.

Mr. GESS. Congressman, absolutely. I am only asking for the document because it starts a paper trail. I can assure you that we want the answer too. We'll obtain it. Again, as with everything else, we will share it with the Committee.

Mr. SCHAFFER. Thank you, Mr. Chairman. That's the only question I have for Mr. Gess.

Mr. DOOLITTLE. Thank you. All right, Mr. Gess, we'll—oh, yes.

Mr. FALEOMAVAEGA. We each have one question for Mr. Gess.

Mr. DOOLITTLE. Oh, you do. All right. Well, okay. Mr. Underwood.

Mr. UNDERWOOD. Okay, thank you, Mr. Chairman. Much has been made about this chart which has been carted out as to the proportion between non-U.S. citizens and U.S. citizens and I guess the lack of the application of the INA has been suggested as part of this.

If you made a comparison to the population of Guam and you drew the comparison in terms of people who have a parent that was born on Guam, you'd get almost relatively the same proportion of people who had roots in Guam versus people who didn't have roots in Guam because of the INA. So the issue—and I appreciate and I want to separate the issue of enforcement under the INA, which may be appropriate in some instances—but to use the INA argument as the application of the INA argument as a way to keep the local indigenous population from being overwhelmed, that simply does not hold water because, in the case of Guam, that has not been the case.

And, in fact, it is because of the Guam experience that many CNMI people originally asked for this authority. Admittedly, they've done other things with it, but I just wanted to make that case.

To the point that I'm asking is that would the Department of Justice or would the administration entertain having—and as has been suggested in the case for Guam—if you want to continue to apply the INA, why could you not have a locally negotiated quota?

Mr. GESS. Congressman, my answers earlier were solely directed to the enforcement issues that we find. My background as a career prosecutor and working with agents and talking to them is that this is an enforcement problem for us. I understand there were other reasons for this. But from our enforcement perspective, we find a problem in not having the immigration—I hate—I'm not trying to make light—but the immigration piece of the pie is missing.

Mr. UNDERWOOD. Well, I just wanted to make the case and I think it's rather clear that the end result is relatively the same thing.

Mr. GESS. Understood, Congressman.

Mr. FRASER. And, Mr. Underwood, if it helps, to answer that question, the administration's bill does contemplate, in the transition provisions in phasing in the INA, it does contemplate local negotiation with the CNMI regarding transitional foreign worker programs. So the administration approach is very much along the lines that you're suggesting.

Mr. UNDERWOOD. Well, and I'm very glad to hear that, Mr. Fraser, because I hope the same courtesy is extended to Guam in terms of the application of the INA. Because that's the issue——

Mr. FRASER. We've had this discussion before, Mr. Underwood.

Mr. UNDERWOOD. I know we've had this discussion before. But the point that I'm making is that, if this chart is utilized to create a certain impression, as if, somehow or other, although, admittedly, enforcement issues play a role in this and this process was sped up for the CNMI in comparison to Guam, but the application of the INA to Guam has been no great shakes either. Thank you.

Mr. FALEOMAVAEGA. Mr. Chairman.

Mr. DOOLITTLE. Yes, Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Just one quick question to Mr. Gess. He's the legal authority here in our hearing. Mr. Gess, any alien born in North Marianas, does that person become automatically a U.S. citizen?

Mr. GESS. I don't know the answer to that. I can get that for you.

Mr. FALEOMAVAEGA. So the reason for my question is that the 33,000 workers, you know, under circumstances where some of them give birth there in NMI, do they automatically become U.S. citizens?

Mr. GESS. I understand from my colleagues that the answer is yes. I simply——

Mr. FALEOMAVAEGA. Did somebody nod yes? Danny Aranza?

Mr. ARANZA. Yes.

Mr. FALEOMAVAEGA. Is that by our Federal law? The operation of our Federal law?

Mr. ARANZA. Yes, that's an actual—also a provision of the Covenant.

Mr. FALEOMAVAEGA. Thank you.

Mr. DOOLITTLE. Have you concluded? Okay. Okay. Mr. Schaffer still has time remaining. Let's say three minutes. And he has other

questions now to pose to the remaining—thank you, Mr. Gess. We appreciate your being here. So, Mr. Schaffer, you're recognized.

Mr. SCHAFFER. Mr. Abercrombie asked Mr. Berry if he knew of any illegal or improper activities by OIA employees and he said not until this Committee told him. Mr. Aranza, I have a similar question for you. When did you become aware that anyone employed by OIA may have engaged in partisan political activity or lobbied with Federal resources?

Mr. ARANZA. I first became aware of those allegations, Mr. Schaffer, when the subpoenas were issued and the documents were produced.

Mr. SCHAFFER. At any time, did you become aware that OIA employees were offering cash or other things of value to people to help organize or participate in any protests or demonstrations?

Mr. ARANZA. I am not aware of any such activity.

Mr. SCHAFFER. Was the prospect of green cards or visas or U.S. passports ever mentioned to Bangladeshi workers, that if they protested or demonstrated and it resulted in Federal takeover of the island, that those kinds of benefits might accrue to them?

Mr. ARANZA. I am not aware of any such promises.

Mr. SCHAFFER. Let me tell you, I did spend five days in Saipan and interviewed many individuals, including Bangladeshis and have heard three accounts since then, two while I was there, one that I have since received in writing, that you were at a meeting of that sort and suggested to Bangladeshis that many people told their problem—let me go jump back a little. He writes in broken English in the letter that I have in front of me. For protests against—okay. "Danny Aranza. We met with him at two Bangladeshis and a fellow to discuss with them about CNMI and help U.S. and to help them collect documents against CNMI labor and immigration. By this way, many Federal officials met with Bangladeshi workers and encouraged them to protest against CNMI."

Were you ever at any meeting like that where you encouraged Bangladeshis to protest against the CNMI government?

Mr. ARANZA. Absolutely not.

Mr. SCHAFFER. Do you recall being at any meeting where Bangladeshis might have come away with the impression that you were encouraging them to protest against CNMI activities or in connection with any congressional activities, visits, or hearings?

Mr. ARANZA. There were several times I was in the CNMI where I did visit with various worker communities, Bangladeshis included. But in none of those meetings, do I recall making any promises of asylum or cash awards or anything.

Mr. SCHAFFER. You know, I asked my previous question asked about when you became aware of any of the illegal allegations. I guess I want to be more specific. At what point were you aware of any illegal actions involving lobbying or political work by OAI employees?

Mr. ARANZA. Could you put that in a clear context?

Mr. SCHAFFER. I want to know if you were aware of anything illegal that occurred to you that it might perhaps be illegal or inappropriate, any activities prior to the subpoenas being filed by the Committee?

Mr. ARANZA. I believe, Mr. Schaffer, with respect to the Guam negotiations, I believe there some allegations about fundraising. But that wasn't related to my office.

Mr. SCHAFFER. Did you receive a memo from Mr. David North? The date on it is May 10, 1998, where he described a scheme to have the Fish and Wildlife Service inspectors come on the island, CNMI, to help open containers because of, as the memo says, "Fish and Wildlife inspectors have powers in the CNMI and, for Guam, for that matter, that U.S. Customs inspectors lack. Fish and Wildlife inspectors can open anything that is in international trade. Probable cause for them in the ninth Circuit is simply something that has crossed an international border. Fish and Wildlife has an interest in shell buttons." And he goes on and describes how he had had conversations with the Fish and Wildlife Service to engage in this kind of a joint effort with other law enforcement agencies to look for shell buttons, I suppose, in the garmend containers.

Do you remember receiving that memo?

Mr. ARANZA. I don't recall receiving that memo. I'd be glad to receive that and refresh my memory.

Mr. SCHAFFER. Just to be fair, your name is mentioned as one of the three individuals who received the memo. Alan Stamon, you, and Nancy Fanning. Let me ask Mr. Shruhan, are you aware of any plans or any activities where the Fish and Wildlife Service was involved in any inspections of garment containers?

Mr. SHRUHAN. None.

Mr. SCHAFFER. None. I have lots more questions, Mr. Chairman, but I want to finish on time, too. Thank you.

Mr. DOOLITTLE. I appreciate the gentleman's concern. Gentlemen, this will conclude the second panel. There will be further questions which members of the Committee may wish to ask and those will be propounded in written form and we would request your prompt response and the record will be held open for that purpose. With that, we will excuse you and thank you very much for your patience and your testimony.

And we will begin panel number three. Ladies and gentlemen, we welcome you, finally, to have your chance to testify as our third panel. May I please ask you to rise and raise your right hands for the purpose of taking the oath. Thank you.

[Witnesses sworn.]

Let the record reflect that each answered in the affirmative. Please be seated and we will begin our testimony with Ms. Lynn A. Knight, vice president of the Saipan Chamber of Commerce. And I'm going to ask Mr. Schaffer to take the Chair for a few moments. Ms. Knight, you're recognized.

STATEMENT OF LYNN A. KNIGHT, VICE PRESIDENT, SAIPAN CHAMBER OF COMMERCE, SAIPAN, MP

Ms. KNIGHT. Mr. Chairman and members of the Committee, my name is Lynn Knight. I'm here today on behalf of the Saipan Chamber to discuss the state of business in our islands and the impact of changes to our economic freedoms which are being considered by this Committee.

It's difficult to afford to be here in the midst of the worst recession we've ever had. But I'm here because, as a small business

owner, I'm afraid of a future we can't control. Like many others, I've invested everything I own in Saipan and I believe it's imperative that we continue to control our own economic destiny.

While the words may sound a bit strange to your ears, the words Federal takeover instill fear in most business owners. The possibility of a loss of control over our immigration, minimum wage, and special trade advantage spells economic disaster. This doesn't mean we are any less proud to be Americans. Our community shares the same values that you do. We believe that work places should be safe and that employees should not be taken for granted, that we should hire from the local community first, and that our staffs should receive a decent living wage.

But we differ in other ways. If you were to live on a remote island, you'd see that the costs of running a business are extremely high, that small economies of scale make it difficult to make a profit and that the local labor pool is very limited. Our educational system could never fully prepare people to work in the wide range of jobs that exist in our community.

We live where East meets West. And, as such, we're affected by regional economic conditions which are in serious decline. Bridging the various cultures and currencies has always offered significant challenges. In the past 13 years since I've made Saipan my home, I've seen a vast improvement in the quality of life, but we're still far behind the mainland. We don't yet have fresh drinking water from every tap. We're anxiously awaiting new capital improvement projects which may help jumpstart our ailing economy. But funds for such projects are short, due to the Asian economic crisis.

Our tourism industry's down 30 percent. Garment factories are reporting a 25 percent reduction in orders and that means a lot less money circulating in our economy. Retail and auto sales have plunged, up to 50 percent. One in every 10 businesses has closed. We're trying to attract diversified industries, but no one will invest in the Northern Marianas now. We can't attract new investment with the threat of a massive change that a Federal takeover would bring: the possibility of doubling our minimum wage and the removal of necessary access to a labor supply. It's impossible to plan for the coming months, let alone recruit investments.

Clearly we're in a crisis, one that many businesses will not survive if drastic changes occur in the way we must operate. Our recession is also forcing the local government to downsize. This should give the private sector the opportunity to hire more local workers, however even if we were to hire all 5,000 of the government staff plus the 1,400 unemployed, it would not equal the 25,000 jobs that we have.

Do we have an economy that could withstand a doubling of its minimum wage? Going from $3.05 to $6.15 an hour will mean that businesses will be forced to do more with significantly less resources. That means layoffs and an increase in the cost of living at the worst possible time. The Federal minimum wage is based on the cost of living in a highly developed mainland economy. We have our own minimum wage review board and we believe this system best accommodates local employment and economic conditions.

I won't say that we haven't had labor problems in the past. Loopholes that needed to be closed. We're working closely with the

CNMI government on reforms and we see substantial progress in all industries.

Mr. Chairman, I understand that there's a concern that we have what many consider to be too many aliens in our population, but based upon the rules of the game that we were given under the Covenant, we built industries that could not have existed without outside help. If our immigration control ends, we can't fulfill all of our employment needs with local residents, Micronesians, or Americans who live at least 6,000 miles away.

If we lose our ability to hire skilled guest workers, please consider a few of the likely victims from among our Chamber. Working women, like myself, who have small children and elderly parents to take care of will not be able to work. Our small inter-island airline will cease flying or be forced to double its rates. Air conditioning companies will lose their skilled technicians. A 40-year-old family bakery will close. We respectfully ask whether the loss of these businesses and many others like them constitute reform for the Marianas.

For most foreign workers who have been recruited to our islands, it's meant a greatly improved quality of life. Most of the foreign employee's needs are provided for by locally mandated benefits, including unlimited 100 percent health care. In this 1998 communication, the Philippine consulate praises the Marianas for the good treatment of their workers. A copy of this document has been submitted with our written testimony.

But rather than recognizing the positive, rather than working with us on reforms, our critics on the Federal side seem to prefer a one-size-fits-all approach, Federal takeover. We're left feeling like a child who's done something wrong. Rather than teaching the child, the parent simply takes the matter over and does it their way. This is not the way to ensure that a child never makes another mistake.

Would a takeover mean that there would never again be an OSHA violation or disagreement between an employer and employee? If such problems can and do exist all across America, they will surely continue in the Northern Marianas, even under full imposition of American laws. The answer clearly lies not in a takeover, but more emphasis and partnership with the Federal Government in education training and law enforcement.

In its wisdom, Congress in 1976 agreed that we needed certain advantages in order to help us achieve economic development. We've heard that a goal of this Committee is to promote economic development in the insular areas. To this end, we urge the Committee to lay such takeover legislation aside. Let us concentrate on improving our local laws with Federal guidance. Let us meet somewhere along the road. Thank you.

[The prepared statement of Ms. Knight follows:]

STATEMENT OF LYNN A. KNIGHT, SAIPAN CHAMBER OF COMMERCE

Mr. Chairman and Members of the Committee, on behalf of the Saipan Chamber of Commerce, I am pleased to be here today to discuss the state of business and commerce in the Commonwealth of the Northern Mariana Islands (CNMI). We believe it is important to convey how our businesses are now faring at this particular time and, more importantly, how they will fare under circumstances of a Federal takeover—shorthand for the legislative eradication of the Northern Marianas'

unique Covenant authorities of local control over the minimum wage and immigration.

In the Northern Mariana Islands, the words "federal takeover"instill fear in most business owners. This phrase has become synonymous with economic disaster. One executive of a major international firm on Saipan said his business plan for the coming year anticipated further cost cutting and hardship due to the Asian economic crisis. He went further to say that if the pending "takeover" bills in U.S. Congress were to pass, he would have to throw all his business plans out the window. This is but one example of what a "federal takeover" would mean to the business community of the Northern Marianas.

This doesn't mean we are any less proud to be Americans. We share the same basic values as mainland America. We believe that work places should be safe and that employees should not be taken for granted, that we should hire locally when possible and that our staffs should receive a decent living wage.

The Northern Marianas became an American territory by overwhelming local vote, but there are few similarities with most American jurisdictions. Our small insular territory of approximately 70,000 people—which is across the international dateline and 9,000 miles from the nation's capital—is more a part of Asia than the Western Hemisphere. The investment we have managed to attract since we became an American jurisdiction only two decades ago has been virtually all Asian. Our largest industry, tourism, attracts almost exclusively Asian visitors. When Asian markets dropped two years ago, so did our visitors.

We differ in other ways as well. We still don't have fresh drinking water from every tap and the sewer system is antiquated. Our roads are improving and the power system has just begun to meet our needs. Recently we connected to worldwide communications systems via our first undersea fiber optic cable. We continue to strive to improve our infrastructure with both private and public funds, but these funds have rapidly diminished with the Asian economic crisis.

In general, the growth in our economy has meant an improved quality of life. The simple fact, however, is that we are an isolated group of islands that only recently was more like a third world country. We do not have the same economy as the U.S. mainland, and therefore the economic policies that work for the mainland cannot be indiscriminately applied in the Marianas. We are highly affected by regional economic conditions, which are in a serious decline.

The authors of our Covenant to *Establish the Commonwealth of the Northern Mariana Islands* recognized the differences. In its wisdom in 1976, U.S. Congress developed the rules of the game upon which our economy was built. They gave us the ability to control our own minimum wage and immigration due to our unique circumstances. They also gave us the ability to trade freely with the U.S. Based upon these rules that we were given just 20 years ago, we have built a small, but successful multi-national society. Out of necessity, we employ approximately 25,000 guest workers from Asia and other foreign countries. This number is fixed by a local moratorium dictating a cap on foreign hires.

While we would prefer to hire primarily local residents if we could—it would certainly be less expensive and less risky—we do not have enough citizens to staff our businesses. Even if we had the numbers, our limited educational institutions could not produce enough skilled workers in all the positions we need to fill. Even if our local government shut down and forced all of its 5,000 employees into the private sector, there would simply not be enough people to fill all the jobs.

Our local economy has assimilated foreign workers into our community and they have become a major consumer of and user of local goods and services. Today most successful companies in the Northern Marianas have made marketing efforts to encourage foreign workers to buy their products and services. If these people were forced to leave under the U.S. immigration system, many establishments that cater to Filipinos, Japanese, Chinese and Koreans would close from the loss of business.

A good example is in telecommunications. The top destinations for long distance calling are the Philippines and China due to the large number of guest workers from these countries who call home. The volume of calls helps ensure that we have competition in providers. If this calling ceases, the cost for all other destinations will rise. The telephone companies will lay off local people, their suppliers will suffer, the government will receive less in taxes and so on.

In the continuing debate over immigration, we often ask ourselves: we are a tiny, isolated group of islands with a small indigenous population, but must we also be limited to a tiny economy? If we didn't have the ability to recruit from overseas, would we still live as our Micronesian neighbors, dependent upon Federal handouts and subsistence living?

The Saipan Chamber of Commerce member businesses represent 79 percent of the private sector work force, yet nearly all of our members would fit the definition of

small businesses. We believe it is vital that the Northern Marianas continue to control our own immigration and minimum wage, and that we be allowed to continue with the same trade advantages that were granted under the Covenant. To take away these benefits would take away the very foundation of the economic structure of the CNMI and frustrate the mandate of the United States under the Trusteeship Agreement, "To promote the economic advancement and self sufficiency of the inhabitants."

The Northern Mariana Islands have received international media attention due to the problems of our rapid economic growth, confusion about applicable labor laws and complaints of worker abuse. As a community we are doing something about the problems we all agree must be addressed. Painstaking reforms are underway. Local leaders from business and government have been meeting frequently to share ideas and work together as never before.

But rather than working with the Northern Marianas government on reforms, rather than helping us to enforce the law, some of our critics prefer a one-size-fits-all Federal takeover. We are left feeling like a small child who has done something wrong. Rather than teaching the child, the parent simply takes the matter over and does it his or her way. But is this the way to ensure that the child never makes another mistake?

Would a takeover of our immigration and minimum wage, the removal of our tariff status mean that there would never again be an OSHA violation, a staff member who wants a higher salary, a disagreement between employee and employer regarding overtime? If such problems can and do exist throughout work sites all across America, they will surely continue in the Northern Marianas, even under the full imposition of American laws. The answer clearly lies more in education, training and law enforcement.

On a personal note, I moved to Saipan from California in May 1986, recruited for an assignment by a former employer who desired to do business within the Pacific Rim. At the time, the notion of doing business with China and anywhere in the Pacific Rim was hot for investors around the world. Attracted by the opportunity to live and work in an international atmosphere with people of other cultures, I stayed in Saipan and opened a small business. At that time the island was booming. Foreign investors were welcomed with open arms to build resorts, garment factories and other businesses on Saipan, a place where East truly met West.

Bridging the various cultures offers significant challenges for training, education and doing business in general. For most Asian workers recruited to Saipan, however, living here has meant a greatly improved quality of life. In fact, the Department of Foreign Affairs of the Philippines praised the CNMI last year, reiterating "the good working conditions of Filipino workers" that they found in our islands. (See Appendix A—April 21, 1998 letter from Philippine Consul Julia Heidemann.)

Virtually all of a foreign employee's needs are provided for by locally mandated benefits, including housing, transportation and unlimited 100 percent health care. This enables them to send most of their strong American dollars home for the benefit of families.

Closely tied to the economies of Asia, our business community has grown with tourism and the trade opportunities in the Pacific. But now the tide has changed. The strength of the dollar against the yen, the won, and the peso is good for foreign employees and their families, but it is devastating for tourism. Virtually every other competing tourist location in Asia is now a better value than our dollar-based destination. Meanwhile, the U.S. mainland is enjoying unbelievable prosperity while the U.S. Commonwealth of the Northern Mariana Islands is in the throes of recession.

While Asia is reeling and America is celebrating, we are caught helplessly in the middle. The Asian economic crisis hit us hard and unexpectedly. Built on two major industries—tourism and garment manufacturing—we don't have enough diversity to weather a long and severe recession. Together tourism and garment manufacturing account for 4 out of every 5 jobs in the Commonwealth today and more than 7 out of every 10 jobs held by permanent residents. Virtually all small businesses exist in some way to support those two industries. If a garment factory or hotel closes, a myriad of other small businesses will close.

It may seem that if an investor has the money, such a down market may mean an ideal time to come to the Northern Marianas. Land prices have plummeted. Office and retail space is available everywhere. More than 1,300 business licenses have not been renewed and many companies are for sale. Bankruptcy filings have increased tremendously. A savvy investor could take advantage of bargain opportunities.

As we prepare for the new millenium, we have undertaken a new study to develop an economic strategy for the Commonwealth. The objective of this study, designed

and funded by the CNMI leadership and the Office of Insular Affairs, is to provide some insight into the future directions of the CNMI economy so that policy makers in Washington, DC and the CNMI can adapt policies to achieve maximum benefits for the people of the CNMI. The Chamber's summary of that draft study is attached. (See Appendix B.)

A group of volunteers from our Chamber have also been working hard with local government officials to examine ways that we can attract new and diversified industries. They call this group the Governor's Economic Revitalization Task Force. But no one will invest in the Northern Marianas now.

We cannot diversify our economy in the face of an unrelentingly negative campaign launched by those who would demonize our culture and take away our local economic controls. Add to the equation the possibility of a 100 percent hike in the local minimum wage at the worst possible time, and the removal of necessary access to our labor supply. Further add to this a variety of new local laws our government has instituted in order to improve our labor and immigration systems. These circumstances have created an air of instability for any investor, whether foreign or local.

The effect on existing businesses is staggering. For most, it is impossible to plan for the coming months, let alone recoup investments that will take years to recover. Potential investors have simply turned away. Clearly we are in a crisis, one that many will not survive if drastic change occurs in the way we must do business. Consider these facts:

Tourism, a primary driver of our economy is down 30 percent. Garment manufacturers have lost 25 percent of their orders. Automotive sales are down nearly 50 percent as is much of retail in general. One in every 10 businesses has closed. Hundreds more that cater to Filipinos, Japanese, Chinese and Koreans will close overnight if all of our guest workers have to go home.

Is this a community that could afford to replace and re-train its private sector? Is this an economy that could withstand a doubling of its minimum wage? A hike in the wages at this time will carry significant costs: slower job creation, fewer hours, and lost jobs. The evidence is overwhelming that raising the minimum wage will help few working men and women. It will demand that small businesses do more with significantly fewer resources. It will cause higher-level wages to be increased, thus boosting inflationary pressures in an already precarious time.

The Federal minimum wage rate is based on the cost of living and prevailing wage levels in a highly developed mainland economy. The imposition of the mainland minimum wage on the Commonwealth's employers may in fact force many of us out of business.

The Commonwealth has enacted its own minimum wage law and formed its own Minimum Wage Review Board, which we believe is consistent with the intent of the Covenant. We believe this system best accommodates local economic and employment conditions. It is unfortunate that the positions on this board reserved for Federal representatives have remained vacation, despite numerous invitations to participate.

It seems clear that because of the special characteristics of its economy and despite the growth that has been realized in recent years, the Commonwealth would be unable to absorb an immediate increase to the U.S. mainland minimum wage without the possibility for serious economic disruption. The Chamber of Commerce respectfully urges this Committee to consider these consequences when it is asked to deliberate proposals designed to eliminate immigration and labor problems, which we believe are aimed at eliminating our garment industry. Simply put, bills that force a Federal takeover will cause many businesses, both large and small, to collapse.

Consider some of the likely victims from among our Chamber members: a small inter-island airline will have to cease flying or double its rates; an air conditioning company will lose its skilled technicians; a security company will be unable to serve its customers; restaurants and hardware stores will lose their customers; a 40-year old family bakery will fold.

We respectfully ask whether the loss of these businesses and many others like them constitute "reform" for the Marianas. We believe the answer is no and that Congress should instead consider giving our reforms an opportunity to work. The results of a cap on new alien hiring are just now being realized. A full range local and Federal laws give comprehensive protection to employees. Our amnesty program encourages any illegal foreign workers to come forward. We are also deeply involved in efforts to provide more on the job training and to create incentives for local hiring. In short, we are taking stock of the present and have begun planning for the future. Perhaps even more significantly, we have our first bonafide recession to challenge us to be better businesses.

And while we do so, we ask that the Federal Government share in the responsibility for the crisis atmosphere that has been created in CNMI-Federal relations. Let us work together on law enforcement to the end that you will feel comfortable that the incidence of labor abuse in the Northern Mariana Islands has declined and will decline further. We are but a tiny concern for such a powerful body as U.S. Congress—but if you look closer, we believe you'll see that our efforts to educate our businesses on all applicable Federal and local laws are working. The reforms that have been put in place by our local government are making a difference.

Given the devastating consequences, the Saipan Chamber of Commerce cannot support legislation that will have a serious negative impact on an economy we believe is headed into even more uncertain times. We urge the Committee to lay such "takeover legislation" aside permanently. We do not, however, suggest that this is all that the Committee should do. Congress can and should direct the Administration to shift from regularly criticizing the CNMI activities to making a real commitment to providing training and assistance in operating more effective programs.

The Chamber believes that a genuine spirit of Federal-Commonwealth cooperation would go much farther than any Federal takeover in addressing the immigration and labor problems we all agree must be resolved. It would also provide the business community and the Commonwealth government the time, and potential investors the confidence, to bring new and diversified economic opportunities to the Marianas.

Our message to the Committee is simple: please don't cause a collapse of our economy by adopting legislative "solutions" that may seem unremarkable in the context of the economic boom now enjoyed in the 50 states but that are so foreign to the CNMI. We are all Americans, yet we work in vastly different economies that are indeed a world apart.

APPENDIX A

The Honorable Governor Pedro P. Tenorio
Commonwealth of the Northern
Mariana Islands
Dear Gov. Tenorio,

It is an honor to furnish you a copy of a press release dated 20 April 1998 issued by the Philippines' Department or Foreign Affairs concerning the Filipino workers in the Commonwealth. It was based on the report submitted by the Philippine Consulate.

While the press release was meant to be for home consumption to allay the fears and concerns of the families of Filipino workers in the CNMI, the local media might find it interesting.

An AP news report from Washington DC during the U.S. Congressional hearing of CNMI's labor and immigration found its way to the Philippine media early this month. The Philippine Consulate was tasked to verify and investigate the allegations of sexual slavery and maltreatment of workers insofar as Filipinos are concerned. The Consulate's report emphatically reiterated the qood working conditions of our Filipino workers—and the effective coordination efforts between the Consulate and the local government.

Personally, I am happy that the Philippines is now aware of the true labor situation in the Commonwealth. It is worth the persistence and at times frustrating attempts to demand fairness in media coverage.

With this development, the Philippine Consulate hopes to forge closer relations with your administration through regular dialogue and consultation. Meantime, I would like to inform you that in view of the effectiveness of the consultation talks between the Consulate and DOLI, our Labor Representative has proposed to Sec. Mark Zachares the resumption of the bilateral consultations on labor issues.

With best personal regards.

STATEMENT OF HON. DIEGO T. BENAVENTE AND PAUL MANGLONA

1. Introduction

On behalf of the members of the Eleventh Northern Mariana Islands Commonwealth Legislature, we are honored to be given the privilege to testify before the Committee on Resources of the U.S. House of Representatives which has oversight jurisdiction of the territories and commonwealths of the United States, including the Northern Mariana Islands. The hearing today before this Committee is focusing on three areas. The first relates to the adequacy of enforcement of Federal laws in the

Northern Mariana Islands, particularly the Federal labor laws, the equal employment opportunity laws, and the occupational health and safety laws. The second will examine the use of Federal funds by Federal departments charged with the enforcement of Federal laws in the Northern Marianas. The third will examine the use of Federal funds for capital improvement projects by the Commonwealth Government.

Because Governor Pedro P. Tenorio is separately addressing the signIficant progress being made by the Commonwealth Government in the enforcement of local laws with respect to immigration and labor reforms in the Commonwealth since he began his administration a year and a half ago, our testimony will focus on the reform legislations that the Commonwealth Legislature has enacted to combat labor abuse in the Commonwealth and to improve our local system of immigration. We shall, however, briefly address the areas that are the subject of this hearing in relation to our reform efforts, and set forth our views, observations and concerns, if any, with respect to those areas, particularly the adequacy of enforcement of Federal laws in the Northern Marianas and the use of Federal capital improvement funds by the Commonwealth Government.

Finally, we wish to bring to the attention of this Committee, an issue that we would like the U.S. Congress to look into: our request for Congress to appropriate Federal funding to reimburse the Commonwealth for the financial costs that unrestricted imigration from the Federated States of Micronesia, Belau, and the Republic of Marshalls has had on the Commonwealth over the years, under the Compacts of Free Association.

2. Local Reform Legislations

Mr. Chairman, we begin our testimony today by going over the series of reform legislations that the Commonwealth Legislature has enacted or is in the process of enacting since early 1998, immediately after the immigration and labor hearing before Senator Frank Murkowski's Committee on Energy and criticism leveled against the Commonwealth by the national news media, various human rights groups, and officials at the Department of Interior. The purpose of the hearing before the Senate Committee on Natural Resources last year, as well as the hearing held two days ago before the same Committee was to consider proposed Federal legislation intended to make the U.S. Immigration and Nationality Act applicable to the Northern Marianas.

Proposed legislation was introduced in the U.S. Senate in 1998 and again re-introduced this year to take away our local control of immigration matters, in part because of widely-publicized criticism that guest workers in the Commonwealth were abused by their employers. Another criticism was that guest workers had outnumbered the local resident population. A third criticism was that guest workers were working and living in deplorable and unsanitary conditions. A fourth was that many aliens have been illegally overstaying in the Commonwealth beyond the term of their entry permit. A fifth was that the garment industry was taking advantage of the non-quota, duty-free treatment of manufactured products given the territories, a privilege intended for the benefit of local businesses and local workers.

We know that you, Mr. Chairman, your Committee, and other members of the Congress are likewise concerned with these issues and have been working steadily to promote improvements in the Commonwealth situation. You have personally taken time from your busy schedule to visit the CNNH and see for yourself conditions there. We thank you for your sincere and forthright approach to these questions. We also find it especially useful when members of Congress work in a cooperative way to help us address labor and immigration issues and to help us better understand Federal concerns. We believe this kind of approach provides a more effective approach to what problems may exist and is a far greater service to our respective constituents than confrontation and condemnation. We see these hearings in this light and look forward to continue to work with the Congress and this Committee to better conditions in the Commonwealth for residents and nonresidents alike.

Governor Pedro P. Tenorio immediately began taking action to address the concerns raised, from Day One of his administration. Through the CNMI Department of Labor and Immigration (DOLI) he began conducting unannounced inspections of the working and living conditions of guest workers, particularly those employed by the garment industry. The Commonwealth Legislature joined the Governor's call for reform and began considering legislation that would address the labor and immigration criticisms mounted against the Commonwealth.

One of the first pieces of legislation that was enacted by the Commonwealth Legislature was the moratorium law (Public Law 11-6), which imposed a moratorium on the hiring of additional guest workers. The law was enacted in response to the criticism that the non-immigrant guest worker population had already out-num-

bered our locaL resident population. We understand from the Department of Labor and Immigration that, since this law was enacted, there has been a 22.7 percent decline in the issuance of guest worker permits for 1998, as compared to those issued in 1997.

To strengthen the moratorium. with respect to alien garment workers, Public Law No. 11-76 was enacted establishing the maximum number of garment workers for individual manufacturers and imposing attrition provisions. Because of our moratorium laws, which are still in effect, we expect the number of guest worker perrmits issued for 1999 to go lower than 1998. Our goal is to continue to decrease the number of guest workers to an acceptable level and hire only guest workers that we truly need to supplement our local work force.

A second significant legislation that was enacted by the Commonwealth Legislature soon after the March 1998 hearing before Senator Murkowski's Committee on Energy and Natural Resources was Public Law 11-69 which limits to three-years the maximum length of stay in the Commonwealth for non-resident workers; after which they must exit the Commonwealth for at least six (6) months before applying again to return to work. This legislation is similar to the Federal regulation promulgated by the U.S. Immigration and Naturalization Service (INS) limiting to 3-years the maximum length of stay of H-2B workers admitted to work in the United States, after which they also must exit the United States for at least six (6) months before entering again to work. This measure is intended to remove the criticism that a substantial number of guest workers have been staying in the Commonwealth for many years without having any voice in our political process.

A third legislation that we enacted in 1998 is Public Law 11-22, which establishes "special industry committees" charged with studying the several industries in the Commonwealth, such as the hotel and tourist industry, and recommending to the Commonwealth Legislature the minimum wage rates appropriate for employees of a particular industry. This measure is patterned after the Special Industry Committee established by Congress for American Samoa many years ago. As you know, Mr. Chairman, for several years now the Department of Interior has chastised the Commonwealth for not implementing outright the Federal minimum wage in the Northern Marianas.

Our economic conditions and circumstances, however, are far different from the economy of the continental United States, forcing us to adjust our wage levels based on the factors that affect our economy, which is directly dependent on the economies of Asia and Japan. This direct reliance on the economy of Asia and Japan is best illustrated by the adverse effect that the Asian economic crisis, which began in 1997 and is still continuing, has had on the economy of the Northern Marianas. Since the financial crisis in Asia began two years ago, our tourist industry has suffered a severe decline of at least 30 percent in the number of visitors to the Commonwealth. This has translated into a corresponding 30 percent decline in local government revenue, which has crippled our ability to provide essential public services.

A fourth piece of legislation that we enacted within the past year was Public Law 11-66 which addressed the plight of our guest workers who were abandoned by their employers and were left stranded without any means to feed themselves or to return to their country of origin. This was one of the criticisms seized upon by the national news media and later became the rallying cry of some officials at the Department of Interior and human rights group seeking the federalization of immigration in the Commonwealth. Unfortunately, the focus of the criticism was not on the employers who had abandoned these workers, but on the Commonwealth Government which had allowed the hiring of these workers without fully scrutinizing the financial resources and commitment of their employers.

Public Law 11-66 established a deportation fund to purchase airline tickets for abandoned guest workers and provide at least a 3-month salary for those who had received judgments for back wages. Since February of this year, over 1633 abandoned workers have been repatriated under this law, and 111 of these workers qualified for the salary relief. An additional 50 workers are also seeking similar relief. So far the program has cost the Commonwealth $359,000, a fairly hefty sum considering the Commonwealth's continuing revenue decline.

A fifth important piece of legislation that we enacted in early 1998 was Public Law 11-33 which established a "limited immunity program" for illegal guest workers who were encouraged to come forward, register and become legal. The Commonwealth had been criticized that a large number of aliens were staying illegally in the Commonwealth. This law provided the opportunity to rectify the situation. It was a huge success: 3,079 guest workers who had overstayed beyond the term of their entry permit stepped forward and were registered. The program was a voluntary one and no threat was made to any guest worker. The Commonwealth Government thereafter assisted the workers in locating employment locally. 1,246 have

since been employed under one-year contracts. Those who cannot find employment are being asked to voluntarily depart.

A sixth piece of reform legislation has just been passed by our legislature and has been transmitted to the governor for his review and consideration. This is Senate Bill No. 11-15, S.S.I., which requires a health and criminal background, pre-clearance check for each guest worker in the guest worker's country of origin, before being issued an entry/work permit to enter the Commonwealth for employment. This legislation would ensure that all guest workers entering the Commonwealth are free of communicable or contagious diseases and do not have any criminal background. It accomplishes this by providing that the Commonwealth will use the same sources for health clearance certification and criminal background checks as those relied on by the U.S. State Department and the Department of Justice.

A seventh piece of legislation that is now being re-drafted for consideration by the Commonwealth Legislature is the Resident Workers Fair Compensation Act. This measure is intended to attract our unemployed resident population to work in the private sector, such as the hotel and tourist industry. The measure proposes to "level the playing field," so to speak, with respect to the "true wages" being paid non-resident workers and what the equivalent wages should be for resident workers if employed for the same positions. All of the benefits being given a non-resident worker, such as free housing, food, and medical insurance, for example, are computed in order to determine the true wage that is being paid a guest worker for a particular position. This measure proposes to address the criticism that the Commonwealth has a high unemployment rate of 14 percent for local residents, yet has continued to allow the hiring of guest workers without first finding work for unemployed local residents. The goal of this legislation is to attract our local residents to work for the private sector, to reduce the resident population's unemployment rate, and to lessen the number of residents working for the local government.

The foregoing illustrates the many legislations that the Commonwealth legislature has passed and enacted into law, or is now considering, to address the immigration and labor issues for which we have been criticized. It is a Joint effort between the CNM executive and legislative branches, with the assistance and participation by interested parties, such as the Saipan Chamber of Commerce, the Hotel Association of the Northern Mariana Islands, the Saipan Garment Manufacturers Association, and others. We shall continue considering other legislation that would assist in addressing and eliminating our immigration and labor problems. We are committed to rectifying the abuses of the past so that we do not repeat them again, and so that we will regain our credibility and reputation in the eyes of those around us.

3. Adequacy of Enforcement of Federal Laws in the Commonwealth

The first area that the Conumittee is focusing on at this oversight hearing is the adequacy of enforcement of Federal laws in the Northern Mariana Islands, particularly the Federal labor laws, equal employment opportunity laws and the occupational safety and health laws. Based on our general observation over the 20 years since we became a member of the American political family, the U.S. Department of Labor, particularly its Wage and Hour Division, has established and made its presence known in the Commonwealth through the prosecution of highly publicized cases involving employer violations of wages and hours of employment. We believe that Labor's Wage and Hour Division has done a good job of monitoring and prosecuting various violations of the Federal wage and hour laws.

As to the enforcement of the equal employment opportunity laws, we wish to note that staff of the Equal Employment Opportunity Commission (EEOC) only recently began coming to the Commonwealth to take complaints from aggrieved employees. EEOC has no permanent office in the Commonwealth, as far as we are aware. As you know, Mr. Chairman, the enforcement of any law is only as good as the personnel and resources committed by the agency enforcing the law. The presence of EEOC staff on Saipan for about a week every month or so is clearly inadequate. It is difficult for Commonwealth employees to follow-up or to find out the status of one's case without a local office. EEOC should hire at least one or two permanent staff for Saipan. On a positive note, however, we are happy that EEOC staff has begun conducting seminars and training sessions for private employers and local government agencies so that the Commonwealth is now becoming more aware of the various EEOC laws and regulations.

The third Federal law that the Committee is addressing is the occupational safety and health laws. Our major complaint with OSHA is also the fact that it does not have any permanent staff on Saipan to assure continuity and to provide assistance and information to employers and employees. OSHA investigators come to Saipan fairly regularly, mispect job sites and conditions of employment issue citations and

impose fines; then they leave. We believe that OSHA should have one or two permanent staff on Saipan so that the enforcement of OSHA laws and regulations would have permanency and continuity in terms of enforcement. Our second concern is that fines collected under OSHA laws is not turned over to the Commonwealth as is the case with Federal taxes and fees collected in the Northern Marianas, pursuant to the Covenant. We would like to see that fines collected under OSHA be also remitted to the Commonwealth just like the Federal taxes and fees collected in the Northern Marianas.

We also wish to mention the Office of the Federal Labor and Ombudsman which recently opened. By all accounts, this is a very helpful and welcome office. We have a very good working relationship between local officials and the new Labor Ombudsman. Already the office has begun to help expedite resolution of a large number of complaints.

Finally, we want to note that we urged Congress last year to provide the CNMI with its own United States Attorney. Although we believe the U.S. Attorney's office is doing a good job and continues to improve its record of prosecutions, we remain convinced that a separate U.S. Attorney for the CNMI is justified and would significantly enhance Federal law enforcement in the Commonwealth. One benefit would be a better focusing of Federal legal resources based on the particular circumstances and unique needs of the Commonwealth.

4. The Use of Federal Funds by Federal Agencies to Enforce Federal Laws in the Commonwealth

We respectfully defer to the respective Federal agencies to explain to this Committee how they have used Federal funds to enforce Federal laws in the Commonwealth.

5. The Use of Federal Funds For Capital Improvement Projects in the Northern Mariana Islands

In the topic regarding the use of Federal funds for capital improvement projects in the Northern Mariana Islands, we wish to take this opportunity to thank the U.S. Congress for its constant support of the Commonwealth's continuing need for capital improvement funds, particularly under Section 702 of the Covenant. Contrary to the belief that others appear to have, Covenant Section 702 funding is the primary source of funding that we have for capital improvement projects in the Commonwealth. For example, this is the money that we have been depending heavily on to construct the Commonwealth's new solid waste disposal facility, away from the environmentally unsafe Puerto Rico Dump; to construct a new correctional facility; to build much needed classrooms; and to carry out essential water, power, and sewer infrastructures; and so forth.

In order to use Covenant Section 702 CEP funds, which requires a "dollar for dollar" local matching, the Commonwealth is required to adopt a prioritized CEP project listing. The Commonwealth Governinent completed the CIP Project Plan listing in 1998, which was adopted by the legislature recently. Attempts have been made to divert our Covenant funding to other jurisdictions on the mischaracterization that the Covenant funds that remain are "an unused balance from previous construction grants." This is not true. All of the Covenants funds have been earmarked for specific projects. What held back its usage in the past was either the absence of a prioritized project listing or the need to identify the required matching funds. Thus, for the Third Funding Period under the Covenant (FY1996-FY2002), we have now identified all of the essential capital improvement projects that will be funded. The Federal funds available for this period is $77 million, plus the $77 million in local matching funds, bringing the total CIP Funding to $154 million. We humbly ask the Congress to please not divert this money to other jurisdictions. We need the money for urgent CEP projects in the Commonwealth that have already been identified. To ensure that we have the matching funds needed, legislation has passed our House and Senate authorizing the Commonwealth Development Authority to float a $60 nuillion general obligation bond on behalf of the Commonwealth Govemment for CIP projects.

6. Financial Assistance Under the Compacts of Free Association

Mr. Chairman, while we are on the subject of Federal funding, we would be remiss if we do not bring to the attention of this Committee a matter that in the past has not been given much attention or was not considered important enough by the Department of Interior. This is the matter of appropriating the funding needed to reimburse the Commonwealth for the financial impact that the unrestricted migration of Freely Associated States citizens into the Commonwealth has had on our treasury. In past years, Interior has given small grants to the Commonwealth to somehow defray the costs to the Commonwealth for its delivery of essential public

services to FAS citizens. We ask the Congress to take a closer look at the issue and consider the substantial expenses that have been or are bemig incurred by the Commonwealth on behalf of FAS citizens who live in the Northern Marianas.

The CNMI Department of Commerce recently performed a study to determine the so-called "Compact-Impact" costs to the Commonwealth. The study, using both a "direct cost method" and a "percentage of total cost method," has concluded that our Compact-Impact cost for 1997 was $13.7 million and for 1998, it was $15.1 million, for a two-year total of $28.8 million. The Commonwealth has requested and wants to be reimbursed for this amount. In approving the Compacts of Free Association which the United States entered into, Congress has stated: "In approving the Compact it is not the intent of the Congress to cause adverse consequences for the United States territories and Commonwealth or the State of Hawaii." The Compact has in fact adversely affected us financially in terms of the delivery of public services. The Commonwealth, upon request by this Committee, would be very happy to determine the compact-impact costs for the years prior to 1997.

7. Conclusion and Recommendation

Mr. Chairman, we thank the Committee for giving us the opportunity to submit this testimony. The hearing before your Committee on the enforcement of Federal laws in the Northern Mariana Islands and on the use of Federal funds to enforce those laws, in essence, complements the hearing held two days ago before the Senate Committee on Energy and Natural Resources chaired by Senator Frank Murkowski with respect to legislation being proposed to implement the U.S. Immigration and Nationality Act to the Northern Mariana Islands. We believe that the INA should not apply to the Commonwealth. We believe that the Commonwealth should be allowed to continue to enact and enforce laws that would eliminate guest worker abuse and address the criticisms that have earlier been made against the Commonwealth. The Commonwealth has earnestly begun to reform itself. We believe that a necessary "part of the equation" in our enforcement effort is the active participation of Federal agencies in the enforcement of Federal laws. Although there are signs that Federal agencies, like the EEOC, are beginning to make their presence in the Commonwealth known and felt the permanent presence of these agencies in terms of office and staff in the Commonwealth would make a big difference.

Thank you very much.

Mr. SCHAFFER. [presiding] Thank you. Mr. Sablan.

STATEMENT OF RONALD D. SABLAN, PRESIDENT, HOTEL ASSOCIATION OF THE NORTHERN MARIANA ISLANDS, SAIPAN

Mr. RONALD SABLAN. Thank you, Mr. Chairman. Mr. Chairman and honorable members of this Committee, my name is Ronald Sablan and I'm president of the Hotel Association of CNMI. Thank you for the opportunity to once again represent our tourism industry, specifically our hotels. This hearing is about enforcement and application of Federal statutes, expenditure of Federal funds in our islands, but because it is so critical to us, we must focus our comments on the so-called Federal takeover issue.

I must state now that with all due respect that we stand firmly against Federal takeover of our Commonwealth immigration and application of U.S. minimum wage. The U.S. Congress should not place the same restriction limits on tiny isolated islands as it would a powerful country nearly half the world away. Please consider geographical location and the unique limitation of islands. As you know, this is exactly why special provisions were written into our Covenant.

While the U.S. has experienced prosperity, the past two years have been the worst in our economic history. The main driver of our economy, tourism, has dropped more than 30 percent during the Asian economic crisis. Many hotels, particularly family-run operations like mine, are barely surviving. A severe recession is the worst possible time to raise wages and force the replacement of 61 percent of our work force from other countries.

There is no relevance within our economy and that of the mainland. In fact, the rise of the dollar against the yen is never good news for a tourism-based economy. Please remember when the U.S. dollar goes up, our economy goes down. Special consideration should be given to the fact that we are more closely tied to regional economic conditions which are now in a recession. We have already cut 15 percent of our hotel personnel. By increasing the minimum wage, business owners will be forced to make tough choices. More layoffs, increase prices, increase working hours, or simply throw in the towel.

As our hotel industry began 25 years ago, we recruited employees from nearby Asian countries out of necessity, due to the fact that our small local population could not meet the need for a skilled work force. Much of our industry developed by Japanese investors, marketing to Japanese tourists. Naturally, many personnel are recruited from Japan.

Now I would like to address the question we are often asked. If Guam can live with U.S. immigration and minimum wage, why can't you? Our economy is vastly different than our neighbor to the south. An island with four times the citizen population, a major hub of transportation, shipping, communications for the region, not to mention the military inputs to the Guam economy. With the exception of wages, virtually every cost of operating a hotel is more expensive in Saipan than in Guam due to the fact—due to much smaller economic scales, shipping costs and infrastructure requirements.

We are also asked if we could recruit from Micronesia where the vast majority of people have very little or no work experience. Notwithstanding the cost of training and assimilating these people into our more developed society, what do you think it would do to the fledgling economy of these islands if the CNMI were to suddenly need to recruit nearly 27,000 employees from their small adult population? We can say with certainty that a regional economic crisis will occur.

Could we hire from the mainland? Experience has shown that this is not viable option due to great distance and recruiting costs, as well as the high turnover rate of U.S. employees that have left families to come to our island.

We cannot predict when the Asian economic crisis will end nor when visitors will return, but we do know this. If the CNMI loses its immigration control, we lose our ability to staff our businesses, there will be no recovery of this industry for the foreseeable future. Mr. Chairman, we are located very closely to Asia, but our islands have very limited resources. We are fortunate to have a very successful tourism industry, which is highly competitive with other destinations. This is due to our exceptional environment and service-oriented personnel. Anything we do to reduce our service level or increased the packaged costs will mean a reduced marketshare of mature travelers.

In addition to poor economic conditions, the threat of a takeover of our immigration has been the major factor in damaging our investment climate. It has meant significant delays, relocation, and outright cancellation of investment. There is an ongoing concern for

financiers and lending institutions. This I know well, as my own hotel expansion was halted for this reason.

I believe that your good intentions are to clean up the sensationalized labor and immigration problems of the past, but a takeover is not an all-win solution. Our problems are proportionately nothing more than what occurs in cities across America. The records of our tourism industry shows a clean, well-run industry with a reputation of fair treatment of employees. We have educated our hotels about the CNMI and Federal laws. We have worked hard to train and recruit local workers. But whatever we do, there's not enough local citizens to fulfill all the jobs.

In closing, Mr. Chairman, the people, the businesses, and the government of the CNMI have the sincere commitment to improve our labor and immigration systems. At the same time, we need to bring up the level of education and training that is available to our people. Rather than an outright takeover, we must approach this properly to build an honest supporting working relationship between the Federal and local agencies. One without any hidden agendas. Help us to enforce the laws rather than seek problems to capitalize on. Only through a cooperative and focused approach can we accomplish real solutions. Thank you.

[The prepared statement of Mr. Ronald Sablan follows:]

STATEMENT OF THE TAKE PRIDE IN AMERICA COALITION

Mr. Chairman, Ranking Minority Member Bingagaman, and Members of the Senate Energy and Natural Resources Committee, the Take Pride in America Coalition would like to thank you very much for the opportunity to submit this testimony today.

Our Coalition (membership list attached) is growing larger even, day, and already represents a broad and diverse cross-section of the American people. The members of our coalition include business, labor, consumer groups, senior citizen groups, and human rights organizations—all dedicated to seeking reform legislation regarding the Commonwealth of the Northern Mariana Islands (CNMI, or Saipan).

Our coalition includes such esteemed representatives of American business as Dupont, Summitville Tile, Milliken & Company, the Knitted Textile Association, and the American Textile Manufacturers Institute.

We also have as members such great American labor organizations as the Union Label and Service Trades Department. AFL-CIO, the United Mine Workers of Ainerica, the United Food Workers, the Utility Workers, the Steelworkers. UNITE, the Sheet Metal Workers, and the Bollermakers, just to mention a few.

Additionally, we have such prominent and effective representatives of U.S. consumers and seniors as the National Consumer League and the National Council of Senior Citizens, as well as human rights organizations.

Mr. Chairman, we all join in applauding you and Ranking Minority, Member Bingaman for holding today's hearing.

Despite persistent interests that would benefit by keeping the American people in the dark about the situation in Saipan. Mr. Chairman, you and Ranking Minority Member Bingaman, Senator Akaka and others on the Committee have been determined to shine some necessary light oil the serious problems in this American territory, and we commmend you for it.

Our Coalition appreciates your knowledge and experience on issues related to the CNMI, Mr. Chairman, and that of the Members of our Committee. There is little question that, had the government of the CNMI listened to your earlier warnings and those of Senators Bingaman, Akaka and others about the need to institute voluntary reforms, Saipan would not be having—and causing—the problems that it is today.

The Reagan Administration Issued The First Warning

But, as we have seen, there is a long history of the CNMI failing to listen to warnings urging reform of CNMI policies—warnings from this Committee and warnings from every one of the last three Administrations.

As far back as 1986, the Reagan Administration warned the CNMI that continued importation of contract workers into the CNMI garment industry would not be tolerated. In the attached letter to Governor Pedro Tenorio of the CNMI. Reagan Assistant Secretary of Interior Richard Montoya, wrote:

> . . . As I have often stated, the intent of Congress in providing the privilege of Headnote 3(a) to the territories is to benefit local and not alien job and business growth. The extensive and permanent use of alien labor will Headnote 3(a) industries is all abuse which cannot be tolerated by the [Reagan] Administration. . . .
>
> "Recent reports again indicate all unwarranted increase in the use of alien labor in the NNI garment industry . . .
>
> "These events may lead to the ruin of textile opportunities under Headnote 3(a) not only for the NMI but for all of the U.S. territories. Furthermore, the uncontrolled influx of alien workers in many segments of the NNJI econoiny can only result in increased social and cultural problems. The objectives of the recently negotiated Covenant financial agreement could be derailed as the wholesale transfer of U.S. tax, trade and social benefits to non-U.S. citizens occurs under the NMI's alien labor promotional policies . . ."

Mr. Chairman. the situation in Saipan has grown much worse since the Reagan Administration issued this crystal clear warning to the CNMI in 1986. At that time there were fewer than 7,000 alien contract workers in the CNMI. Today as you have noted there are 28,000 alien workers with estimates of another 10,000 illegal aliens in the CNMI.

All told, there are almost 40,000 non-U.S. citizens in the CNMI today almost twice as many as there are U.S. citizens in the CNMI.

Also, when the above warning was issued by the Reagan Adiministration, there were only ten garment factories in the CNIQL. Now, there are over 30 garment factories there. And, every one of these garment factories uses almost all foreign contract workers!

Clearly, the potential situation in the CNMI that former President Reagan's Assistant Secretary of the Interior warned about—where continued importation of foreign contract workers results in trade benefits intended for U.S. citizens going primarily to foreign citizens—has arrived with a vengeance.

The massive importation of these alien contract workers has lead to almost all private sector work being done by foreign workers. *Incrediby, 91 percent of Saipan's entire ptivate sector workforce is now composed of non-U.S. citizens.*

Saipan: Free Market Success or Failing Welfare State?

The immigration problem in Saipan continues to grow worse each year. Mr. Chairman, we strongly agree with your statement that Saipan's economy is not prosperous and diversified but in fact has "a far more fragile economy that is becoming ever more dependent on a system of imported labor." (Statement on the introduction of S. 1052, "The Northern Mariana Islands Covenant Implementation Act").

As you point out, the public sector in Saipan has doubled recently and is rapidly becoming the employer of last resort for U.S. citizens in the CNMI. Almost one half of the U.S citizens who are employed in Saipan are working for the government!

Through its massive import of indentured alien workers, Saipan has crowded out private sector jobs for the U.S. citizens on the island, and the unemployment rate among E.S. citizens in Saipan hovers around 15 percent.

What's mobe, in another sign of welfare state decay. Federal officials have recently reported an increase in organized crime in the CNMI and increased activity of Chinese and Japanese organized crime groups.

And even though the Saipan garment factories have quadrupled their exports to the U.S. since 1991, the food stamp applications of the U.S. citizens in the CNMI have *doubled* during the same period of time. (See charts below.)

Mr. SCHAFFER. Thank you, Mr. Sablan. Mr. Teitelbaum.

STATEMENT OF MICHAEL S. TEITELBAUM, ALFRED P. SLOAN FOUNDATION, NEW YORK, NY

Mr. TEITELBAUM. Thank you, Mr. Chairman, members of the Committee. My name is Michael Teitelbaum. I'm a foundation executive at the Alfred P. Sloan Foundation in New York. By background, I am a demographer. I hold a doctorate in this field from Oxford University.

May I just begin by saying it's a pleasure to appear before you today, though I fear you may be getting somewhat weary. I am doing so at your invitation and entirely in my personal, professional capacity. I am representing no person or entity other than myself.

In October 1997, I undertook a site visit to the Commonwealth of the Northern Marianas at the invitation of the commission on Immigration Reform, of which I was then a member. The commission had been asked by the U.S. Department of Interior to undertake its own independent analysis of the immigration situation in the CNMI. We agreed to do so only with the understanding that our assessment and any recommendations that might result would be wholly independent of the Department. We emphasized that our views might well be at variance with the opinions and positions that the Department had already expressed, and, indeed, they were, ultimately. The Department officials involved agreed to these ground rules and, to my knowledge, did not make any attempt of any kind to influence our findings or recommendations.

This is the report quoted by Representative Juan Babauta, the resident representative of the CNMI, just to pull things together. And I do believe Mr. Sablan and—we met in a very cordial meeting and interesting meeting while we were there.

At the time I agreed to undertake this trip, I had no prior knowledge or opinions about the CNMI. In preparation, I did read a large compilation of articles and reports that reflected all perspectives on the subject. I believe we learned a great deal during our five-day visit. In addition, there was a one and a half day, rather rushed, stopover in Manila on the way home. And I took a one-day side trip to nearby Guam.

Many of our meetings were arranged by the CNMI government, who were our hosts. But we did undertake some independent meetings. In fact, on our very first day—it was a Sunday, as I recall—before we had begun our scheduled meetings and, indeed, before we had met any of the CNMI officials, I and some of my colleagues set off in a private rental car on our own without announcement and unaccompanied, of course, to inspect two of the garment industry hostels for workers from the People's Republic of China.

We did so because, in my view, any such site visit requires that one avoid being entirely controlled by one's hosts. It's really the only way to get a reasonably clear picture of a situation that is in passionate dispute and is otherwise quite distant from most of us in this hearing room. Now, given the limitations of time, I'm going to restrict myself to the following brief points.

First, the decisions taken by the CNMI government over the past decade essentially to use its exception from the Immigration and Nationality Act to import thousands of foreign garment workers on temporary contracts as its principal strategy for economic development and tax generation are, in my view, most unwise and quite unsustainable, both economically and politically. They are also contrary to core values of U.S. Immigration policy.

Second, the economy that has emerged in the CNMI over the past decade is one of the strangest in the world. You've already heard some of this described. I will very quickly say the CNMI is an entity with a very small land mass and a small indigenous pop-

ulation. It decided to use its Immigration exception and Customs preferences to build an economy based on the garment industry, one of the world's most labor-intensive and lowest productivity industries. As a result, the entire indigenous population of the CNMI is now literally outnumbered by foreign contract workers.

And I won't go over the other things. You've heard them already. Nine out of 10 workers in the for-profit sector are foreign contract workers. Oddly enough, the for-profit sector is the low-wage, low-benefit part of the economy.

To my knowledge, no democratic society has allowed such an economy and immigration system to develop. The only economy in the world that I know of that is at all similar to that of the CNMI is the economy of Kuwait. But Kuwait is not part of the United States. It has only limited provisions regarding democratic governance and individual rights. And it has a core economy, obviously, that is based upon enormous reserves of oil.

Third, to be frank, the CNMI government is unable to manage the immigration policy that it has created. And to be fair, this should not surprise us. No U.S. State, no U.S. territory could hope to effectively manage its own immigration policy. None has the embassies. None has the consulates around the world that it would need to pre-screen those applying for visas and to issue the visas. I live in the State of New York. New York State is much bigger, as a government than that of the CNMI. I am sure that the New York State government could not do what the CNMI government is trying to do.

Fourth, Foreign contract workers are easily exploited under the condition of their contracts and CNMI law enforcement. You've heard this already. I won't belabor it. During our visit, we heard directly from numerous such workers alleging exploitation. And we also saw for ourselves the disgraceful living conditions in one of the two garment industry hostels we visited independently on that Sunday afternoon. The living conditions in the second hostel were somewhat better than disgraceful, but they were still rather bad.

Fifth, I had not realized before this trip that the CNMI immigration system, which falls under the sovereignty of the United States, is a diplomatic embarrassment to the United States Government. I know this to be true from first-person discussions we held in Manila and it appears to be the case elsewhere in Asia. This on the basis not of first-person but on press reports and testimony.

And then I would add, finally, that the CNMI immigration system fails to provide an avenue through which political asylum might be claimed. This is another embarrassment and one in direct contravention of U.S. treaty obligations, obligations that the U.S. State Department energetically urges upon all other countries.

The commission report in late 1997 expressed reservations about immediate imposition of Federal immigration controls then being recommended by the executive branch. In part, this was out of concern about the economic dependence on thousands, tens of thousands, of imported contract garment workers that the CNMI government had allowed to develop. It was also based, in part, out of concern about the health of the tourism industry, represented so ably by Mr. Sablan. And, finally, it was based, in part, on indications we received that the immigration service would not be willing

or able to commit the personnel resources that would be needed for Federal enforcement of Federal immigration law, coupled with reasonable doubts that the local government could be expected to enforce effectively a Federal law which it opposed.

Nearly two years has now passed since this recommendation was issued. And, in the interim, the CNMI government has changed hands and the current governor has expressed more concern about these problems. And some improvements, as you have heard, seem to have been made in enforcement and protection of contract workers rights.

Our second reservation concerned the willingness of the executive branch to commit the INS and other agency resources needed for effective enforcement. Here I would ask you to get it in writing, Mr. Chairman, because, according to the hearing record before the cognate committee on the Senate side, in 1998, the executive branch has committed itself to providing the necessary INS and other personnel that would be needed. If you obtain—if you have or obtain written assurances on this key point, then this source of the commission's hesitation and caution would no longer be at issue.

Mr. Chairman, there's one disagreement between the CNMI government and the Federal Government that I hope you will be able to resolve. And we've heard it here today. The CNMI government officials told us during our visit and continued to say today that the exception from the Immigration and Nationality Act, agreed during the 1976 Covenant negotiations, was intended to allow large numbers of foreign temporary contract workers to be imported to the CNMI.

The Federal Government, both the executive branch and the relevant congressional committee reports that I have seen, say that the intention of the exception was the very opposite, to protect the small island territory and its small indigenous population from being inundated with immigrants under the terms of the INA, an issue raised by one of your members just a few moments ago.

Obviously, these are dramatically different interpretations of the very same negotiations and the same Covenant. I hope you will be able to resolve this matter to your own satisfaction.

During our commission delegation meeting with then-Governor Froilan Tenorio, he told us that if the U.S. Government continued to insist the Federal immigration law should apply to the CNMI, he would consider moving towards independence for the Northern Marianas. My own view is that, as a U.S. territory, the CNMI should have such a right of self-determination as to future independence. If the majority of the citizens of the CNMI, in an open and fair referendum, were to vote to reverse the terms of the Covenant and thereby to cancel their U.S. citizenship so that they could become an independent state, their wishes should be respected.

I'd be happy to answer any questions you may have.

[The prepared statement of Mr. Teitelbaum follows:]

STATEMENT OF MICHAEL S. TEITELBAUM, ALFRED P. SLOAN FOUNDATION, NEW YORK

Mr. Chairman, Members of the Committee, Ladies and Gentlemen:

I am Michael S. Teitelbaum, a foundation executive at the Alfred P. Sloan Foundation in New York. By background I am a demographer, with a doctorate in this

field from Oxford University. I first became interested in data and research on international migration while serving from 1979-81 as Staff Director of the House Select Committee on Population. For the past 15 years I have done considerable research and analysis of immigration and refugee policies in the United States and many other countries.

From 1991 through 1997, I served as a Commissioner and Vice Chair of the U.S. Commission on Immigration Reform, the Congressionally-appointed Commission widely known as the Jordan Commission after its late Chair, former Congresswoman Barbara Jordan. Its eight members were appointed by the House and Senate majority and minority leaderships, its Chair by the President. I was appointed by the Senate Republican Leader Mr. Dole, though I am a political independent. Prior to this, I also served as a Commissioner on the U.S. Commission for the Study of International Migration and Cooperative Economic Development (chaired by Ambassador Diego Asencio), which completed its report to the Congress and President in 1990.

It is a pleasure for me to appear before you today. I am doing so at your invitation, and entirely in my personal professional capacity, representing no person or entity other than myself

In October 1997, I undertook a site visit to the Commonwealth of the Northern Marianas (CNMI) at the invitation of the Commission on Immigration Reform, of which I was a member. The Commission had been asked by the U.S. Department of Interior to undertake its own independent analysis of the immigration situation in the CNMI. We agreed to do so only with the understanding that our assessment, and any recommendations that might result, would be wholly independent of the Department. We emphasized that our views might well be at variance with the opinions and positions that the Department had already expressed. The Department officials involved agreed to these ground rules, and to my knowledge did not make any attempt to influence our findings or recommendations. I was accompanied on this trip by a fellow Commissioner, Robert Charles Hill, and by the Commission's Staff Director Susan Martin and two other staff members, David Levy and Monica Heppel (the last two traveled to CNMI a few days in advance in order to make arrangements for meetings with CNMI officials and other meetings and visits.) This visit, along with other data collection and analysis efforts, was the basis of the November 1997 report Immigration and the CNMI, of which I believe you have copies.

At the time I agreed to undertake this trip, I had no prior opinions about the CNMI. In preparation, I did read a large compilation of articles and reports reflecting all perspectives. I deliberately included in my reading list both the criticisms emanating from the U.S. Department of Interior describing the CNMI policies as failures, and the arguments prepared by the CNMI and its Washington supporters that described its policies as a successful model of free enterprise. Though I was reluctant to undertake such a long trip, it was clear to me from this reading that it would be impossible to make any fair determinations of the facts without seeing the situation firsthand.

We learned a great deal during our 5-day site visit, a 1½ day stop in Manila on the way home, and a 1-day side trip I took to nearby Guam. With one or two notable exceptions, we were treated with courtesy and professionalism by CNMI officials, private sector leaders, and Federal Government officials. I should also report to you that in a few cases, CNMI officials took us aside to confide that the official CNMI government position was not really accurate, and the "true story is" Moreover, on our very first day (a Sunday as I recall), before we had begun our scheduled meetings, I and some of my colleagues set off in a private car on our own, without announcement and unaccompanied by local officials, to inspect two of the garment industry "hostels" for workers from the People's Republic of China. In my view, any such site visit requires that one avoid being entirely controlled by one's hosts; this is really the only way to get a reasonably clear picture of a situation that is in passionate dispute and is otherwise quite distant from most of us in this hearing room.

Given the time limitation, I shall restrict myself to the following brief points:

1. The decisions taken by the CNMI government over the past decade—essentially to use its exception from the Immigration and Nationality Act (INA) to import thousands of foreign garment workers on temporary contracts, as its principal strategy for economic development and tax generation—are in my view unwise and quite unsustainable, both economically and politically. They are also contrary to core values of U.S. immigration policy.

2. The economy that has emerged in the CNMI over the past decade is one of the strangest in the world. To summarize:

the CNMI is an entity with a small land mass and small indigenous population—it decided to use its immigration exception and Customs preferences to

build an economy based on the garment industry, one of the world's most labor-intensive and lowest-productivity industries—as a result, the indigenous population of the CNMI is now outnumbered by foreign contract workers

9 out of 10 workers in the whole of the for-profit sector are foreign contract workers, and it is this *for-profit sector that is the low-wage, low-benefit* part of the economy

most of the indigenous Chamorro workforce works for the local CNMI government, and *this government sector is the high-wage, high-benefit* sector of the economy.

The only economy in the world that is at all similar to that of the CNMI is Kuwait's—but Kuwait is not part of the United States, has only limited provisions regarding democratic governance and individual rights, and has a core economy based upon its enormous oil reserves.

3. To be frank, the CNMI government is unable to manage the immigration policy that it has created. To be fair, this should be no surprise: no U.S. state or territory could effectively manage its own immigration policy, since none has the embassies and consulates around the world that it would need to pre-screen those applying for visas. Even the large state governments of New York and California could not do this; and neither can the much smaller CNMI government.

4. Foreign contract workers are easily exploited under the conditions of their contracts and CNMI law enforcement. Most are tied to a single employer, and most need to keep working to pay off the debts they owe to the labor recruiters who hired and transported them.

During our visit, we heard directly from numerous such workers alleging exploitation. We also saw for ourselves the disgraceful living conditions in one of the two garment industry hostels we visited independently; the living conditions in the second hostel was somewhat better than "disgraceful", though still rather bad. (Of course this is not a statistically representative sample.)

We also heard much about young female foreign contract workers employed as prostitutes. While of course it is very difficult to observe open prostitution, anyone taking a late evening walk in the entertainment district—literally right across the road from the principal hotel, the Hyatt—could not miss seeing the groups of scantily-dressed young women (who appeared to be Filipina and Chinese) beckoning to male tourists.

5. I had not realized before this trip that the CNMI immigration system, which falls under the sovereignty of the United States, is a diplomatic embarrassment to the United States. I know this to be true from first-person discussions we held in Manila, and it appears to be the case elsewhere in Asia (this on the basis of press reports and testimony we received).

The CNMI immigration system also fails to provide an avenue through which political asylum might be claimed—another embarrassment, and one that is in direct contravention of U.S. treaty obligations, obligations that the State Department energetically urges upon all other countries. In this regard, however, I did note recent press reports about the serious difficulties U.S. Government officials in neighboring Guam are facing in applying U.S. asylum procedures to the increasing numbers of Chinese from Fujian Province who are paying Chinese people-smugglers ("snakeheads") large sums to smuggle them into Guam in order to claim asylum. Given this experience, I would urge that you assure yourselves that U.S. asylum laws can be effectively enforced in Guam before they are applied to the CNMI.

The Commission report in late 1997 expressed reservations about immediate imposition of Federal immigration controls then being recommended by the Department of Interior. In part this was out of concern about the economic dependence on thousands of imported contract garment workers that the CNMI Government had allowed to develop. It was also based in part on indications we had received that the INS would not be willing or able to commit the personnel resources that would be needed for Federal enforcement of Federal immigration law, coupled with doubts that the local government could be expected to enforce effectively a Federal law which it opposed. For these reasons, the report recommended that the CNMI and U.S. governments enter in negotiations to find mutually-agreed policies that would be consistent with U.S. immigration traditions but recognize the special labor needs of the CNMI, especially with respect to the tourism industry.

Nearly two years has now passed since this recommendation was issued. In the interim, the CNMI government has changed hands, and the current Governor has expressed more concerns about the CNMI's immigration system than did his predecessor. Some improvements seem to have been made in enforcement and protection of contract workers' rights. Yet (as I understand it) the present Governor himself initiated the contract worker program in the garment sector, while he was in office during the 1980s, and recent statements that I have seen by him continue to em-

phasize the importance of the garment industry for the CNMI economy and for the revenues to the CNMI government.

In my opinion, any immigration policy like this one—promoting large-scale importation of low-skill temporary contract workers into a small tropical island, for the purpose of sewing shirts at low wages for export to the U.S. mainland—is not a viable option either in terms of sustainablev economic development OR in terms of basic American principals and treaty obligations.

Our second reservation concerned the willingness of the Executive branch to commit the INS and other agency resources needed for effective enforcement of U.S. law in the CNMI. According to the hearing record before the Senate Committee on Energy and Natural Resources on March 31, 1998, the Executive branch has now committed itself to providing the necessary INS and other personnel that would be required to enforce the INA. I would respectfully urge the Committee to obtain written assurances on this key point, but if these are already in hand or forthcoming, this source of the Commission's caution would no longer be at issue.

Given the passage of time and the fact that the CNMI government apparently continues to be committed to immigration policies that are not consistent with U.S. immigration traditions, and given the lengthy transition periods in both the House and Senate bills designed to allow the CNMI economy to adapt, I believe the case for the recommendation of further negotiations on these issues is no longer a strong one.

7. There is one disagreement between the CNMI government and the Federal Government that I hope you will be able to resolve.

CNMI government officials told us during our visit, and continue to assert publicly today, that the exception from the INA agreed during the 1976 Covenant negotiations was intended to allow large numbers of foreign temporary contract workers to be imported to the CNMI.

The Federal Government, both the Executive branch and the relevant Congressional committee reports, says that the intention of the exemption was the very opposite: to protect the small island territory and its small indigenous population from being inundated with immigrants under the terms of INA, which does not differentiate between immigration to the U.S. mainland and to a small island territory on the fringes of Asia.

Obviously these are dramatically different interpretations of the very same negotiations and the same Covenant. I hope you will be able to resolve this matter to your own satisfaction.

Since you have asked me for my opinion, here is what I think about these two possible interpretations. If the CNMI view is correct, I think the U.S. negotiators made a serious error that needs to be corrected. If the U.S. government view is correct, then the INA exception has been used for purposes opposite to those for which it was intended, and it should be terminated.

During our Commission delegation meeting with then-Governor Froilan Tenorio, he told us that if the U.S. government continued to insist that Federal immigration law should apply to the CNMI, he would consider moving toward independence for the Northern Marianas. My own view is that as a U.S. territory, the CNMI should have such a right of self-determination as to future independence, and I understand that in the last Congress Congresswoman Mink introduced legislation to this effect. If the majority of the citizens of the CNMI, in an open and fair referendum, were to vote to reverse the terms of the Covenant and thereby to cancel their U.S. citizenship so that they could become an independent state, their wishes should be respected. Such a referendum, with appropriate monitoring provisions, could be incorporated into pending legislation, limited to a specified time period (e.g. 1 year from enactment). It would presumably give CNMI citizens voting in the referendum two clear options:

- application of the terms of U.S. immigration law, with appropriate provisions for transition;
- or, reversal of all provisions of the Covenant and establishment of full independence for the Northern Marianas, with acquisition of a new Northern Marianas citizenship by the indigenous people of the islands accompanied by cancellation of the U.S. citizenship that the Covenant accorded to them as a group during the 1980s.

I would be happy to answer any questions you may have.

Thank you for your invitation, and for your kind attention.

Mr. DOOLITTLE. [presiding] Thank you very much. I'm going to reserve my questions at this time and recognize Mr. Schaffer for his.

Mr. SCHAFFER. Thank you, Mr. Chairman. I appreciate all of the witnesses being here and making trips to accommodate our schedule today and I'm even more grateful that the weather allowed us to be the only hearing in town so that we could actually sit through a whole hearing for a change, which we rarely get to do.

Let me ask the two industry representatives just a general question. You know, on the five days that I spent there, I had a chance to look at the number of aspects of CNMI's economy and visited I think eight or nine garment factories in the time we were there and had a chance to talk with a lot of local officials and met the two of you there as well. And there are acknowledged and legitimate concerns about many of the allegations that occurred here today.

My perspective is that the degree of those problems are perhaps different than have been described by some who have resorted to sort of an extreme kind of description, but labor conditions that need to be addressed, nonetheless. Those labor conditions also occur in the rest of the United States and we see a pretty vigorous effort by industry representatives and groups to try to resolve those internally in a way that seeks to avoid the heavy hand of the Federal Government as a worse, less desirable, option.

I would like you to discuss that as well, with respect to—well, we're going to hear from an individual a little later who has problems with the hotel industry. That's what brought him to CNMI and the reason he's here to testify about the harsh working conditions on the island, as well. Let me start there with the hotel industry, with the Chamber of Commerce in general. What kinds of things is your industry doing or trying—which direction are you trying to—can you give us an idea of the kinds of things you're trying to do internally, as business owners and community leaders, to resolve many of the legitimate concerns that are, from time to time, raised about the labor and employment conditions and immigration issues in the Commonwealth?

Ms. KNIGHT. Well, the Saipan Chamber of Commerce does have a code of ethics and we also spend a great deal of time educating our members about all the applicable Federal and local laws. We are fortunate to have an attorney on our board of directors. And he regularly puts out information to the members and we encourage forums where we can talk about the laws and how to enforce them.

Our community does care about the people that have had problems in the past. Personally, I have gone down and brought food to the Bangladeshis. We haven't done anything in a formal way, as a Chamber of Commerce. But, you know, I can assure you, we're working, in the best way we know how, which is—and that is to educate our members about the proper things to do.

Mr. RONALD SABLAN. The same thing, Congressman. The hotels also have an attorney on board and we try to disseminate information that is relevant to enforcement of applicable CNMI and Federal laws. There's a little concern in reference to owners and employee's cultural differences. Sometimes what is not good for us in the U.S. families might be acceptable in Asia. But, you know, those are the concerns that—or one of the reasons that we try to ask

Federal agencies to come to guide us, help us as to what applicabilities can be stricken out before any problem arises.

I have asked two times from the regional administrator of OSHA to come in and give us managers and engineers as to how we can apply the OSHA regulations. In the past, inspections had been, it was more focused on the garment and construction industries. We have asked them, but, until now, we haven't received any responses and we've been getting a lot of citations, not knowing what our requirements, especially in housing situations. So that's one of the reasons we're, again, asking for Federal agencies to come in and educate, especially owners of different nationalities in reference to applicable Federal laws.

Mr. TEITELBAUM. Congressman, may I add one word of endorsement to that?

Mr. SCHAFFER. Please do.

Mr. TEITELBAUM. My impressions were that the hotel industry, the industry of large hotels, at least, the large tourist hotels, is consists of responsible employers who do not engage in inappropriate or exploitative behaviors that I even heard about, much less observed. The main problem industries in the CNMI are not the large hotel, tourism industry. In fact, our commission was concerned that it not be caught in the backwash of concern about other kinds of problems in other industries and, thereby, damaged unfairly.

The problem industries seemed to be the garment industry, which is very big and is a problem; domestic workers; security—you already heard about that; many small businesses, but we couldn't tell how many; and agriculture, as well, which we learned very little about, but there are contract workers in agriculture as well. Those are the problem areas. The large hotel industry, I do not believe, is a problem area.

Mr. SCHAFFER. Thank you, Mr. Chairman.

Mr. DOOLITTLE. Thank you. Ms. Knight, Mr. Teitelbaum has indicated that he heard in Manila we looked upon poorly or negatively because of CNMI's treatment of Filipino workers during his October 1997 visit. But you've submitted a letter, as I understand, and press releases from 1998 and 1999 that reflect good working conditions of Filipino workers in the CNMI. Have you seen evidence of a change in labor and immigration practices by the CNMI since 1997?

Ms. KNIGHT. I'd also like to add to what you just said and that is that the Philippine consul, who is, on Saipan, is actively participating in our business organizations, not only the Chamber of Commerce, but also the Rotary Club. So she spends a lot of time talking to business owners and managers. And, yes, she has submitted a very favorable letter and press releases from her organizations that oversee Filipino contract workers overseas. And we were very encouraged by that. That's why we included that as part of our testimony.

I'd like to take a moment also, if I could, just to say that there's a misconception that our community has, you know, citizen workers at one level and alien workers at a far lower level. We have—we employ alien workers at all levels, from minimum wage on up. I mean, the two alien workers that I employ, for example, one of them makes $20,000 a year and has a company car. So it's a little

bit discouraging to hear people talk about alien workers as if all of them make minimum wage.

Also, they get a substantial number of benefits. The unlimited 100 percent health care that I talked about earlier is very significant. And I hope that people will remember that we do provide these benefits.

Mr. DOOLITTLE. I apologize. Regrettably, I missed most of the testimony of this panel while I was out of the room, but how long have you been there in the Northern Marianas?

Ms. KNIGHT. I've lived on Saipan 13 and a half years.

Mr. DOOLITTLE. Have you seen steady improvement in conditions there?

Ms. KNIGHT. Steady improvement not only in how people are employed, but also in our quality of life in general. When I first moved to the island, the telecommunications and the power system were very bad. The roads were filled with potholes. Our community is moving up in a lot of different ways. We're becoming a more sophisticated place to live and we have a lot more choices and opportunities than we've ever had before. And I think our employees do as well.

Mr. DOOLITTLE. Are you optimistic about the future for the Commonwealth?

Ms. KNIGHT. I remain optimistic, although, as I said earlier, this is the worst recession we could have ever have imagined. It came up sharply and suddenly without warning. But I believe that this recession is also an opportunity for us to become a better community. By going through a difficult time, it's forcing us to examine how we live, how we do business, how we treat one another. And I think we're going to come out as a better tourist destination and just, in general, as a better community.

Mr. DOOLITTLE. As the representative of the Chamber of Commerce, did you address the issue of the decline of the garment industry? I mean, is that your belief, that it's going to decline because of the provisions under GATT, I guess, kicking in and sort of disadvantaging, competitively, the CNMI vis-a-vis other nations?

Ms. KNIGHT. Well, I see two declines. One is happening now because of the lawsuit that was filed in January. In talking with a lot of factory managers and owners, I've been led to believe that we're going to see a 25 percent drop in orders by the end of this year.

Mr. DOOLITTLE. Can you tell us—maybe you've discussed this—the lawsuit refers to what?

Ms. KNIGHT. The class-action lawsuit that was filed in San Diego and San Francisco and Saipan against factory owners and also some major U.S. retailers. That's the first decline we're having, because of that lawsuit. The second will, of course, be from the new world trade agreements which will take place in I think it's 2004.

But I don't think that will destroy the industry. I think we have some very good businesses that are running factories on Saipan. I had an opportunity to meet and tour several of them and I saw that they were modern. They're doing quality work. They also have very good clients. I don't think they're going to disappear entirely.

Mr. DOOLITTLE. Thank you. Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. And I want to thank the members of the panel for their testimony this afternoon. I just wanted to ask Ms. Knight. You had indicated earlier that this figure of 90 percent work force—alien workers is somewhat misleading. Do you have an accounting of exactly the number of alien workers that are in mid-management or in high positions that are paid high salaries? I mean, is there a breakdown? Is it 1 percent out of the 33,000 that are alien workers? What level do they fit in as far as the salary range scale?

Ms. KNIGHT. Well, they fit in all levels. I mean, we do have—let me tell you, we're doing a survey of the Chamber of Commerce right now to find out exactly how many are in management and supervisory positions. But I just know from my own experience. We have a lot of managers in companies, supervisors, specialists that are paid a lot more than minimum wage.

Mr. FALEOMAVAEGA. Well, I'd like Mr. Sablan in the governor's office to submit that for the record. Is there such a record to give indications in terms of exactly where the—because I am very curious. Because 90 percent is a very high rate as far as foreign workers are concerned.

Ms. KNIGHT. We do, every quarter, as an employer, we're required to turn in records of what we pay every person on our staff. It's the employer's quarterly withholding report. And that would show what aliens and residents are making.

Mr. FALEOMAVAEGA. Well, I would like to request Governor Tenorio for those statistical data, if I could, Governor.

[The information follows:]

Mr. FALEOMAVAEGA. Okay. There was an indication, Mr. Sablan, concerning the hotel industry. What's the total number of hotel units that you now have in Saipan?

Mr. RONALD SABLAN. Right now, we have 4,588.

Mr. FALEOMAVAEGA. 4,500 rooms.

Mr. RONALD SABLAN. Yes.

Mr. FALEOMAVAEGA. And your current tourism——

Mr. RONALD SABLAN. The Hotel Association is comprised of 67 percent of that.

Mr. FALEOMAVAEGA. Give me the total number of hotel rooms you currently have right in Saipan.

Mr. RONALD SABLAN. 4,588.

Mr. FALEOMAVAEGA. 4,500. Okay. And you have currently how many tourists come to Saipan every year?

Mr. RONALD SABLAN. As of right now, it's a little over 380,000.

Mr. FALEOMAVAEGA. And before that, you were getting about 600,000 tourists.

Mr. RONALD SABLAN. 700,000.

Mr. FALEOMAVAEGA. A year?

Mr. RONALD SABLAN. Yes.

Mr. FALEOMAVAEGA. On your hotel industry, what percentage of the workers are alien workers in the hotel industry in Saipan?

Mr. RONALD SABLAN. We have 61 percent contract foreign workers; 39 percent local U.S. citizen.

Mr. FALEOMAVAEGA. Okay. And, of that, how many of the Saipanese are in management positions?

Mr. RONALD SABLAN. I don't have the exact percentage for that, Congressman, but I can provide it.

Mr. FALEOMAVAEGA. Yes. I would be interested to know if that could be provided.

Mr. RONALD SABLAN. We have the same as the Chamber. We put out the survey at the same time.

Mr. FALEOMAVAEGA. Yes.

Mr. RONALD SABLAN. So I can get all the stats in.

[The information follows:]

Mr. FALEOMAVAEGA. I notice also, Dr. Teitelbaum, that you made an interesting statement here that there is—the CNMI government officials told your commission that the 1976 Covenant negotiation was intended to allow large numbers of foreign temporary workers, contract workers, to be imported to the CNMI. I'm going to really look into the record, because that's not my understanding when we were in process of negotiation. The apparent fear that was among many of the members of the Congress was the instant travel of U.S. citizens going to CNMI. And, of course, then the being careful as well to see that we don't dominate, our citizens coming from the U.S. coming to CNMI would then dominate the economy as well as the social and governmental structure of the island.

But this is what you were told in you——

Mr. TEITELBAUM. Yes, Congressman. We were told that. And, actually, a similar point was made today during these hearings, I believe, several times. So I believe that CNMI officials believe that to be the case. And that's why I put in my testimony that it would be useful for you, as the members of this Committee, to clarify that matter. Perhaps you should ask the congressional research service to do a report on that. I don't know the details of those negotiations. But the reports we got were polar opposite as to what the intention.

Mr. FALEOMAVAEGA. Oh, we're definitely going to look into that. Another point also, Dr. Teitelbaum, that you made concerning the Kuwait and CNMI, I've been to Kuwait and I know that a vast majority of the workers there in the Kuwait work force are aliens, some from Jordan, even from the Philippines. But, of course, Kuwait has the oil, as it were. It can do pretty much what it wants as a sovereign nation and you're quite accurate about that.

Ms. Knight and Mr. Sablan, Mr. Fraser earlier documented some abuses, very serious abuses, in terms of the immigration and the labor laws, as far as some of the people, the foreign workers that were brought to the territory. Is this account accurate, in terms of—is this just glancing at the situation or is it—because from the statement of Mr. Fraser, it's very, very serious. Or is this just an account of just a few cases that I sincerely it has been resolved. But is this something a lot deeper than what Mr. Fraser describes in his testimony here? Do you agree with Mr. Fraser's assessment that it is a very serious problem?

Mr. RONALD SABLAN. I would say, Congressman, those were isolated cases in the past. There's always going to be problems. There's always going to be problems between employer and employee. But the rates, the prosecution, and the cases filed recently have been lower than what it used to be. And I would say that the

abuses that were claimed before are—a lot of it, as I mentioned earlier—was, again, it's either the employees were misinformed——

Mr. FALEOMAVAEGA. Okay. My time is up, Mr. Sablan. But one more question, if I may, Mr. Chairman. Could the economy and the people of Saipan, just on its hotel industry alone, with the number of the people of Saipan operating the hotels in terms of whatever they could do in that investment in the hotel industry, tourism for that matter, in the same fashion that the State of Hawaii is totally dependent on tourism, is it really absolutely necessary that you have to have a garment/textile industry to provide for that, critical? Is it critical that you have to have the garment industry as part of your work force?

Mr. RONALD SABLAN. Well, I wouldn't say it was critical, Mr. Chairman, but I think that any economy has to be diversified. I think tourism is always going to be the number one industry in the CNMI. But we also have to have another industry to fall on. Hopefully, we can get into an industry where it's less labor-intensive. But that's definitely something that we need to look at.

Mr. FALEOMAVAEGA. I know my time's up, Mr. Chairman.

Ms. KNIGHT. Can I answer that?

Mr. FALEOMAVAEGA. Please.

Ms. KNIGHT. We're very fortunate to have two legs to stand on instead of one, now that we have the Asian economic crisis, which has dropped our tourism industry so drastically. If we didn't have the revenue from the garment manufacturing right now, I don't know what we would be doing. We would all be coming to you with our hands out. The garment industry employment multiplier in our community is something just under 1.5. So what that means is that for every two garment workers, there's one other worker out in the community that has a job. So, yes, I believe we need that industry. I don't think we can wipe it out and live with that, overnight.

Mr. FALEOMAVAEGA. If I could ask Mr. Sablan of the governor's office. What percentage of your total budget comes out of the garment industry?

Mr. MICHAEL SABLAN. Mr. Congressman, as I mentioned earlier, the industry as a whole contributes about $85.7 million.

Mr. FALEOMAVAEGA. No, no, no. I want the percentage. What percentage comes out of the garment industry?

Mr. MICHAEL SABLAN. It's $85 million out of $210 million. About 39 percent, if I'm not mistaken.

Mr. FALEOMAVAEGA. About 39 percent?

Mr. MICHAEL SABLAN. 39 percent.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

Mr. DOOLITTLE. Ms. Knight, you referred to the multiplier effect. Do you have—do you or anyone else out there—have any sense as to that worker that has a job because of the garment industry, which employs, I guess, almost—or mostly alien workers, is the worker who's got that job, the other job created by the garment industry, does that tend to be an American or another alien? Do you have any sense of that?

Ms. KNIGHT. It's both. It certainly provides a lot of government jobs. Government jobs, people that own mom-and-pop stores, local residents that are leasing their land for the place where the factories are located, transportation companies, shipping companies,

stevedore employees, Customs officials, you name it. I mean, it is a big part of our community and there are a lot of other small businesses that support that industry.

Mr. DOOLITTLE. Okay. Thank you. Unless the members have further questions?

Mr. MILLER. Mr. Chairman.

Mr. DOOLITTLE. Yes.

Mr. MILLER. I do not have questions now. I just want to say to Mr. Teitelbaum, I had an opportunity to read his testimony and I, obviously, as you could tell this morning, I agree with much of your discussions of the problems and some of your conclusions about where I think this is heading. And I appreciate the work of the commission. And I thank the other witnesses for their testimony.

Mr. DOOLITTLE. I, too, thank the witnesses today. You've had a long day waiting to make your testimony and we appreciate your doing that. We will have, no doubt, further questions to propound to you and would ask for your prompt response. And we'll hold the record open until that comes. And, with that, we'll excuse the members of the third panel.

We will now proceed to the final panel. And, as the opportunity becomes available, please assemble yourselves up front here at the witness table. Gentlemen, if you will please rise and raise your right hands.

[Witnesses sworn.]

Mr. DOOLITTLE. Thank you. Let the record reflect each answered affirmatively. We welcome you here. We appreciate you coming. And we will begin by recognizing Mr. Steven Galster, executive director of the Global Survival Network. Mr. Galster.

STATEMENT OF STEVEN R. GALSTER, EXECUTIVE DIRECTOR, GLOBAL SURVIVAL NETWORK, WASHINGDON, DC

Mr. GALSTER. Thank you, Mr. Chairman. My name is Steven Galster. I'm the director of the Global Survival Network, which is a human rights and environmental organization based here in Washington, DC.

GSN has extensive background for investigating cases of human trafficking. Our investigative work on trafficking has been the focus of a lot of media exposes in CNN, New York Times, ABC, Washington Post, and a number of other media outlets. We've also worked with the State Department on public awareness programs aimed at preventing women from the former Soviet Union from falling into traps by sexual traffickers. And we've also—the recommendations and research we've done have been the focus of two pieces of legislation currently floating through the House and Senate chambers to combat trafficking. And our report on Saipan, called "Trapped" was also the focus of an ABC 20/20 piece in May as well as a Washington Post and other newsprint stories on that subject.

Although not always apparent to visitors to Saipan, including some congressional delegations, debt bondage is a way of life for many foreign workers living in the CNMI. Taking full advantage of the CNMI's special status as a U.S. territory, foreign corporations, Chinese employment agencies, criminal traffickers from across Asia, and opportunistic middlemen from the CNMI profited

at the expense of thousands of foreign workers in search of jobs in the USA.

They've also made somewhat of a mockery of our government's reputation as a leader of human rights. Instead of finding the dollars and democracy most workers seek in the CNMI, many do end up becoming trapped in debt bondage situations.

This situation has gone on for quite a long time. And I think the question now remains: What's this Committee and the Senate Committee on Energy and Resources going to do about it? I hope that they're not going to simply shift the blame onto Federal agencies and conduct witch hunts against former Federal employees.

Because the basic problem is not that existing U.S. laws are not fully enforced by Federal agencies on Saipan. The basic problem is a systemic one. Congress has allowed a situation to develop in which the transplanted Asian garment industry simultaneously enjoys substantial U.S. sanctioned tax breaks while flooding the local CNMI labor market with tens of thousands of powerless foreign workers. The industry is protected by U.S. tariffs, but the workers lack Federal protection, in part because Federal agencies, even if they had a full-time presence, would be constantly chasing criminals and labor violations that pile up as the result of the lax immigration and labor system regulated by the CNMI government.

GSN decided to focus on the CNMI because we had learned that Russian and Asian women were buying jobs as waitresses there, being sold jobs, that is. But then being forced into prostitution once they got to Saipan. We later learned that Saipan was full of garment factories, as well as stories of sweatshop abuse. Employer watchfulness and intimidation of workers, be it in brothels or garment factories, makes it difficult to obtain reliable information through traditional interviewing methods. In response to these constraints, we conducted an undercover investigation on top of our conventional research to document the existence and degree—or non-existence—of human trafficking in the CNMI.

During our investigation, among other things, we learned and documented the following. First, most foreign workers in the CNMI are working and living under debt bondage. They have incurred between $1,500 and $12,000 in recruitment fee debts for the right to have a job in the CNMI. That's before other debts might have been incurred once they got there.

Secondly, in many cases, a foreign worker in the CNMI will have to work one full year or more at 60 hours per week to pay off their debt before they start to earn money for themselves. Once on Saipan, most of these foreign workers give up their right to change jobs or return home if they decide they want to. Or to leave their job.

Security guards and sewers working for garment factories matter of factly stated that if they took their respective complaints, whether it was about worker harassment, employer harassment, or nonpayment, to the local Department of Labor and Immigration, the DOLI, they would lose their chance at having any job in the CNMI, which, given the debts they had compiled, was not a viable option. Obviously, some people do take their complaints to officials, but many, I would submit do not.

Workers who do manage to leave their abusive employers are often forced to buy another job, usually at the rate of $1,000. Many foreign women and some girls have been deceived by traffickers who promised them jobs as waitresses, but, upon arrival on Saipan, they were forced into prostitution, sometimes working in Chinese and Japanese owned clubs, run by what the women told us or described to us as Mafia.

Many garment workers are still working in squalid conditions, specifically I've witnessed fire hazards in factories, air unfit for breathing in others, dirty and cramped living quarters, and unsanitary water conditions. Garment factory bosses are known to prepare their factories in some places, and workers, for visits by U.S. legislators or garment monitors by warning workers not to speak badly about their jobs and by cleaning up factory floors in advance of the visit.

Domestic servants in CNMI are often abused psychologically and sometimes physically by their employers, who often pay them late and sometimes not at all.

The last two points I'd like to make are that the CNMI government is neglectful of and sometimes complicit in labor abuse. Job permits have been sold by CNMI officials to traffickers, who turn around and sell jobs, sometimes non-existent ones, to foreign workers.

And, secondly, CNMI politicians and CNMI businessmen feel free to abuse workers because, first of all, the local government agency in charge of investigating labor abuse, the DOLI, is oftentimes less than diligent in investigating these allegations.

And, secondly, and perhaps most disturbing, is that they feel they have close friends here in Washington, namely on this Committee and in other parts of Congress. The top garment executives as well as some CNMI legislators that I met, while working undercover—they didn't know who I was—claimed that House Majority Whip Tom DeLay promised he would manipulate congressional processes to prevent CNMI labor reform and that he had convinced the House Committee Chairman Don Young to quote, unquote "back off."

I hope this Committee is not going to back off this issue. I hope your not going to conduct simply witch hunts into what the Federal Government has been doing or not been doing. I hope you'll address the real issues here.

I hope you will extend the Immigration and Nationality Act to the CNMI, because it's my opinion that leaving control over immigration and labor in the hands of the CNMI administration will delay even longer the justice and the protection that they deserve and need. And justice delayed is justice denied. Thank you.

[The prepared statement of Mr. Galster follows:]

Mr. DOOLITTLE. Thank you.

Our next witness is Dr. Christian Wei, with the Christian Way Missions.

STATEMENT OF CHRISTIAN WEI, Ph.D., CHRISTIAN WAY MISSIONS, INC., CHINESE FOR CHRIST INTERNATIONAL, GREENVILLE, SOUTH CAROLINA

Mr. WEI. Thank you, Mr. Chairman. My name is Christian Wei, president of Christian Way Missions, Inc. and the senior pastor of Chinese Bible Church, located in Greenville, South Carolina. Our ministry is focusing on preaching the gospel of Jesus Christ to the world, especially the Chinese worldwide.

Since 1992, our organization has engaged in the ministry in the Commonwealth of the Northern Mariana Islands to preach the gospel to many Chinese contract workers, or guest workers. The Chinese workers come to the CNMI seeking to earn money so that they can have better lives when they go back to mainland China. Most of the Chinese workers are satisfied with their situation. This is because they know they would not have their freedom back home and they also know that they will not have the freedom and opportunity when they return. They have freedom in the CNMI to worship God, to work hard, and get paid. They do not want to lose this opportunity to work in this free country.

Reverend Kok Hiong Pang, pastor of the largest Chinese church in Saipan, and our coworkers have worked very hard to reach out to these Chinese contract workers. Because in the last 7 years, we have seen more than 1,200 Chinese workers get saved and 1,000-plus get baptized. Among these 1,000 baptized newborn Chinese Christians, around 800 have gone back to China and more than 20 house churches have been established. We believe the best way to change or transform that nature of the Chinese government is through sending back born-again Chinese Christians.

Last year, Reverend Pang and one of our coworkers came to Washington, DC, to testify in the Senate against the untruthful information presented by the media, the Department of Interior, Members of Congress, as well as some human rights organizations. The decision of the Senate was wise because they did not accept all the untrue data that the human rights organizations had submitted. This is because the majority of the foreign workers in the CNMI are still satisfied with their situation. However, the media and the above-mentioned groups did not reflect the views of these satisfied workers.

I would, therefore, testify that the allegation of so-called religious persecution and forced abortions are untrue. However, the cases of forced prostitution are isolated situations which can happen and do happen anywhere. Therefore, the above-mentioned groups and some of the media did not present the truth. They did not interview those or present the view of those who are satisfied and willing to come back to work in the CNMI for another term. I have spoken to many workers that want to stay and, if given the opportunity, they will come back. In fact, I have never spoken to any workers who would choose to never come back.

Thus, it is wrong to mislead the public to think that in the CNMI all are bad, all are guilty, all should be punished, and all laborers are criminals, and all are unhappy and have turned to prostitution.

Another important point is that major factories have encouraged their laborers to go to worship services. The buses of the factories have also been used to transport Chinese laborers to our church.

One factory has even set up a chapel inside the company for Christians to pray and to worship there. Our church is growing rapidly.

On behalf of my ministry, I urge you to oppose any attempts by the Federal Government to take over the CNMI. Furthermore, I urge you to oppose any legislation that would directly impact the present situation of the CNMI.

Through our ministry, over 25,000 Chinese workers have learned the principles, values, and freedoms of democracy, through the word of God. There is no better way to change a nation like China than through this back door. Therefore, current legislation would destroy opportunities for us to preach and train workers and later send them back to China to work for democracy.

Thank you.

[The prepared statement of Mr. Wei follows:]

STATEMENT OF CHRISTIAN WEI, PH.D., CHRISTIAN WAY MISSIONS, INC., CHINESE FOR CHRIST

Mr. Chairman, my name is Christian Wei, president of Christian Way Missions, Inc. and the senior pastor of Chinese Bible Church located in Greenville, South Carolina. Our ministry is focusing on preaching the Gospel of Jesus Christ to the world, especially the Chinese worldwide.

Since 1992 our organization has engaged in the ministries in the Commonwealth of the Northern Mariana Islands (CNMI) to preach the Gospel to many Chinese contract workers. The Chinese workers come to the CNMI seeking to earn money so that they can have better lives when they go back to Mainland China. Most of the Chinese workers are satisfied with their situation. This is because they know they would not have the freedom back home and they also know that they will not have the freedom and opportunity when they return. They have freedom in the CNMI to worship God, to work hard and get paid. They do not want to lose this opportunity to work in this free country.

Rev. Kok Hiong Pang, pastor of the largest Chinese church in Saipan, and our coworkers have worked very hard to reach out to these Chinese contract-workers. Thus in the last 7 years, we have seen more than 1,200 Chinese laborers get saved and 1,000 plus get baptized. Among these 1,000 baptized newborn Chinese Christians, around 800 have gone back to China and more than 20 house churches have been established. We believe the best way to change or transform the nature of the Chinese government is through sending back born again Chinese Christians.

Last year, Rev. Pang and one of our coworkers came to Washington DC to testify in the Senate against the untruthful information presented by the media, the Department of Interior, Members of Congress as well as some human rights organizations. The decision of the Senate was wise they go back to Mainland China. Most of the Chinese workers are satisfied with their situation. This is because they know they would not have the freedom back home and they also know that they will not have the freedom and opportunity when they return. They have freedom in the CNMI to worship God, to work hard and get paid. They do not want to lose this opportunity to work in this free country.

Rev. Kok Hiong Pang, pastor of the largest Chinese church in Saipan, and our coworkers have worked very hard to reach out to these Chinese contract-workers. Thus in the last 7 years, we have seen more than 1,200 Chinese laborers get saved and 1,000 plus get baptized. Among these 1,000 baptized newborn Chinese Christians, around 800 have gone back to China and more than 20 house churches have been established. We believe the best way to change or transform the nature of the Chinese government is through sending back born again Chinese Christians.

Last year, Rev. Pang and one of our coworkers came to Washington DC to testify in the Senate against the untruthful information presented by the media, the Department of Interior, Members of Congress as well as some human rights organizations. The decision of the Senate was wise because they did not accept all the untrue data that the human rights organizations had submitted. This is because the majority of the foreign workers in the CNMI are still satisfied with their situation. However, the media and the above mentioned groups did not reflect the views of these satisfied workers.

I would, therefore, testify that the allegations of so-called religious persecution and forced abortion are untrue. However, the cases of forced prostitution are isolated—situations which can and do happen anywhere. Therefore, the above men-

tioned groups and some of the media did not present the truth. They did not interview those or present the view of those who are satisfied and willing to come back to work in the CNMI for another term. I have spoken to many workers that want to stay and if given the opportunity they would come back. In fact, I have never spoken to any worker who would choose to never return.

Thus, it is wrong to mislead the public to think that in the CNMI all are bad, all are guilty, all should be punished and all laborers are criminals, and all are unhappy and have turned to prostitution.

Another important point is that major factories have encouraged their laborers to go to worship services. The buses of the factories have also been used to transport Chinese laborers to our church. One factory has even set up a chapel inside the company for Christians to pray and to worship there. Our church is growing rapidly.

On behalf of my ministry, I urge you to oppose any attempts by the Federal Government to takeover the CNMI. Furthermore, I urge you to oppose any legislation that would directly impact the present situation of the CNMI.

Through our ministry over 25,000 Chinese workers have learned the principles, values and freedoms of democracy through the Word of God. There is no better way to change a nation like China than through this backdoor. Therefore, current legislation would destroy opportunities for us to preach and train workers and later send them back to China to work for democracy.

Mr. DOOLITTLE. Thank you. Our next witness is Mr. Nousher Jahedi. Mr. Jahedi.

STATEMENT OF NOUSHER JAHEDI, WASHINGTON, DC

Mr. JAHEDI. Thank you, Mr. Chairman and the members. My name is Nousher Jahedi. I am from Bangladesh. I am the victim of human rights abuse and human trafficking in the United States Commonwealth of the Northern Mariana Island. I am one of 40,000 foreign guest workers trapped there.

After my father passed away, I had to provide for my mother, four sisters, and young brother. I took a job at an American military base in Saudi Arabia where I learned to speak English. I also came to admire the culture and the values of the greatest culture on the earth.

I paid a $7,000 recruitment fee to arrange for a job in Saipan, USA. The job I was offered by the recruiter, who worked for a U.S. citizen from the CNMI, was working as a cleaner for a hotel. That was the beginning of a nightmare that has yet to end.

After I and 11 other Bangladeshis left from our homes, we were taken by the recruiter to the Philippines, where we remained for 115 hellish days. We were kept in a room so small that only three of us could lie down at the same time. The recruiter, a predatory human trafficker, even robbed me of $1,700 at gunpoint, dollars, sir.

Things got worse when I finally reached Saipan. The employer who had recruited us demanded an additional $29,000 to obtain—$29,000 U.S. dollars to obtain our job that only paid $3.05 per hour, in essence forcing us to each work 20 weeks for free. This was my first glimpse into how life under the U.S. flag in the CNMI is different than anywhere else on earth.

I and the other Bangladeshis couldn't pay our prospective employer $29,000, so we found ourselves homeless and destitute. I lived hand-to-mouth for a year before finally finding a menial job. On some days, I only had one meal. On others, I and the others went without food.

I came to the CNMI legally and I had working papers issued by the CNMI Department of Labor and Immigration. So I filed a legal complaint against my employer. Two and a half years later, my

complaint is still being processed in a system overwhelmed with similar complaints from trafficking and exploited workers.

I have lost my everything and I can't believe that I and 40,000 of my sisters and brothers were treated like an animal under the U.S. flag. And "everything" includes not only my physical possessions, but my personal life as well. I borrowed $3,500 from Bangladeshi money lenders to pay half of my recruitment fee. I was unable to repay the loan or its exorbitant interest. As a result, my family was trying to help me, instead has been mercilessly harassed, even threatened.

I came to Washington, DC, to urge you the law makers to extend the rights and protection every other worker laboring under the American flag enjoys. And, thank you very much.

[The prepared statement of Mr. Jahedi follows:]

STATEMENT OF NOUSHER JAHEDI

My name is Nousher Jahedi. I am from Bangladesh. I am the victim of human rights abuses and human trafficking in the United States Commonwealth of the Northern Mariana Islands. I am one of forty thousand foreign guest workers trapped there.

After my father passed away, I had to provide for my mother, four sisters, and young brother." I took a job at an American military base in Saudi Arabia, where I learned to speak English. I also came to admire the culture and values of "the greatest country on Earth."

I paid a $7,000 "recruitment fee" to arrange for a job in "Saipan, USA." The job I was offered by the recruiter, who worked for a U.S. citizen from CNMI, was working as a cleaner for a hotel. That was the beginning of a nightmare that has yet to end.

After I and eleven other Bangladeshis left our homes, we were taken by the recruiter to the Philippines, where we remained for 115 hellish days. We were kept in a room so small that only three of us could lie down at the same time. The "recruiter," a predatory human trafficker, even robbed me of $1,700 at gunpoint.

Things got worse when I finally reached Saipan. The employer who had "recruited" us demanded an additional $29,000 to obtain our jobs that only paid $3.05 per hour—in essence forcing us to each work 20 weeks for free.

This was my first glimpse into how life under the U.S. flag in the CNMI is different than anywhere else on Earth.

I and the other Bangladeshis couldn't pay our prospective employer $29,000, so we found thernselves homeless and destitute. I lived hand-to-mouth for a year before finally finding a menial job. On some days I only had one meal; on others I and the others went without food.

I came to the CNMI legally. I had working papers issued by the CNMI Department of Labor and Immigration. So I filed a legal complaint against him employer. Two and a half years later, my complaint is still being processed in a system overwhelmed with similar complaints from trafficked and exploited workers.

I have lost everything, everything. I can't believe I and forty thousand of my brothers and sisters are being treated like animals under the U.S. flag.

"Everything" includes not only my physical possessions, but my personal life as well. I borrowed $3,500 from Bangladeshi money lenders to pay half of my recruitment fee. I was unable to repay the loan or its exorbitant interest. As a result, my family was trying to help have instead has been mercilessly harassed, even threatened.

I came to Washington DC to urge lawmakers to extend the rights and protection every other worker laboring under the American flag enjoys.

I face an uncertain future when I return to the CNMI. Since coming to the Washington, I have been warned I may be the next victim of hate crimes in the CNMI.

Mr. DOOLITTLE. Thank you. Our final witness will be the Reverend Raymond Kinsella, president of Grace Christian Ministries in Saipan. Reverend Kinsella.

STATEMENT OF RAYMOND KINSELLA, FOUNDER AND PRESIDENT, GRACE CHRISTIAN MINISTRIES, SAIPAN, MP

Reverend KINSELLA. Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you today to speak in opposition to the Federal takeover of the Commonwealth of the Northern Mariana Islands.

I am Reverend Raymond Kinsella, founder and president of Grace Christian Ministries, the largest evangelical ministry in the CNMI. Included in this organization are churches, Christian schools, and family social services. I also serve as the district superintendent of the Northern Marianas district of the Assemblies of God of Micronesia and I'm a member of the Traditional Values Coalition of the CNMI. In addition, I was born and reared in Guam and have lived in the CNMI for the last 13 years.

Over the last few years, there have been a number of news articles and programs that have been unfavorable and unfair to the CNMI. Recently, I watched the 20/20 program and did not recognize its portrayal of my home, the place where I've lived, worked, and ministered. As a result, I felt compelled to come to Washington, DC, and try to bring another, more accurate, perspective of the CNMI.

The CNMI has a deep-rooted history of Catholicism and now a growing evangelical community. There are more than 55 churches in the CNMI and this is more per capita than in most American cities.

In an attempt to seek out the truth and to either confirm or deny these allegations, I personally visited garment factories and surveyed workers. I met with garment, business, and church leaders and reviewed government reports and met and surveyed guest workers in my own congregation. While my study was not scientific, my goal was simply to gain a better understanding so I could form an intelligent opinion regarding these allegations and be able to speak truthfully.

As a result, I have formed the following conclusions. I understand religious persecution to exist when an individual group is singled out and deprived of basic liberties because of a profession of faith. However, the incidents I am aware of appeared to be more resolvable employment disputes than cases of religious persecution. For example, in some instances, employees are required to work on Sunday and get a weekday off in the compensation. I do not believe these are examples of persecution or repression, instead, issues that can be resolved through mediation and consciousness raising. Furthermore, some factories provide transportation to church services on Sundays and Wednesday evenings for the employees.

The issue of forced abortion follows along the same lines. The people of the Commonwealth overwhelmingly approved a constitutional provision opposing abortion. Any and all attempts to the contrary have failed due to the unwavering stand of the majority. Abortion is not acceptable in the CNMI, despite the impression the national media may convey. We have no evidence of forced abortion among our flock, nor do we hear reports of such from them.

Prostitution is prohibited in the Commonwealth by section 1341 of title 6 of the Commonwealth Code and again in Public Law 11-19, passed just last year, which is a strong indication of where the

majority stand on this issue and on strict enforcement of the law. While there is prostitution in the CNMI, as there is, regrettably, everywhere throughout the globe, it is neither rampant nor unrestrained in the CNMI. And I support the local government's crackdown on prostitution. Where there have been issues of prostitution among workers, some of the Christian community have worked together with government officials to address the problem.

However, corruption on the grand scale, suggested by the 20/20 story and other reports, does not occur in a community with such strong religious standards.

We are aware that bills have been introduced in Congress that would end the CNMI's ability to bring in foreign workers. Such bills would have devastating effects on our own ministries. In my own ministry, 50 percent of our students are children of guest workers. Fifty percent of our staff are guest workers. And 60 percent of our congregation are guest workers. Our members are grateful for the chance to work and to live for a time in the CNMI. We thank God for the opportunity it has given our churches to spread the gospel among them.

In addition, we view such bills as destructive measures that will humiliate and ultimately degrade the people of the Commonwealth. The negative publicity we have received has been devastating. I honestly believe that such a takeover would not only be a grave insult, but also unfair. No one in the CNMI denies that problems exist. However, recent media stories and efforts by the Clinton Administration have created the illusion that nothing is being done and that we are not competent to resolve these problems. This is unfair and untrue.

Mr. Chairman and the members of the Committee, we all take responsibility for the problems within the Commonwealth. We reap the benefits of this relationship and we are accountable for the mistakes. I appeal to the Committee to allow the partnership of the local government, the business, and the church to prove their commitment to resolve this once and for all. Thank you again for this opportunity for me to bring this message for myself and my CNMI colleagues.

[The prepared statement of Reverend Kinsella follows:]

STATEMENT OF RAYMOND KINSELLA, FOUNDER AND PRESIDENT, GRACE CHRISTIAN MINISTRIES, SAIPAN, MP

The CNMI has a deep-rooted history of Catholicism, and now a growing evangelical community. There are more than 55 churches in the CNMI. This is more per capita than in most American cities.

In an attempt to seek out the truth and to either confirm or deny these allegations, I personally:

—visited garment factories
—conducted a survey of garment factory workers
—conducted a survey of pastors—and met with pastors
—conducted a survey of my own congregation
—reviewed reports supplied by the offices of the Governor of the CNMI and the Washington, DC Representative for the CNMI
—met with Governor Tenorio, Lt. Governor Sablan and Washington Representative Babauta

While my study was not scientific, my goal was simply to gain a better understanding so I could form an intelligent opinion regarding these allegations and be able to speak truthfully. As a result I formed the following conclusions:

1. I understand "religious persecution" to exist when an individual or group is singled out and deprived of basic liberties because of a profession of faith. However,

the incidents I am aware of appear to be more resolvable employment disputes than cases of religious persecution. For example, in some instances, employees are required to work on Sunday and given a weekday off in compensation. I do not believe these are examples of persecution or repression, instead issues that can be resolved through mediation and consciousness raising.

Furthermore, some factories provide transportation to church services on Sundays and Wednesday evenings for their employees. Clearly those who accuse the CNMI of rampant religious persecution know little of our island. Perhaps these accusers have not read the papers or visited places like Sudan, Iran or Iraq—where religious persecution really does exist.

2. The issue of "forced abortion" follows along the same lines. The people of the Commonwealth overwhelmingly approved a constitutional provision opposing abortion. Any and all attempts to the contrary have failed due to the unwavering stand of the majority. The Catholic Bishop, His Excellency Bishop Tomas A. Camacho, in his testimony to the CNMI House of Representatives stated, "both Federal and local laws prohibit the capture of Haggan (turtles) and the penalty for violation for this is a $25,000 fine. The proposed bill states 'any person who is found guilty of abortion shall be punished by . . . a fine not to exceed $20,000. Are Haggan worth more than Chamolinian babies?" Abortion is not acceptable in the CNMI, despite the impression the national media may convey. We have no evidence of forced abortion among our flocks nor do we hear reports of such from them.

3. Prostitution is prohibited in the Commonwealth by Section 1341 of Title 6 of the Commonwealth Code and again in Public Law 11-19, passed just last year, which is a strong indication of where the majority stand on this issue and on strict enforcement of the law. While there is prostitution in the CNMI, as there is, regrettably, everywhere throughout the globe, it is neither rampant nor unrestrained in the CNMI. I support the local government's crackdown on prostitution.

Mr. DOOLITTLE. I am going to reserve my time and recognize Mr. Schaffer.

Mr. SCHAFFER. Thank you, Mr. Chairman. Mr. Jahedi? Is that how—how do I pronounce your name, properly? How do I pronounce your name properly?

Mr. JAHEDI. Jahedi. Nousher Jahedi.

Mr. SCHAFFER. Your last name?

Mr. JAHEDI. Jahedi, sir. J-A-H-E-D-I.

Mr. SCHAFFER. Do you go by the name Poppen as well? Is that correct?

Mr. JAHEDI. Yes, sir. It's my nickname. My parents called me Toppen.

Mr. SCHAFFER. Toppen. I appreciate your taking my call last night. It was a nice conversation. I appreciate that. You mentioned your plans here in the United States, that there may be some chance for—what's the word?—asylum. Is that your goal and objective, to seek asylum in the United States?

Mr. JAHEDI. No, sir.

Mr. SCHAFFER. It is not?

Mr. JAHEDI. Before I left from Bangladesh, I thought that Saipan was the United States of America.

Mr. SCHAFFER. Right.

Mr. JAHEDI. When I arrived in Saipan, I realized that Saipan is not America. It's only a U.S. commonwealth. But I was told by the recruiter when I arrived in——

Mr. SCHAFFER. I understand that. I'm speaking about the conversation we had last night.

Mr. JAHEDI. Yes.

Mr. SCHAFFER. About—I asked how long you were staying in the United States. You said you were seeking asylum. Is that still the case, today?

Mr. JAHEDI. Yes, sir.

Mr. SCHAFFER. Yes. How have—can you tell me a little bit about the process of seeking asylum? What are you doing to seek asylum now?

Mr. JAHEDI. I was involved in a political party in Bangladesh. When the new government came to the party on June 23, so I left Bangladesh.

Mr. SCHAFFER. Okay. The history is not what I'm after. Let me ask you, is Global Survival Network helping you achieve asylum in the United States?

Mr. JAHEDI. No, sir. It's my own.

Mr. SCHAFFER. Are you aware that—I just want to be certain. Are you aware that the Global Survival Network, in helping to apply for the parole to come here for this hearing, guaranteed to the Office of Insular Affairs that they will guarantee your return to CNMI at the end of your stay? Were you aware of that?

Mr. JAHEDI. Sorry, sir?

Mr. SCHAFFER. That Mr.—can't remember names today. Mr. Galster in a letter that he assigned to—the memo to the Office of Insular Affairs has guaranteed your return to CNMI after the hearing. Were you aware of that guarantee, that this was a condition of coming here today?

Mr. JAHEDI. Yes, sir. I know that.

Mr. SCHAFFER. That you must go back to CNMI?

Mr. JAHEDI. Yes, sir. I know that I have to return to Saipan.

Mr. SCHAFFER. Were you aware of this guarantee?

Mr. JAHEDI. Sorry, sir?

Mr. SCHAFFER. Were you aware of this guarantee?

Mr. JAHEDI. I did not understand. Can you please make it easy for me please?

Mr. SCHAFFER. Did you know that this guarantee exists? That Mr. Galster will guarantee that you'll be returned to CNMI after your stay here?

Mr. JAHEDI. Yes, sir. I know that.

Mr. SCHAFFER. You understood that?

Mr. JAHEDI. Yes.

Mr. SCHAFFER. Thank you. Now let me ask, when Chairman Don Young was in Saipan.

Mr. JAHEDI. Yes, sir.

Mr. SCHAFFER. As I understand, you were at a rally there?

Mr. JAHEDI. Yes, sir, I was. I was with the workers.

Mr. SCHAFFER. Right. How did you learn about the rally?

Mr. JAHEDI. Sorry, sir?

Mr. SCHAFFER. How did you learn that the rally was going to take place?

Mr. JAHEDI. We know that Mr.—I read it from the newspaper that Mr. Don Young and other members of the Committee is going to have a plan to visit the Commonwealth of the Northern Mariana Island. And, by that time, before Mr. Young came out there——

Mr. SCHAFFER. Right. Can you tell me about the car you borrowed to drive to that rally? Who did you borrow the car from?

Mr. JAHEDI. My friend, sir.

Mr. SCHAFFER. Your friend? That same friend tells me you accepted $1,200 to help round up other friends for food, gas, and for

the vehicle, to help find other Bangladeshis to go to the rally. Is that true?

Mr. JAHEDI. No, sir.

Mr. SCHAFFER. Did you receive any money or compensation at all for attending that rally and rounding up friends?

Mr. JAHEDI. No, sir. No, sir.

Mr. SCHAFFER. None at all?

Mr. JAHEDI. No.

Mr. SCHAFFER. Do you know any others who did?

Mr. JAHEDI. No, sir. I don't know about that.

Mr. SCHAFFER. On my visit to Saipan just two weeks ago.

Mr. JAHEDI. Yes, sir.

Mr. SCHAFFER. I heard from two separate individuals that you received $1,200 from a Federal official, frankly, to attend that rally. And that you used it to help pay for food and gas and so on. Is that incorrect or is it correct?

Mr. JAHEDI. No, sir. It's not correct.

Mr. SCHAFFER. Okay.

Mr. JAHEDI. It's not correct.

Mr. SCHAFFER. Do you know any others who received money to attend that rally from any Federal officials?

Mr. JAHEDI. No, sir.

Mr. SCHAFFER. None at all?

Mr. JAHEDI. No, sir.

Mr. SCHAFFER. Let me—how about the signs that were used at the rally. Did you make those signs?

Mr. JAHEDI. Not only me, sir.

Mr. SCHAFFER. Now where did they come from?

Mr. JAHEDI. Sir, we made the banner, sir, and the placards. The placards, sir?

Mr. SCHAFFER. The chairman would ask—like me to stop asking questions. Okay. Yes, the signs. The signs you were holding.

Mr. JAHEDI. Yes, we hold it. We make it on the boat, you know, the cartons. We use the cartons.

Mr. SCHAFFER. And where did those materials come from?

Mr. JAHEDI. We grab it from the street some and we buy from the Joten some, though, not all though, everything, only the few. Like the six pages that we buy from the Joten. The colored one.

Mr. SCHAFFER. Thank you, Mr. Chairman.

Mr. DOOLITTLE. Thank you. Mr. Miller.

Mr. MILLER. Maybe Mr. Schaffer could tell us the answer to these questions, because apparently—well, no, if there is, I mean you've—I don't know—accurately or inaccurately, whatever, you suggested Federal officials paid people to go to—that this gentleman received money. He says he didn't. So what's the allegation and then maybe people can help out and find out what the answer is.

Mr. SCHAFFER. If the gentleman would yield.

Mr. MILLER. Yes.

Mr. SCHAFFER. I will tell you with absolute certainty, while I was there in CNMI and interviewed a number of garment workers and others, in the case of this question, Bangladeshi workers, I was told on multiple occasions that individuals received funds, in fact,

$1,200 from Federal officials to attend this rally and go rent cars, fill up the tank, and feed people.

Mr. MILLER. And you were also told that this gentleman received money. And he says no.

Mr. SCHAFFER. Yes. The testimony I received mentioned you by name as one individual who received money from a Federal official——

Mr. JAHEDI. And—excuse me, sir. How do you believe that the person who told you that I received the money? Because I am a victim. I suffered. I care for—as a human being, I have little respect to myself. That way, my employer make me suffer. Of course, I will join with them and I will try my best to protest against this.

Mr. SCHAFFER. I think, in all fairness, the conclusion I reached that you——

Mr. JAHEDI. I did not take any money from anybody, sir.

Mr. SCHAFFER. [continuing] your answer is part of the inquiry that is ongoing, frankly. I think I've been forthright in telling you that while I was there somebody suggested——

Mr. JAHEDI. Yes. And that——

Mr. SCHAFFER. Two individuals that we—that—that——

Mr. JAHEDI. Yes. No, sir. I understand that.

Mr. SCHAFFER. On two separate occasions, in addition to another letter that I've received since then, that mentioned you by name. I'm merely giving you a chance to respond to that. If you say it's not true——

Mr. JAHEDI. Yes, sir.

Mr. SCHAFFER. Then that is a fine answer for you to give us today.

Mr. JAHEDI. Yes. But——

Mr. SCHAFFER. Now is that the answer.

Mr. JAHEDI. I—yes, sir. I just joined the party for—I just joined the demonstration because I am also——

Mr. SCHAFFER. To answer your question, Congressman Miller——

Mr. MILLER. Yes. No, that's what I wanted to know.

Mr. SCHAFFER. During my investigation——

Mr. MILLER. Because he has said that what you were told was inaccurate and I don't want to leave the suggestion that somehow that that story is more accurate than what this gentleman has told us, because he said, in fact, it didn't happen. So what we have, for the moment here, is we have an allegation.

Mr. SCHAFFER. That's right.

Mr. MILLER. Of which we don't know the——

Mr. SCHAFFER. Fairly stated.

Mr. MILLER. [continuing] truth or not. And I guess that'll be determined down the road. I want to thank you, Mr. Jehedi, for your testimony. I don't know your particular case, but I did have an opportunity to meet with many of the young Bangladeshi men, who were brought under really false pretence and fraud and really a criminal conspiracy to defraud them of whatever money they could get from you and others to come to the CNMI. The tragedy is that it appears that many people in the CNMI were part of that same operation, since many of you were given official documents. They weren't forgeries. They were given by other government officials to

these individuals that took you for all that money. And it's a very sad state of affairs that you've been put in this situation.

I also find it rather interesting that, in a time when you're in a very desperate situation and the government acknowledges that you and many of your friends have been fraudulently taken advantage and criminally taken advantage of, that they would rather bring additional workers to the CNMI than give you the job so you might have a chance to earn your way out of your predicament back home.

Because, as I understand in talking to many, many people during the days that we were there, many people had borrowed from friends and from family and from other people in their towns and their villages to pay the recruiter to come to America, they thought. They later found out, of course, it was the CNMI, which was not the same, under immigration laws.

And I find it rather disheartening that the government in many cases, many, many of the Bangladeshi young men—for those who aren't aware of this—had been working as day laborers, they'd been working for people and people have constantly hired them, promised them wages, and not paid them, at the end of the jobs, as they've tried to form a commune and support one another and get work where they can. But rather than let them have eligibility for other jobs in the area, they have not been able to go to work except in an illegal fashion and, obviously, if they're in an illegal fashion, then they can immediately be deported. The people who employ them know that, but that's not unique to the CNMI; it happens, unfortunately, in some of the States in this country where people's alien status is used against them.

So it's a tragedy. And it's one that these young men, while they could be earning some of the debt that they have incurred in good faith on their part to go back, but the government hasn't seen fit to do that. As we've heard, many of them, some of them have, that have been able to work, have claims for unpaid wages that exceed the amount of money that the government is willing to give them along with the plane ticket. And so they're going to lose money not only to those who took it from them illegally, but those who are taking the money from them under the rubric of enforcement of the law, which is a double tragedy for these young people. And I guess, you know, that's why formal complaints have been lodged by their embassy.

Mr. Galster, let me thank you for your testimony and for your work on this issue. I don't think I need to go through a lot of questions with you. I agree, obviously, with much of what your findings were and the information that you conveyed.

And, finally, you know, for the other two witnesses, I'd just say to continue to try to pass off that somehow this is all about the media. I don't know how many indictments, I don't know how many convictions, I don't know how many tragic cases it'll take. It's not a matter of speculation. It's thousands of workers who people have stipulated they've withheld their wages, they've been convicted of withholding their wages, they've entered into settlement agreements, in some cases they've been prosecuted under the criminal laws of this nation. I don't know how much evidence you'll need to understand that tragically this is going on all too often.

This isn't the exception. Over the last decade, tragically, this has been much of the rule of the relationships with these people who were brought to the CNMI. That's not to suggest that there aren't people there who have not been victimized and many people there who have different circumstances. But the numbers run into the thousands and thousands and the amounts of money run into the millions.

And I don't know how much prostitution it takes before you decide that this is factual. The prosecutions that have gone—I don't know. We prosecute people under the Mann Act and all that. So it's not about the media. It's not about the media. It's about hard facts that human rights workers and others have developed and, tragically, people like the young Bangladeshi gentleman and his colleagues have suffered through, that they've told—you know, it wasn't the media that told their story to this Committee, that told the governor and the others that they ought to pass a law to try to help these people financially. This Committee on both sides of the aisle believed these young men when they told us their situation. The U.S. attorney has validated that. The prosecutions, to some extent, have validated that.

So I think to suggest that somehow this is just something that the media has made up is a tragic disservice to the thousands of young people who have been caught up in this effort who are doing nothing more than, one, looking for an opportunity, obviously, to come to America and to search for the better and to work very, very hard. And whether they're exploited or not, obviously, when you go into these factories, you see people who are working very, very hard, trying to earn some wherewithal within their families or relatives, however it's apportioned out. And to suggest that that's just a figment of 20/20's imagination or something else would be a tragic disservice to those individuals.

Thank you, Mr. Chairman.

Mr. DOOLITTLE. I recognize myself for five minutes and yield the time to Mr. Schaffer.

Mr. SCHAFFER. Thank you. Mr. Galster, who wrote the report? The "Trapped" report?

Mr. GALSTER. I was the principal author.

Mr. SCHAFFER. The principal author. Now, in your testimony, you mentioned that there were a team of investigators. How big was the team?

Mr. GALSTER. There were two principal investigators and then we had about three or four—yes, about three or four other people helping us on the ground. So I'd say a team of five to six altogether.

Mr. SCHAFFER. Let me ask, did the United States Department of Interior play any role in helping to edit or write any or all of the report?

Mr. GALSTER. No. What I did is I sent a draft of that report around to about 14 different people for a peer review, including David North, including other people we had interviewed, even including two business people in the CNMI who were very sort of anti-Federal takeover. All of them came back with comments. We were mainly doing a factual——

Mr. SCHAFFER. It's Mr. North, at the time, the Department of Interior employee that I'm interested in. Can you tell me about the title, "Trapped: Human Trafficking for Forced Labor in the Commonwealth"? Where did that title come from?

Mr. GALSTER. I think that was a series of titles that we had thought about and brainstormed about. It seemed to me——

Mr. SCHAFFER. Let me ask, in the second batch of——

Mr. MILLER. Will the gentleman yield. You've got to let the witness answer the question. You keep breaking him off in the middle of the question.

Mr. SCHAFFER. With the second—I'd be happy to if you would yield the time to me so I could do that. I would——

Mr. MILLER. You can take all the time you want, but let him answer.

Mr. SCHAFFER. The second—let me—the second draft report of notes from Mr. North said, "Regarding the title, here are some possibilities: Trapped. Trapped Under the U.S. Flag. Trapped: Human Trafficking in the Marianas. Trapped On Saipan. Trapped Under the U.S. Flag on Saipan." Do you think any of those suggestions had anything to do with your choice of the title "Trapped: Human Trafficking in the Forced Labor of the Commonwealth of Saipan"?

Mr. GALSTER. They might have. I mean, we were playing with a whole bunch of titles at the time.

Mr. SCHAFFER. Might have?

Mr. GALSTER. I would suggest, though, if you're investigating all this and you want to look for ghostwriters, you might want to look right behind me at some of the lawyers and other lobbyists who have helped write the testimony for some of the other people who have testified today.

Mr. SCHAFFER. Very good. Did you and your organization commit to the Office of Insular Affairs that, with respect to Toppen, that you would guarantee that your organization would pay for his travel and daily expenses, ensure his return to the CNMI at the end of his brief stay, and chaperon and accommodate Mr. Jahedi during his stay?

Mr. GALSTER. Yes, I did.

Mr. SCHAFFER. Has your organization done that, in fact?

Mr. GALSTER. I paid for—our organization paid for Nousher to come over. I guaranteed that we would get him back. Once he got here, we thought that—we wanted him to come over and be able to speak to the media and possibly testify, because I found during my investigations that he was one of the more forthright and articulate person who was willing to speak.

Mr. SCHAFFER. I agree.

Mr. GALSTER. Once he got over here, it was clear to me if we sent him back I felt like I was sending him back to get killed. So I backed off of that commitment.

Mr. SCHAFFER. The——

Mr. GALSTER. I hear sneers in the background here, so I'd like to just follow up on that.

Mr. SCHAFFER. Your guarantee to ensure his return to CNMI at the end of his brief stay was made—I guess he arrived here May 12, May 13, somewhere around that?

Mr. GALSTER. Yes, somewhere around then, that's right.

Mr. SCHAFFER. When is—how long is the brief stay?

Mr. GALSTER. He would get a 90-day visit, so I think it was an open-ended ticket for 90 days. And at that time, I think, we were hoping that there were going to be hearings on this issue sometime in May.

Mr. SCHAFFER. How many—during the course of your investigation, how many factories did you investigate?

Mr. GALSTER. Nine.

Mr. SCHAFFER. Nine?

Mr. GALSTER. Nine.

Mr. SCHAFFER. And can you—the—and over what kind of time period?

Mr. GALSTER. I went to Hong Kong for a week. I went to Saipan for another four weeks. Five weeks altogether.

Mr. SCHAFFER. Were all the factories on Saipan?

Mr. GALSTER. Yes.

Mr. SCHAFFER. Okay. And can you tell us under what pretense you managed to investigate these factories?

Mr. GALSTER. Sure. We'd conducted two levels of inquiry. One was conventional research in which I told people who we were. Another one, I was an undercover investigator purporting to be a New York-based garment executive who was interested in placing orders, possibly interested in placing order with Saipan-based factories.

Mr. SCHAFFER. Now, Toppen, can I ask you a couple more questions? Do you know Jeff Shore?

Mr. JAHEDI. Sorry, sir?

Mr. SCHAFFER. Do you know Jeff Shore?

Mr. JAHEDI. Yes, he's working in the Department of Interior Saipan, sir.

Mr. SCHAFFER. Right. Has Jeff Shore ever given you any amount of money for any reason?

Mr. JAHEDI. No, sir. No, sir.

Mr. SCHAFFER. No. And has Alan Stamen ever given you any amount of money for any reason?

Mr. JAHEDI. No, sir. No.

Mr. SCHAFFER. Did Jeff Shore or anyone else ever ask you to help in getting people together for demonstrations or protests?

Mr. JAHEDI. No, sir.

Mr. SCHAFFER. No? Did Jeff Shore or anyone else ever ask you for help in getting cars to round up people?

Mr. JAHEDI. Excuse me, sir?

Mr. SCHAFFER. Getting cars to round up Bangladeshis?

Mr. JAHEDI. No, sir.

Mr. SCHAFFER. No? Thank you, Mr. Chairman.

Mr. DOOLITTLE. Mr. Faleomavaega is recognized.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. This has been a long afternoon, to say the least. I do have just two questions that I want to communicate with Governor Tenorio or Mr. Zachares or anybody in the NMI administration that I would like to just clarify for the record. Can anybody come and help me on that? Is Mr. Zachares there? Governor Tenorio or somebody? Please.

There's been a lot of the statements and also the proposition that was brought forth by the government witnesses earlier this morn-

ing, Mr. Zachares. I don't think there's any question, in terms of the past record, that there have been abuses. Can that be safely said, for the record, that there have been abuses of the use of labor and immigration law, as far as the NMI government is concerned?

Mr. ZACHARES. As far as the government is concerned?

Mr. FALEOMAVAEGA. Yes. And I'm not one to try to go into the sins of the past. I'm just trying to project, at this point in time, since Governor Tenorio took over as the new governor, I'd say for the past one year, can you tell me exactly, for the record, what is the procedure before a foreign worker can come to NMI to work, do you still have shadow contracting going on as part of the process?

Mr. ZACHARES. Not that we recognize and not that we're aware of, sir.

Mr. FALEOMAVAEGA. No. That's not my question. Do you still permit shadow contracting in the process?

Mr. ZACHARES. No, sir. No, sir. No, sir.

Mr. FALEOMAVAEGA. So, right now, if I want to get the gentleman from Bangladesh and somebody does the contracting or the brokering, is that still permitted as part of the process of bringing a foreign workers to NMI?

Mr. ZACHARES. Okay. Could you say that one more time, sir? I couldn't——

Mr. FALEOMAVAEGA. Let's say I've got five people in Bangladesh that want to come to work in Saipan. Somebody in Bangladesh goes and says, hey, I know somebody in Saipan, USA, that wants to bring five workers to work there in Saipan, USA. Does that coyote or does that middle man still exist as part of the process?

Mr. ZACHARES. Should not. Should not there. First of all, would not come in from Bangladesh. Second, would be subject, under the moratorium and we would recog—that middle man in Bangladesh should not be there.

Mr. FALEOMAVAEGA. Are you saying you now have current laws in the books in NMI that restricts this kind of procedure?

Mr. ZACHARES. We are looking into the legislation to restrict this procedure——

Mr. FALEOMAVAEGA. You mean, it's still going on right now?

Mr. ZACHARES. No, sir. We would not recognize that individual.

Mr. FALEOMAVAEGA. No, I don't—maybe I'm not clear in my question. Right now, as a matter of policy or as a matter of law——

Mr. ZACHARES. Well, as a matter of policy, sir, no, we would not.

Mr. FALEOMAVAEGA. But it's not under the law right now, as far as NMI is concerned?

Mr. ZACHARES. No, sir.

Mr. FALEOMAVAEGA. So, in other words, they can still come with contract brokers, living in Bangladesh or Pakistan or wherever they go?

Mr. ZACHARES. Well, what we've done in those countries with the high incidence of exploitation——

Mr. FALEOMAVAEGA. Gee, you know, please appreciate, I was there when that rally was held. It wasn't very pleasant. I was there when we had 600 of these people and Mr. Jehedi. At midnight, we were hafing a rally next to the hotel and people groping and wanting to know what can we do? Because they couldn't find employ-

ment. They can't—you know, I mean, it was really a very sad situation. And I just wanted to know, within the one year period, that my good friend Governor Tenorio had has this administration, is it the policy of the administration now that forevermore you don't have this kind of contracting, not to allow these kinds of people to come in and be employed?

Mr. ZACHARES. Yes, sir. Yes, sir. In point of fact, in the countries where we found the high exploitation of workers, for example, Bangladesh, Nepal, Pakistan, that you were—we're not even bringing in workers from those areas right now, because of the level of abuse in the past that was there and because of the exploitive nature of the people that were coming in.

Mr. FALEOMAVAEGA. So what you're saying, Mr. Zachares, as a matter of policy, as far as Governor Tenorio is concerned, that's his policy.

Mr. ZACHARES. Yes, sir.

Mr. FALEOMAVAEGA. But it is still not a law.

Mr. ZACHARES. It's not currently a law, no, sir.

Mr. FALEOMAVAEGA. So you could have a policy, but it could still abuse it, because there's no law that will govern this very real serious issue and problem.

Mr. ZACHARES. Well, there are other laws in place right now. For example, one, as I pointed out, there are some countries that we are not bringing workers in. Second, the moratorium laws that are in place. There are other laws that are covering. And the policy is we are not recognizing that, sir, no.

Mr. FALEOMAVAEGA. Mr. Chairman, I just want to say, in closing, this is really a sad day for the territories. I say it with due respect to my good friend Governor Tenorio and all his efforts that has been in trying to rectify the problems the NMI have had to go through in the past, and abuses, as it has recognized.

Traditionally in this Committee and the members that deal with issues affecting the insular areas, it's been on the process of bipartisanship. But there was no partisanship in terms of whether it's a Democratic or a Republican issue. And I'm sad to say, Mr. Chairman, that today is now we're at the pits. It has now become a very partisan issue. And it really saddens me because I just hope and wish that this would not be the case with NMI and I just really, really am saddened that it has now come to this.

And I wanted to ask Governor Tenorio, earlier Dr. Teitelbaum made a very astute observation. Because it's almost now to the point where some members who know Tenorio say, hey, if you want to become independent, will you be willing to become independent tomorrow and forget about U.S. citizenship. Because this is where it's leading to. And I want to ask Governor Tenorio, what is your feeling about this issue because this is where members now are getting at each other. It's now NMI independence or commonwealth or on your own. And I would like to have Governor Tenorio's observation because, as I said, it's a sad day for the territories, because it's now become a very partisan situation.

Governor TENORIO. Congressman, on my testimony, I made it very clear that we are very proud to be part of the United States. And we continue to do so.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

Mr. DOOLITTLE. Mr. Zachares, while you're up there, Mr. Miller in the last panel in his line of questioning, it came out, or at least this is what I picked up, that people who were repatriated lost their claims for whatever they might have had in terms of the back wages, the travel expenses. This is the Bangladeshi situation. And it was my understanding that the government would continue to pursue those claims and that whatever recoveries were obtained would be forwarded to them. What is the situation on that?

Mr. ZACHARES. That is the policy. And let me elaborate on that just briefly. We continue to go after civil enforcement. We filed 142 cases against 170 individuals, 57 corporation, 18 bonding companies. We're seeking $1.5 million for 459 workers in just the last year, 108 of them being Bangladeshi workers. We also collected $1 million in a judgment against a garment factory to which we will be disbursing the funds to the workers that are already back in China.

Mr. DOOLITTLE. So you got $1 million recovery.

Mr. ZACHARES. Yes, sir, we did.

Mr. DOOLITTLE. And so how many workers is that going to be distributed to?

Mr. ZACHARES. That's approximately I believe between 300 and 400 workers. I'm not quite sure on the exact numbers of that. But under the compensation, if—and there's one other area that we've exploited. For example, the Benavente security case, and I would like to bring that up. That's a very high-profile case that U.S. Labor was involved, numerous people were involved. We went in. We filed 162 count indictment and sought and got a $3 million bail against the person who put up property and is supposedly under bankruptcy now, which would extinguish all the claims of his administrative orders.

We are seeking to go after the person in the criminal vein, due to the restitution that we can gain under the criminal aspect of it. If we can identify, then that would not be extinguished under the bankruptcy, so we're looking in the areas of criminal prosecution in order to try to recover some of the restitution for these workers. We filed 5 other cases against 5 other security companies totaling 147 count indictment. We just received a five count illegal employment indictment against one other woman who was running a security company and she was sentenced to three years in prison.

Under the compensation, they get up to the $3,000, the plane ticket, the $2,300 if it's $700 and we take their names, addresses, and information and if we recoup the money, we have the record of what was owed them and we would reimburse them the difference, if we do make the claim. For example, under the Benavente, if a person under Benavente security took advantage of this, which we've had people take advantage of it, and we do recover under our criminal and restitution, if we do, we will try to forward those monies. We will forward those monies to those people.

Mr. DOOLITTLE. Thank you. I have a couple of minutes left and I yield them to Mr. Schaffer for any questions he may have.

Mr. SCHAFFER. I have a couple more questions for Toppan. I wanted to know if there was—you observed or were able to—if you

know of anyone who was involved in organizing the rallies that took place?

Mr. JAHEDI. Sorry, sir? Can you come again, once again, please?

Mr. SCHAFFER. If there was anyone involved in organizing the rallies that took place?

Mr. JAHEDI. On February 18, sir?

Mr. SCHAFFER. When Don—when Chairman Young came to CNMI?

Mr. JAHEDI. Yes, sir.

Mr. SCHAFFER. Who?

Mr. JAHEDI. There was my—there was many of us. Not only me. There was Filipino. There was Nepalese. Sri Lanka. Me, too. Chinese also.

Mr. SCHAFFER. Now, have you ever—has it ever been suggested to you that, if we here on the Committee and the Federal Government impose our laws on CNMI, that your chances of getting a green card or a visa or a passport or citizenship would be better?

Mr. JAHEDI. No, sir.

Mr. SCHAFFER. No one ever suggested that to you?

Mr. JAHEDI. No one at all, sir.

Mr. SCHAFFER. The menial job that you mentioned in your testimony. You said that you found a menial job. What was that job?

Mr. JAHEDI. The first job of mine, sir?

Mr. SCHAFFER. No, the one you described as menial.

Mr. JAHEDI. The first employer, she hired me as a commercial cleaner and when I came to Saipan, there was no job waiting for me. And the second——

Mr. SCHAFFER. Okay, you used menial to describe the third job, actually——

Mr. JAHEDI. The second.

Mr. SCHAFFER. Or the second job on Saipan.

Mr. JAHEDI. Yes, sir.

Mr. SCHAFFER. I asked you last night about the dramatic just then, the language of previous comments and testimony that the Committee has been in receipt of and the well-written testimony that you have today. You suggested someone helped you write that testimony. Who helped you write your speech.

Mr. JAHEDI. Sir, I told you that last night between when I spoke to you, I write it in my own language and I asked Mr. Rick if he can translate it. I explain to him so he can make it sound good.

Mr. SCHAFFER. So someone else actually translated what you had written?

Mr. JAHEDI. Sorry, sir?

Mr. SCHAFFER. So someone else had translated what you had initially written?

Mr. JAHEDI. No, no, no. Not translate. I explain to him what's my problem and how did I come to from Bangladesh to Saipan and that's all.

Mr. SCHAFFER. Sure. Can you tell me who was it that translated your speech?

Mr. JAHEDI. Not translator, sir. I speak to him in English.

Mr. SCHAFFER. In English.

Mr. JAHEDI. Yes. And try—you know. I am not so good in English. I hope you understand that English is not my mother tongue.

Mr. SCHAFFER. Okay. Okay. So who used the word "menial," for example? Is that a word you used?

Mr. JAHEDI. Sorry, sir?

Mr. SCHAFFER. The word "menial"? Is that a word you used?

Mr. JAHEDI. No, no, sir.

Mr. SCHAFFER. No? What does "predatory human trafficker" mean?

Mr. JAHEDI. Like the human being taking money from the people and take to the different place and can no way to get out of place.

Mr. SCHAFFER. Okay. How would you describe Washington, DC? Would you say it's "hellish"?

Mr. JAHEDI. No, sir.

Mr. SCHAFFER. You would not?

Mr. JAHEDI. No.

Mr. SCHAFFER. What does that word mean to you?

Mr. JAHEDI. Sorry, sir?

Mr. SCHAFFER. "Hellish"? What does that word mean to you?

Mr. JAHEDI. Like what happen in Philippines, when I was in Philippines.

Mr. SCHAFFER. In the Philippines? Thank you, Mr. Chairman.

Mr. MILLER. Mr. Chairman, I'd like to submit for the record some additional questions and I would also like to submit for the record of all of the witnesses who prepared their testimonies too. Because we are in receipt of e-mails that suggest that lawyers have been working on behalf of other witnesses and I didn't know that was, you know, a problem in this country. But I'd like to know who. So we'll submit that for the record and to the witnesses directly. Thank you.

Mr. SCHAFFER. Mr. Chairman.

Mr. DOOLITTLE. Yes, Mr. Schaffer.

Mr. SCHAFFER. I did not make any comments at the opening or didn't really make too many statements during the course of the hearing.

Mr. DOOLITTLE. I'll be happy to recognize you.

Mr. SCHAFFER. As far as my opinion. I'd like to do that now.

Mr. MILLER. I would like to reclaim my time. Mr. Galster.

Mr. GALSTER. Yes, please, just real quickly before we finish up. I just wanted to speak about the shadow contracts. They still exist. It's not primarily from Nepal and Bangladesh. In terms of numbers, most of them are from China. I learned this when I was in Hong Kong talking to the factory bosses there and they explained that they're still signing, sometimes verbally, agreeing to two-year contracts. And what happens is that the Chinese, mainly women, mainly from the countryside, mainly from Fujian Province have to borrow around $8,000, which they pay to an employment agency, actually. It's a Chinese quasi-government agency. And then they get the work permit, which is issued by the CNMI to this company for usually a real job because most of those are sewing jobs.

So they do exist and once they get on the island, they understand that the real governing boss there is not the government. It is their garment factory boss. And that was explained to me and I quote

what one of the major factory owners in Saipan said, he said, "The worker that goes to Saipan gill sign a two-year contract. It's unlike the factories in other countries like in Thailand, China, or the Philippines, whatever. They can change their employee as they wish. Say you sign a two-year contract going to Saipan and work there for two years. And if they want to go from one factory to another, they have to apply to the government and say I want to transfer from factory A to factory B. They, the worker, cannot do that without the government approval. And the government usually asks whether we want to transfer this person or not. Usually we don't say yes. Usually we refuse."

So I think that's important to remember. That's what we mean by debt bondage. And that is forbidden under a couple of UN treaties that this government is a signatory to. So, in addition to the U.S. laws, you're talking about and the effectiveness of enforcement of Federal agency laws in the Saipan, remember we have some obligations to some international treaties with respect to human rights that forbid this kind of debt bondage.

The other thing. When I said that I didn't want to send Nousher back because I feared for his life and I heard some sneers in the back here. And I think there's even people laughing who are from Saipan. But that doesn't surprise because sometimes you can be close to this kind of situation, this kind of debt bondage situation, and not know it exists. It's kind of an invisible slavery, because most workers won't speak up about it because of the situation I just described. They have nothing to gain from speaking to a congressman who comes there. Nousher and some of the Bangladeshis have really taken a lot of risks. Some of them have been beaten up and there have been a couple of people killed.

So please don't forget that. It's not an exaggeration. And I hope this Committee will do something about it. Thank you.

Mr. MILLER. So does the shadow contract exist? Mr. Zachares.

Mr. ZACHARES. The only contract that we recognize is the CNMI labor contract.

Mr. MILLER. How would you know if the shadow contract existed?

Mr. ZACHARES. We would not, unless they came forward. Unless a worker brought it forward and said, this contract is——

Mr. MILLER. And how would you know if that worker paid a recruiter or not?

Mr. ZACHARES. If they would come forward and either let us know or the Federal Government, U.S. Labor, know or my department know.

Mr. MILLER. But, absent that, we don't really know whether or not——

Mr. ZACHARES. I can tell you in the four years I've been in Labor and Immigration, I've yet to see in front of me someone bring in a shadow contract.

Mr. MILLER. I understand that. But when you say, earlier in your testimony—it seems like a long time ago this morning—you indicated that you no longer use recruiters. You no longer are allowed to use recruiters. The fact is we don't know whether or not people—and I'm not—because you get jobs how you get jobs, the best way you can, you get this opportunity. We don't know for a

certainty whether or not they are continuing to use recruiters, whether they are continuing to pay money, and/or whether or not they're continuing to use shadow contracts in some places.

Mr. ZACHARES. We do know from the CNMI side, but from the other side, it's difficult at best to enforce.

Mr. MILLER. That, I think, again going back to earlier this morning, that goes to the questions of, you know, the ability to enforce these policies. You know. Okay.

Mr. DOOLITTLE. Mr. Schaffer.

Mr. SCHAFFER. Thank you, Mr. Chairman. I went to Saipan and spent five days. Visited probably eight or nine factories in the time that we were there. And, with the exception of two or three, all were unannounced. We literally showed up based on testimony we had taken from other workers that we had heard off-premises of work sites and worked kind of backwards. Found out where the complaints were first, then went to the factories and met—showed up at the gate and asked to come in and sometimes there were exchanges between the gate and the front office, but, in all cases, we were eventually let in, never took more than five minutes at the longest.

The first factory we saw was a Chinese-owned factory, owned out of Hong Kong. It was probably the worst one we saw. My experience was not the same as those who said they had been there and found things to be wonderful. I found a number of specific factories and specific incidents that I found to be offensive and believed they need some attention, clearly. Those issues I've discussed with a number of people and, for my part, my five-day investigation is not over. This hearing is certainly part of it and there's still a lot of documents that we've requested that we have yet to receive.

But I will say this. We spoke with lots and lots of workers, not just on work sites. We met with about 10 who had plaintiff's attorney bringing lawsuits against the garment industry, had helped arrange for us. We met with several at a church on Sunday. And with the exception of those that were organized by the plaintiff's attorney—obviously they had complaints of some merit or they wouldn't have been there—almost all workers said they would come back to CNMI. The biggest complaint we had was that, because of the work slowing down, the number of contracts seemed to be dropping, that workers are not able to work as much as they want to. They like the overtime hours and they like the time and a half pay that they receive and they want to work more. And that was probably the biggest complaint.

That and the workers from southern parts of China don't like the cooks from the northern parts of China because they use more rice than noodles and that was a complaint we heard a few times at lunch.

I took a bunch of photos and these are just right out of the box. They came here today. Anybody can take a look them as long as you don't walk off with them. They're all—and I didn't, you know, pull anything out or edit them. I tried to get all the tourist ones, except for this one of the Japanese gun that shot down or sunk the Colorado. That's I wanted to take a picture. Anyway, these are all just the shots that we saw and there are things to be concerned

about and others that look like any factory you might see anywhere in the United States.

For me, in my personal experience, I worked in a salmon cannery for a while. I worked my way through college on a farm and I would say for most of my constituents who worked in farm labor and worked for low pay and under the hot sun and toil long hours, a trip through many of these factories would not seem out of the ordinary. I learned enough from my experience to know I did not want to do this kind of thing for the rest of my life. And nonetheless.

And I have to tell you, Mr. Chairman and Committee, of one of the most amusing things we saw. The worst factory we went into was the Little MGM, as it's called. After we went through the tour, the manager there was kind of annoyed that we were there. We kept him off to the side and didn't let him follow us around and that's where some of the worst pictures you'll see in here are in his factory.

After it was over, we went in his office to chat a little bit. And while we were talking, we asked a bunch of questions about ownership and about this contract, these shadow contracts, and so on. To finish up, I said, you know, I can't help but notice that picture of the President of the United States hanging on your wall. And hearing a little bit about the affection the President has sometimes been known to have for the Chinese, I said, is he a friend of yours? Do you have some high regard for the President. And he said absolutely not. He said, but the reason we have the picture on the wall is because he's wearing one of our shirts in the photo.

[Laughter.]

We have a picture of that. So I would point that out.

You know, there are, in all seriousness, there are real problems in CNMI that need to be addressed. I am encouraged that there has been a new election in January and there is some new leadership that seems to be a little more forceful in bringing about some of the changes that need to occur. I'm also impressed that the industry itself seems to have gotten a little more serious in the last few months about trying to enforce some of its own internal standards. And we did see some evidence of that, not just because they told us, but because we interviewed workers and asked them about changes that they'd seen, whether they knew about the rights that they had and how they found out and how they had read them.

But question is one that does ignore the importance of maintaining and preserving and elevating the level of human dignity for any human being. That is not in dispute in my mind. What is in dispute is how to arrive at securing that goal, whether we resort to Washington, DC, and our laws here in Washington to accomplish that or whether we rely on the ingenuity of local governments.

Congress is almost a continuous investigation like this. Every day you can walk somewhere around Capitol Hill and find an investigation about some American scandal, whether it's selling missiles to the Chinese, whether it's letting the Chinese government steal sensitive nuclear technology out of our most sensitive areas, whether it's a labor disputes, whether it's sweatshops in New York City. And so the notion that somehow we are the definitive characters in deciding what laws are most appropriate is just nonsense.

The INS, for example. I would hate to see the CNMI have a record similar to the INS in the United States. When I call the INS, when we find illegal aliens in my district, they laugh at us and tell us we'll get there in a year or two if we feel like it. Now nobody can tell me that those kinds of laws will be in the best interests of CNMI.

The Department of Interior, for example. Now I heard the gentleman from Samoa talk about the unfortunate nature of these hearings becoming political. When the Department of Interior itself fires off memos that says, "As a one-time candidate with a similar district against a Frelinghuysen in the old New Jersey fifth, I understand the utility to all hands of administrative candidate communications on such matters." Now this is a communication involved directly in a political campaign about this issue at CNMI. I'm sorry the administration has decided to make this topic a political issue. It should not be and it's unfortunate that it has become such.

Yes, the Department of Labor. I could go on about all the efforts that I've seen in my own district of the Department of Labor putting people out of work and reducing the number of jobs in my district.

And then, of course, you know, I don't what I'd say about the Department of Justice, the least of which is that they themselves in the CNMI hire non-resident aliens to do jobs for them. You know, we could go on about the other investigations going on in the Senate about the new revelations that the Department of Justice down there in Texas. FBI background checks. Chinese campaign checks making their way to Democratic National Committee going uninvestigated. The independent counsel and on and on and on.

I guess the final conclusion is that there are acknowledged problems in CNMI but Washington, DC, is the absolute last place anyone should look to fix them because this government has proven time and time and time again that, in the end, at the end of the day, people around here in DC tend to make matters worse, not better.

Reverend KINSELLA. Congressman Schaffer, can I respond? I know you're out of time.

Mr. DOOLITTLE. Well, let me—I'm going to take the time and I'll allow you to respond, Reverend Kinsella. Go ahead.

Reverend KINSELLA. You know, I've sat here all day listening to the debate and the issues are really very complicated and very complex. One of the things I think, you know, that was brought out I think by Congressman Underwood was that, you know, there's something about the islands and something that every one of the islands feels and that is, you know, that sense of dignity and that sense, you know, of ownership. The sense of being able to do our own thing and run our own show. And it's not to mean that, you know, we're being rebellious or snobbish or anything like that, but there's something about the islands that, you know, wants to be able to say, we have done this. And, yes, it was hard and, yes, it was difficult and, yes, we made mistakes, but we've learned, we've grown, we've changed. And we have the capability to do it.

You know, I have grown up in the island and I know that they're very capable people of handling the problems. It's not going to be

easy and I don't think that the government alone is going to be able to do it. I don't think the business community alone is going to do it. And it's not going to be the church alone that's going to do it. Or Washington. I think, though, that if everybody will kind of come together and everybody begin to start focusing on what is happening, that's the one thing I think that's coming out of all of this. People are coming together. People are paying attention. People are making the effort. And they're doing it together.

And I see some signs, really, down the road where more of this is going to happen and I feel very confident that we can do this. I don't think it's needed. I don't think we really need to let Washington do it. I think we need Washington's help, but I don't think that Washington's the answer. I think that there's a lot that we can do and we're going to do it together. But, you know, it's something that I think we are growing in. I think we're really young and we're growing. We're making mistakes, but we're learning and we're growing and I think we're getting to the point where we're seeing some progress.

So don't take it away. You know, don't—what analogy will—don't kick us out yet. Don't take over and send us to the room. Give us some room. And I know that I'm committed. And as long with the other churches. Things that maybe we haven't done as much as we should have. But I think we're ready and we're committed and I think we're going to be able to do things together. Thank you.

Mr. DOOLITTLE. Reverend, I wanted to ask you, your congregation is how large?

Reverend KINSELLA. We're about 350 in the church and 620 in the school. It includes also a family service that includes a domestic violence shelter, a girls' home, as well as ministries in Rota and Tinian. Both school and a church in Tinian and Rota.

Mr. DOOLITTLE. All right. So you're going to have a pretty good basis to answer this next question, then. Obviously, wherever you serve as a pastor, you're going to have people who have different kinds of issues and problems. And I'm sure that your congregation has the same types of issues and problems—or many of the same types—as you might find any place. How long have you been a pastor?

Reverend KINSELLA. I've pastored in Saipan for 13 years.

Mr. DOOLITTLE. Okay. Well, I didn't spend five days in Saipan. I think I was there for two or three. But I thought I got a pretty good sense of it, but not as good a sense as you're going to have. As you kind of assess overall the overall spiritual, emotional, physical condition of the people that you are the pastor to, how would you sum that up, say, compared to an earlier time? I mean, I don't know, is it excellent? Good? Fair? Poor? How does it rank there?

Reverend KINSELLA. I think we are at this time in our history, in the time since we've been in Saipan, there's a lot more confidence, a lot more willingness for the contract workers or the guest workers to begin to become involved. We're pulling together the church in a cross-cultural setting. That's one of the things that we have felt a real goal in. Because we didn't want different groups to just simply be separated. But we wanted one group to be able to feel the same dignity and the same confidence, to be able to say, just because I'm Filipino, you know, I'm not as good as an Amer-

ican. Or I'm not as good as a Carolinan or Chamorro. And that process is happening.

So we've seen some great success and great growth in the ministry. Where there's a lot of helping one another out. We have the Filipinos and the Chamorros going and working, you know, to help a Carolinian, an American. And so there's a lot of pulling together and that sense that was there before of just kind of pulling back and being alone or separated from, you know, the mainstream of the Americans or the Chamorros is changing.

Mr. DOOLITTLE. All right. So it would be fair to say there's a sense of hope rather than hopelessness.

Reverend KINSELLA. Yes. I think there's great hope.

Mr. DOOLITTLE. All right. Well, that was my impression and I just wondered how you would assess that overall.

Mr. WEI. Mr. Chairman, may I say a few words?

Mr. DOOLITTLE. Yes.

Mr. WEI. Thank you. I have heard a lot of this debate, but a lot of time people just focus on the small picture instead of the big picture. We have to consider a lot instead of just the human rights things and those abuse.

You have to think that if the takeover, that Saipan will be the welfare state and who is going to pay that. And if that happens, then the economy immediately will lose touch and then who is going to pay all those lost? Saipan has worked very hard, to work thus far, and now they are still struggling. And when we debating, we didn't consider the Asian economy crisis hit the last few years. You have seen all these Asian countries, they just collapse. But Saipan still continues. And nobody pats their backs and said, you did a good job. And they just take out just a small thing and then try to take over.

Now if we take over, can we manage Saipan? That's a big problem and we need to consider it, too. Now we had—our organization had tried very hard to help those Chinese workers to know God and get saved. Once they get saved, they have the right attitude to work and they serve their master, physical master, well. And they try their best to do well. And so you see the whole atmosphere has been changed because they know God. And so I feel there's a great hope.

And plus there's a lot of paths we see the government in Saipan is trying to improve all the service, try to deal with the crashing, try to deal with the problems. There's no perfect place in this earth. But if there's a problem and we face the problem and solve the problems. And I think we should let the government run their own government instead of we take over. If we see the problems and we jump on, let the Federal Government to take over, then we should take over all the States, instead of just sit there and try to discover what is Saipan's issue.

Mr. DOOLITTLE. Well, let me just say that, as one observer, I'm very impressed with the caliber of leader that we have in the CNMI. It really stands out. And they're deeply committed people, hard-working people, who I feel have a great deal to be proud of and no place, as you pointed out, is free of problems, especially the place that we're in right now or the city that we're in right now. I think Saipan compares very favorably. And let me just say that

we don't expect you to be problem-free. What we do, is we want you to allow you to continue to have self-determination and we want to continue to fulfill the obligations that the Federal Government has made to you.

I do feel that there has been some gross abuse of power at the Federal level. Some shirking of duties where they could be helping you and haven't adequately. I don't think all of them are ill-intentioned. There's some who are good-intentioned. But we can do a lot better I think, as Mr. Berry indicated. And I would hope that the administration will take seriously its obligations. We will try and support them in that from here. And support you in your efforts to achieve good government in the territory of the CNMI. And with that, I thank you all for——

Mr. GALSTER. Mr. Chairman, may I make one last comment? I'll be very brief.

Mr. DOOLITTLE. Okay.

Mr. GALSTER. I just wanted to submit some information which I think is relevant. One is that, during our investigation, it became clear to us that some of the garment factories are planning to move out of Saipan, regardless of what happens. They are starting to diversify and move to places like Mongolia, Central America, and Cambodia, so I think, whichever way one goes with the policy on Saipan, that's useful information.

And I would just like to back up some things that Mr. Schaffer said. I thought that there are improvements being made in the garment industry on Saipan and some of the factories and it was clear they felt that they were being watched a little more closely and felt that they needed to make some of those changes.

I would just reiterate, though, that these shadow contracts and the debt bondage situation, it is invisible and you can't really get to it when you go to the factories. They're not going to come up and speak about that. And a case in point, at the factory you went to, Little MGM, I just received a letter two weeks ago from a woman who was fired from that factory. She was fired because she spoke to ABC. And the—Okay, so——

Mr. DOOLITTLE. Is Little MGM is that in Hong Kong or Saipan?

Mr. GALSTER. It's actually in Saipan. It's a Hong Kong-based company. It's got some factories over there.

And she just wrote, and I'll just read three lines from her letter, because she actually sent this to Congress, too, and cc'ed myself. And she writes, "Currently my situation is very difficult. If I return to China, its Governmental International Company," which is the agency that recruited her, "would seek revenge and punish me. If I don't go back to China, my life is threatened here. Every day, I'm on tenterhooks, hiding, while seeking jobs that are not to be found. I can't support myself or basic expenses such as food, rent, and going to the doctor. I'm at the end of my rope. If you don't help me, I continue to live like this. I may die in Saipan. Reach the stage of collapse. Please give me a hand."

So the problem is in Saipan to a large degree and Washington is being asked to do something by a whole bunch of people. So I hope we don't just stand back in this city and think that it's going to sort itself out. We've tried that before and it hasn't. Thank you.

Mr. DOOLITTLE. Thank you. Well, let me just say, I don't think anybody's proposing that. But it's either going to be a partnership or, to achieve a partisan political goal to aid the friends of one party to try and destroy this territory. The only territory that shows any promise of becoming self-sufficient. And I, for one, do not plan to stand by and allow that to happen without putting up a good fight. And I know I have a lot of allies in that.

So I thank all of you for coming today and for your testimony. We will ask you to answer further questions I am sure and we will hold the record open for your response. With that, this hearing is adjourned.

[Whereupon, at 6:03 p.m., the Committee was adjourned.]

[Additional material submitted for the record follows.]

Notes Good Situation of Overseas Filipino Workers in the Marianas Islands and Commends Filipine Consulate in, Saipan

DFA Undersecretary for Migrant Workers Affairs Leonides T. Caday commended the Philippine Consulate in Saipan for its active response to the needs and problems of than Filipino workers in the Commonwealth of Northern Marianas Islands (CNINU).

Undersecretary affirmed that Overseas Filipino Workers (OFWs) in the islands are enjoying working conditions and the same social benefits as the local population, including free education and school bus services for children and accessibility to social services. They are also adequately protected both by local laws and the Federal laws of the United States, in matters of adequate living quarters, transportation, safety and medical welfare.

The random inspections conducted by the Consulate on living quarters of OFW& have confirmed that decent standards for housing set by law are generally being observed by employers. The Consulate's weekly consultations with Marianas labor officials on complaints and problems of OFWs has not only resulted in raids in garment factories which uncovered and rectified some cases of below standard living conditions, but also expedited the resolution of various cases and the enforcement of court decisions. Monthly seminars conducted by the Consulate for OFWs have also increased their awareness.over their rights and privileges, and this has resulted in a dramatic decline in labor complaints including frivolous labor complaints which had proliferated for some time as an excuse by workers with expiring work permits to gain extended permission to stay in the islands.

There are an estimated 21,000 OFWs in the islands, consisting of nurses, accountants, engineers, businessmen, teachers, workers in factories and hot-els/restaurant clubs, construction workers, farmers/fishermen and domestic helpers.

Most of the 380 OFWs working in garment factories are holding managerial positions. The OFWs employed as unskilled workers earn salaries higher than Philippine rates.

The Undersecretary also praised the Consulate for being attuned to the various concerns of the OFWs, for responding quickly and thoroughly to their needs and problems, and for being persistent in investigating reports of human rights abuses. He said that this approach has been effective in rectifying cases of abuse and fraud which victimize OFWs. The close collaboration of the Consulate with the local and Federal authorities have resulted in the prosecution of offenders or in moves towards the extradition, and this has served as an effective deterrent. Since mid-197 no magic maltreatment case has been reported to the Consulate.

On reported sexual abuses against Filipinas, Mr. Caday cited a case filed by a Filipina in October 1996, for unpaid wages and being forced to perform lewd acts, which resulted in investigations conducted by both the U.S. Departments of Justice and Labor, and the issuance on 26 March 1999 of a warrant of arrest for Eugene Zamora Sr., Filipino operator of the Kalesa Club, for "transportation of illegal sexual activities in the CNMI". It was the Philippine Consulate which uncovered that the Filipina victim is a minor, and this provided the basis for the swift action of the Federal authorities.

In another case, on 28 November 1991, the U.S. Federal Bureau of Investigation arrested two Filipinas, Elizabeth Castaneda and Liza St. Maria, owner and manager respectively of several karaoke bars and clubs, "for transportation generally of sexual activity". The case stemmed from the testimonies of six Ripino, waitresses. The first court hearing is scheduled for the end of April 1998. The Philippine Consulate is providing assistance to all the Filipinos involved. It has provided job placement to the complainants, and food and shelter for them at the OWWA Center. It is also attending to the basic needs of the accused Filipinas.

Mr. Caday also said that cases of illegal recruitment in the islands involving Filipinos are being addressed firmly by the Consulate and the local and Federal authorities. Filipino illegal recruiter Segundino Ubongen, who fled the islands after victimizing Filipinos and Bangladeshis, is now the subject of a manhunt, and the Attorney General's Office has requested the assistance of the Consulate in bringing him back to the CNMI for prosecution. The possibility of extradition in accordnace with the procedures prescribed under the RP-U.S. Extradition Treaty is being explored. With the help of the Consulate, the Filipino victims quickly found suitable employment in the islands. Similarly, the Consulate assisted the 21 Filipino victims of illcgal recruitment by a certain Filipino Methodist Pastor, Rev. Rolando Perez, who acted in behalf of the foreign-owned Petrina Enterprises. The case is now in the hands of Marianas labor officials, and the United Methodist Church defrocked Mr. Perez and offered assistance to the victims.

STATEMENT OF HOTEL ASSOCIATION OF THE NORTHERN MARIANA ISLANDS

Dear Chairman Young and Committee Members:

The rights and privileges of the U.S. Commonwealth of the Northern Mariana Islands to control our own immigration, minimum wage, trade and tariff policies have enabled these islands to become self sufficient in just 21 years since the end of the United Nations Trusteeship Agreement. This has not been achieved without growing pains that have become the subject of congressional debate. However, a Federal takeover of the Commonwealth's immigration and minimum wage—a massive change of rules in the middle of the game—will break industries, both large and small. It will be a nightmare for the islands of Saipan, Tinian and Rota, where the standard of living will plunge back 20 years or more. U.S. Congress should not place the same restrictions and limits on the growth of tiny, isolated islands as it would a powerful country of 250 million people nearly half a world away.

The Northern Marianas: A Fragile Island Economy Jeopardized by the Asian Economic Crisis

For the U.S. Commonwealth of the Northern Mariana Islands (CNMI), the past two years have been the worst in economic history since World War II ravaged the islands. Due to the Asian economic crisis, tourism, the leading industry is down over 30 percent. Many hotels—particularly small, family-run operations-are barely hanging on to their businesses. The community is reeling from an unprecedented downturn, which began suddenly and severely in late 1997.

With fewer tourist dollars circulating in the Northern Marianas, every segment of the economy is suffering. From 1995 to 1998, tourism-based employment decreased from 48.3 percent to just 34.5 percent. More than 1,300 companies did not renew their licenses from 1997 to 1998, resulting in a net business decline of 11 percent. Among the worst hit by the economic crisis, retail and auto sales have been cut nearly in half. The number of empty storefronts continues to grow at an alarming rate.

For the Northern Marianas, it was previously unimaginable that such a huge drop in tourism could occur over such short a time. In 1996, Saipan enjoyed an 85.6 percent average hotel occupancy rate—healthy by any international standard. Today, even the largest 5-star resorts are suffering. Based on declining airline access from Japan, some travel agents are predicting that the island will see no greater than 43 percent hotel occupancy through the end of 1999. The Hotel Association of the Northern Mariana Islands (HANMI) has forecast a total occupancy in the low 50 percent range for the year. For many businesses, this is below the break-even point. Nearly every hotel has cut working hours and laid off employees. Some have temporarily closed blocks of hotel rooms in efforts to cut costs while waiting out the Asian economic crisis. (See Appendix A—Hotel Occupancy and Appendix B—4th Quarter Arrivals Forecast.)

As the economy has declined, the public and private sectors have begun working proactively to capitalize on our islands' unique identity and strengths, identifying opportunities for diversification, and promoting more local hiring. These efforts will take time. However, the instability of the investment climate has become virtually impossible to manage with the threat of a potential Federal takeover of immigration and minimum wage.

Meanwhile, the people of the Northern Marianas read the newspapers and watch TV reports about the robust American economy and the troubling crusade against our garment industry. Some feel it is a conspiracy fueled by unions. True or not, the media attacks on Saipan have reached a level of yellow journalism that has hurt us all.

The Hotel Association is not presenting this paper to defend the garment industry, although we are highly concerned that if that industry should leave, the entire community will suffer. Without garment exports, containers leaving Saipan will leave empty. For the hotels, the added cost of doing business will be immediate, as prices will rise and schedules will decline in the shipping industry.

A Tourist Economy Dependent on Japan

The Hotel Association of the Northern Mariana Islands, representing 67 percent of the total 4,588 hotel rooms in the Northern Marianas, is just one part of a fragile industry that is almost completely dependent upon the economies of Japan and Korea. Members of the association employ 2,118 people or roughly only 3 percent of the total population of the CNMI. Of these, 39 percent are resident hires (U.S. citizens and Micronesians) and the balance—1,451 or 61 percent—are contract foreign workers.

Since the hotel industry began 25 years ago, employees have been recruited from the Philippines and other nearby Asian countries out of necessity due to the fact

that the small local population could not meet the demand for a skilled work force. Since many hotels were developed by Japanese investors marketing to Japanese tourists, many personnel in both the executive and semi-skilled positions were naturally recruited from Japan. Indeed the right of Japanese businesses to employ their own supervisors and managers was in fact agreed to under the Treaty of Friendship, Commerce and Navigation between the United States and Japan entered into force on October 30, 1953.

When the Asian economic crisis began, the outbound Korean and Japanese markets immediately declined both in the number of visitors and in what they spent abroad.

Two years ago many Japanese travelers would dine in fine restaurants and fill their suitcases with designer goods to take home as gifts. Today it is not uncommon for visitors entering the CNMI to bring dried noodles to eat in hotel rooms.

This downtrend has also meant a declining pool of money to promote the Northern Marianas. The budget of the Marianas Visitors Authority, dependent upon hotel room occupancy tax and container tax revenues, has been cut from $8.4 million in 1997 to just $6 million this year. Less money to promote in Japan correlates to reduced market share for the CNMI—from 3 percent down to just 2.4 percent of the 15.8 million Japanese who traveled overseas in 1998.

In this time of recession in Japan when many destinations are competing to attract more of a declining outbound travel market, we wonder what the reaction will be if U.S. Congress takes over our immigration and the minimum wage. We'll be forced to scale down our staffs, reduce the quality of service we offer, and raise prices at precisely the same time we most need to be competitive. Additionally, what will happen if Japanese employees of the Japanese hotels and travel companies on Saipan are mandated to return home to be replaced by American mainland workers from 6,000 miles away—or Micronesian subsistence farmers and fisherman who have no training nor ability to speak the language of visitors?

The Hotel Association of the Northern Marianas cannot predict when the Asian economic crisis will end, nor when the visitors will return. But we do know this: if the CNMI loses control of its immigration and we lose our ability to hire skilled workers to run our hotels and travel-related businesses, there will be no recovery of this industry for the foreseeable future. The fragile connection of marketing to the Japanese—and to a lesser extent the Korean market—is something the Northern Marianas has been good at managing in the past. But the message of a potential Federal takeover of immigration and minimum wage has already damaged our business climate and begun drying up investment here.

The hotel industry is a captive one. Japanese, Korean and American investors have spent over a billion dollars developing resorts and family-run hotels which cannot be abandoned. Behind the swimming pools and landscaped gardens are elaborate infrastructure systems, built with private funding to include fully capable power and water desalination plants, necessary to bring fresh drinking water to guests.

The travel industry of Japan, however, doesn't have to promote Saipan. They can open and close representative offices at will. If the CNMI becomes more expensive as a destination and we lose our quality of service, the Japanese can easily choose Guam or other non-dollar-based destinations.

What is the Difference in Operating a Hotel Business on Saipan Compared to Guam?

In the debate over immigration control and minimum wage, we are often asked, "If Guam can do it, why can't the CNMI. Our economy is vastly different than our neighbor to the south, an island with four times the U.S. citizen population and the major hub of transportation, shipping and telecommunications for the region. Guam has been a part of the American political family for more than 100 years—the CNMI only 21 years.

Since World War II, Guam has enjoyed the multiplying benefits of thousands of high-paying Federal jobs and many millions of dollars in infrastructure improvements made through the U.S. military presence. Guam has grown with military investment; the CNMI's economy has grown due to private enterprise.

With the exception of wages, virtually every cost of operating a hotel is more expensive on Saipan than on Guam due to smaller economies of scale, shipping costs and inadequate infrastructure. While some Guam hotels have invested in backup power generation capability for emergencies, hotels on Saipan have always had to be fully self-sufficient from the time they opened because local infrastructure could not meet the demand. Many Saipan hotels are still 100 percent reliant on their own in-house water and power-generating capabilities. The cost of water desalinization and power plants has ranged as high as $3 million per resort hotel, with more than

$800,000 in annual maintenance costs and specialized personnel to run the equipment. On Guam, hotels can simply get water from the tap.

The cost of goods and building materials is at least 15 percent higher in the CNMI than Guam due to the added shipping costs. For the island of Rota, shipping costs are virtually double. Most ships stop at Guam first and are then transshipped to Saipan by weekly barges. At great inconvenience to the CNMI's visitors, most flights on the way to Saipan lay over first at Guam's newly expanded $300 million airport.

Another significant factor in recovering the cost of investments is that most businesses cannot own the land they are built on. On Guam anyone can own land; in the CNMI, land ownership is restricted to people of Northern Marianas descent and businesses can only lease land. Construction costs are high due to smaller economies of scale in importing building materials.

How Does Guam Meet Work Force Requirements and Why Can't the CNMP

A larger local population, including many American military families, makes it easier for Guam hotels to find both full and part-time employees. Indeed the ratio of hotel rooms to the citizen population of Guam is 1 to 18, while in the CNMI, it is only 1 to 8.

A significant number of the people working in the tour and travel companies on Guam are Okinawans or Japanese-speaking Filipinos married to U.S. military personnel. The past 50 years of having military bases with personnel frequently traveling betwee Okinawa and Guam have resulted in multinational families and as such, have helped the tourism industry labor pool. Saipan has had no such advantage.

In Guam, a Manpower Development Fund provides millions annually in training people for the trades. The CNMI has no programs to compare to this. The Northern Marianas College continues to question how they'll even meet the payroll as its budget has declined with the economy. College officials reported just this month that less than a handful of students were enrolled in the tourism program, and more classes would be canceled in the fall.

In comparison, Guam has been able to attract many people from Saipan and Micronesia who come to the island to attend the University of Guam. In many cases their families come with them and as a result, a large pool of people are available to work in hotels.

Would the CNMI Fulfill its Employment Needs from Micronesia?

The Compact of Free Association allows Micronesians to immigrate to the CNMI and they are considered "local" for purposes of hiring. Approximately 10 percent of the Hotel Association's total work force are Micronesians.

There are currently 140,000 people living in Micronesia, where the median age is only 17.8. This leaves very few people of legal employment age. The vast majority of Micronesians engage in subsistence living. Mandatory education in the Federated States of Micronesia carries its citizens only through the eighth grade level. The minimum wages paid to the small number of hotel workers of these islands start at only 9 per hour in Kosrae, to $1.50 in Pohnpei, to a high of $2.50 per hour in the Republic of Palau.

Recruitment from the neighboring islands of Micronesia has been utilized with some success, although most people come with no job skills. It may help in understanding the hiring of Micronesians to give an example of a hotel in Guam: in 1990, the Palace Hotel experimented with recruiting 200 unskilled Micronesians. The Palace brought these people to Guam for intensive hospitality training. After providing for their housing, food, uniforms, and medical care for several months, the hotel discovered the sad truth: most of the training time was spent not in teaching job skills, but in basic hygiene and other skills that would help them cope with living in a developed society. By the end of the program, 75 percent had returned home or left to work for other businesses.

Currently less than 20 people remain from that original staff. Other Guam hotels learned from the example and no recruitment program of this magnitude has been attempted since.

Significant social impacts and costs to local governments have become the subject of regional controversy as more Micronesians have migrated to Saipan, Guam and Hawaii to join their employed family members. Unlike the typical Asian worker who remits most of his money home, the paychecks of Micronesian workers are often utilized to bring family members to live with them. Those who don't work enjoy all the rights of U.S. citizens to utilize the maximum of food stamps, health and educational facilities, and other government services. Micronesian leaders have stated that they are concerned about the "brain drain" of the best and brightest workers

leaving their islands and the impact this is having on their own development. Preliminary discussions regarding mass recruitment from Micronesia have taken place between the Hotel Association of the Northern Mariana Islands and other regional business and educational organizations. These discussions have indicated that if Saipan were to phase-out its alien work force and suddenly need to recruit nearly 25,000 workers from Micronesia, a regional economic and social crisis would occur.

Can the Hotels Train and Hire Locally?

A priority for HANMI and our individual hotels has been to develop programs to train and hire more local people. However, there simply aren't enough workers available locally to keep hotel businesses operating around the clock, 365 days a year. From chefs to busboys, to power plant technicians, to accountants, entertainers and marketing experts, jobs in the hotel industry cross a wide spectrum.

In an effort to improve professional standards in the human resources function and keep businesses appraised of local and Federal employment laws, the Hotel Association organized the Society for Human Resources Management, a chapter of the American organization by the same name. HANMI is also a member of the American Hotel & Motel Association, which gives member hotels access to nationally produced training materials. Additionally, the association has established an education fund, which will be used for scholarships and other training. We are currently working with the University of Las Vegas, Hospitality and Tourism Industry Management School on specific programs for our islands' students. Each hotel has its own on-the-job training programs as well.

But scholarships and training aren't the only issues when the work force simply isn't there. One economist has calculated that it would take until the year 2065 for there to be enough local people of working age to fulfill every job that existed in the Northern Marianas as of the year 1995.

A sensitive issue and another problem for private sector employers is the local work ethic. During the Japanese administration of Saipan prior to WW II, indigenous citizens were limited to an elementary school education. This followed with years of isolation, Federal control and subsidy after WW II. When the Northern Marianas were finally opened to visitors and foreign investment, a boom in the tourism industry began. In the 1980's, many local people became wealthy overnight after leasing their land. This left a generation of young people uncertain about the need to work.

The poor work ethic, adversity to manual labor, and shyness in serving others has handicapped the ability of many indigenous people to be successful in the private sector. Regardless of wage rates, very few indigenous citizens will work in food and beverage, a critical area of the hospltallity business. It is essential that hotels have access to employees with a service-oriented mentality. While the downturn in the economy will eventually contribute to the perceived value of stable employment, attitudes will take years to change.

Could the CNMI Tourism Industry Continue to Operate Under the Tight Restrictions of the U.S. Immigration & Naturalization Act?

Without enough local people to fulfill the need for private sector employees, one of the most significant problems that the CNMI's tourism industry would have if the U.S. I.N.A. system were to be mandated here is that hotel and tourism jobs are not temporary. The U.S. labor certification process lists 49 occupations in the Code of Federal Regulations, Title 20 for which the U.S. department of Labor has determined that there are, ". . . sufficient U.S. workers who are able, willing, qualified and available to work." Therefore, I.N.S. will not allow certification for permanent employment of aliens for these occupations. These are virtually all of the jobs in the tourism industry.

For example, a prohibition on Category 3, "Attendants or Service Workers" will eliminate half of the Saipan-based personnel of the Japanese travel agencies and ground handling companies. We worry about the harsh message this will send to the Japanese management of these companies, which bring roughly 90 percent of the Japanese tourists to our islands. Although Americans may be, "able, willing and qualified" to work in this category, how will these companies afford to recruit Americans for entry level or semi-skilled jobs from the U.S. mainland? If the CNMI is mandated to hire outside of the region, recruitment costs will skyrocket. In turn, if the cost of doing business escalates during the Asian economic crisis, there will be no way we can pass these costs on to our visitors without completely losing our marketability as a destination.

In our remote location, it is only economically feasible to recruit from the nearest area with a sizable population, and that is Asia. Even if hotels were to attempt re-

cruitment from the U.S. mainland, it is highly unlikely that large numbers of people would be "ready, willing and able" to leave homes and families for entry-level jobs.

Furthermore, a round trip ticket from West Virginia or Alaska—the states of the highest unemployment in the nation—cost approximately $2,600 to Saipan. It is unlikely that employers could undertake such great expense and risk for anything less than managerial positions.

The CNMI Cannot Raise Wages in the Midst of a Recession

U.S. Congress is considering numerous bills to raise the minimum wage on the U.S. mainland. These bills indiscriminately include the CNMI, which could mean an immediate 84 percent jump in our minimum wage, 102 percent by September 2000. This does not include local benefit mandates.

It is false to assume that $3.05 an hour, the legal minimum wage of the CNMI, is not a "living wage." A wide variety of locally, mandated benefits-including 1000 percent health care coverage and employer-provided flOLISing—ensure that employees are well provided for. Many foreign contract workers are able to remit anywhere from 50 percent to 90 percent of their income back home to greatly better the standard of living of their families.(See appendix D.) It would indeed be rare for any minimum wage earner in the United States to be able to save such a huge portion of their income.

In more prosperous times several years ago, the Hotel Association of the Northern Mariana Islands supported local legislation that would require a gradual increase of 30 per year until the CNMI reached the U.S. minimum wage. This gave businesses ample opportunity to plan ahead. However, at this time when we must reduce costs in order to survive, a mandated wage increase would mean that hotels would be forced to reduce staff even further than we already have. This will translate to further decline in the quality of service we can offer and therefore as stated previously, less competitiveness as a destination. For this reason, we do not support an increase in the minimum wage at this time.

The CNMI must have the local flexibility to determine what appropriate wages are given our unique economic circumstances. We feel that a locally based committee, such as our own Minimum Wage Review Board is best equipped to do so.

Let the CNMI Continue its Own Path to Economic Maturity

The free market economy of the Northern Mariana Islands is a living, breathing thing. If the laws are too tight, we must loosen them. If they are too loose, they must be tightened. We have this necessary flexibility with local authority over our own immigration and minimum wage.

We expect that the intentions of the various pieces of legislation are to help clean up immigration problems of the past. However, we must respectfully disagree with the approach of a complete takeover, which will not solve the problems. A more flexible solution given the uniqueness of this island economy would be to provide Federal assistance, resources and possibly oversight to local control.

In conclusion, the people, businesses and government of the CNMI have the commitment to correct our own problems and are in a better position to know the needs of the Northern Marianas community. Our local government has made significant reforms and has the continuing flexibility to make adjustments as the economy ebbs and flows.

Last year when we testified before the U.S. Senate on these same issues, we had asked for the Federal Government's assistance in enforcement; however, we feel that the approach the Federal agencies took was more to find faults and capitalize on how to attract negative media attention. We ask for genuine assistance by Federal agencies in cooperation with our local counterparts to enforce applicable statutes, similar to the successful relationship between local and Federal drug enforcement agencies.

The CNMI is in the midst of what could be called an economic depression. Our economy is closely tied to Asian economic conditions. When Asia recovers, we expect tourism to recover. However, U.S. policies that are rooted in a strong, robust American economy have no relevance at this time and will only cripple our efforts. If the

長城電話公司召開慶祝大會

PASUGUAN NG PILIPINAS

EMBASSY OF THE PHILIPPINES

WASHINGTON, D.C

23 December 1998

Dear Governor Tenorio,

I have received your letter of 11 December 1998 on the investigation conducted by the Commonwealth of the Northern Mariana Islands (CNMI) Attorney General into the allegations of labor abuse in the CNMI raised by Ms. Wendy Doromal. From what I have read, the investigation appears to be detailed, thorough and objective. I have sent copies to the Philippine Department of Labor and Employment (DOLE) and the Philippine Overseas and Employment Agency (POEA).

With the assurances of my highest consideration and best wishes for the New Year.

Very truly yours,

RAUL Ch. RABE
Ambassador

The Honorable
Governor Pedro P. Tenorio
Office of the Governor
Commonwealth of the Northern Mariana Islands
Capitol Hill, Saipan, MP 96950
Fax No. (670) 664-2211

Konsulado ng Pilipinas
Philippine Consulate
Saipan

1898 - 1998
100
KALAYAAN

November 1998

Secretary Mark Zachares
Department of Labor and Immigration
San Antonio,Saipan

Dear Secretary Zachares

I appreciate the earnest efforts and positive changes that the Department of Labor and Immigration has initiated under your leadership. Despite the ongoing financial crunch that is affecting the region, alien workers in the CNMI are comparatively better-off than their compatriots in other parts of the globe. Instead of an alarming number of complaints that could have landed in your Office, employers and workers seem to have reached some kind of a modus operandi. At least, despite the crisis many CNMI employers and employees have decided to stick together and wait until the storm subsides.

As the Head of the Philippine Consulate in Saipan, I am glad that our governments continue to cooperate on areas of mutual concern. Of course there would always be some individuals or sectors who may not feel satisfied with our joint efforts to improve the conditions of the labor market here. But we should continue our work until the greater number if not all of our constituents feel that we have done our jobs well. In my case, my government and some active non-governmental organizations (NGOs) in Manila expressed their desire to have a clear picture of the demography of female Overseas Filipino Workers all over the world. Coincidentally, during the last meeting between our working group at the Gardenia Hotel, your team acceded to our request for the Philippine Consulate's Labor Office to access from your end relevant data on all Filipinos currently working in the CNMI.

May, I therefore request your good office to provide us the number of permits issued to all Filipinas working in all categories, e.g. dancers, waitresses, house workers, singers, accountants, secretaries, etc. My Office has received a directive from Manila regarding this matter.

I'm looking forward to our next dialogue.

Thank you and warm regards.

Sincerely yours,

Julia C. Heidemann

Julia C. Heidemann
Consul and Head of Consular Post

4th Floor Naura Bldg. Susupe P.O. Box 741 CK Saipan MP 96950 CNMI
Tel (670) 234-1846/234-8360 - Fax (670) 234-1849 - E mail: ph@gtepacific.net

Philippine Overseas Employment Administration

Republic of the Philippines
Department of Labor & Employment

POEA Bldg., Ortigas Avenue cor. EDSA, Mandaluyong, 1501
P.O Box 4061/Fax # 722-1159
Tel 722-1142 to 99

01 February 1999

HON. MARK D. ZACHARES
Secretary
Department of Labor and Immigration
Commonwealth of the Northern Mariana Islands
Saipan, MP 96950

Dear Secretary Zachares:

In behalf of the DOLE Technical Mission, we wish to thank all of you who took time to meet with the Philippine delegation, shared suggestions and conferred on ideas for ways in which our governments can work together to protect the rights and welfare of Filipino overseas workers in the Commonwealth.

We would like to reiterate our government's commitment to have a continuing and productive relationship with your government with outmost good faith. We acknowledge the substantial efforts of your government in addressing labor issues and problems affecting non-resident foreign workers, particularly Filipinos, in the Islands. We are confident that this is the step in the right direction.

In this regard, we are looking forward to receiving the Draft Protocol which will serve as implementing guideline to the 1994 RP-CNMI Memorandum of Understanding (MOU). We hope this will usher a continuing and fruitful relationship between our two countries for the ultimate benefit of our people.

With our warmest regards.

Very truly yours,

REYNALDO A. REGALADO
Administrator

Appendix B

FEDERALLY FUNDED REPORT ON CNMI ECONOMY: "RISK OF CATASTROPHIC ECONOMIC DECLINE TOO HIGH TO TREAT LESS THAN SERIOUSLY"

Application Of Federal Minimum Wage And Immigration Law "Problematic"

* * * * *

The economy of the Commonwealth of the Northern Mariana Islands (CNMI) has severely contracted as a result of the Asian economic crisis – as seen by the 11 percent decrease in business establishments during 1998. This decline, as well as the strained federal-CNMI relationship, prompted the U.S. Department of Interior to fund an economic study of the Commonwealth. The report, "An Economic Strategy for the Commonwealth of the Northern Mariana Islands," is designed to:

> **provide some insight into future directions of the CNMI economy so that policy makers in Washington, D.C. and the CNMI can adapt their policies to achieve the maximum benefit for the people of the CNMI.**

A draft of the report, released in July 1999, concluded that the CNMI economy is "headed for a slowdown at best and a prolonged and painful recession at worse." In addition to concluding that the CNMI is facing "economic losses," the draft report determines that there is potential for "serious economic disruption from the indiscriminate application of Federal immigration, customs, minimum wage and other laws to the CNMI." It recommends that the findings of the report "be considered in establishing CNMI economic policy at the Federal or local level." And in order to develop a successful economic strategy to improve the investment climate in the CNMI, the report recommends:

> **[T]hat the CNMI work with Federal officials and other insular areas to rationalize, clarify, improve and stabilize Federal investment and development incentives for the insular areas. This is essential if the Federal government is determined to address the special economic conditions of the insular areas.**

* * * * *

Key Findings of the Report

CNMI Economy Has Experienced Unprecedented Growth, Is Facing Recession

- Until 1997, the CNMI had one of the fastest growing economies in the world. The Covenant to Establish the Commonwealth of the Northern Mariana Islands in Political Union with the United States (Pub. L. 94-241) establishing the Commonwealth and its relationship with the U.S., "gave the CNMI two important rights that would eventually have a profound impact on its economic development: (1) the right to export products duty free to the mainland; and (2) authority over immigration and the minimum wage." The report states that "it is very difficult to say that the Covenant anticipated, or even provided for, the indiscriminate application of federal law in the CNMI, regardless of the economic or other consequences."

- The CNMI economy, as a result of these Covenant rights, has significantly outperformed those of other U.S. territories and of the countries in the Western Pacific. This unprecedented economic growth is principally the result of the rise of the apparel and visitor (tourism) industries in the CNMI. ("Without this growth of the apparel and visitor industries, the CNMI economy would look more like it did twenty years ago than it does today.") The rate of growth in the CNMI has been extraordinary, but it is consistent with "take-off" economies in the early stages of growth, according to the study.

- The apparel industry, currently the only healthy economic sector in the CNMI, is "generally expected to gradually phase out its local operations between now and 2005," due mainly to the elimination of quotas under the General Agreement on Trade and Tariffs (GATT). The impact of the departure of the garment industry will be dramatic, and the report concludes that there is little possibility that the growth of other existing industries or even new industries in the CNMI "could substantially offset job losses anticipated in the garment industry, particularly in the near term."

- The report acknowledges that the manner in which the CNMI economy has developed is not approved by everyone. It cites concerns about the influx of foreign workers into the CNMI, the growth of the apparel industry, and the "real and perceived" labor problems. Concerns have also been raised about foreign ownership, mainly as a result of the CNMI's location. (Nearly 60 percent of the business establishments in the CNMI are owned by U.S. citizens.) The report points out as well the very negative consequences of proposed Administration solutions to these concerns.

The Apparel and Visitor Industries – Cornerstones of the CNMI Economy

- The findings of the report, based in part of a economic model developed specifically for the study, found that the apparel and visitor industries accounted for *"82.7 percent of total employment in 1998"* – or an astounding four out of every five jobs in the CNMI. The apparel industry alone in 1998 constituted nearly one-half of the total employment in the Commonwealth. In 1995, the two industries accounted for more than 8,100 permanent CNMI residents jobs – i.e., more than 70% of all permanent CNMI residents employed owe their economic livelihood to these industries! (See chart below.) And in 1998, the apparel industry represented about *one-third* of the permanent residents employed!

- The garment and visitor industries have significant impacts on other sectors of the economy. These impacts are determined by "multipliers" in the reports economic model, which are "a summary measure of an industries impact on the economy." The table below, taken from the report, illustrates the industries "multiplier" impacts throughout the economy.

APPAREL AND VISITOR INDUSTRY MULTIPLIERS, 1995

	OUTPUT MULTIPLIER	EMPLOYMENT MULTIPLIER	INCOME MULTIPLIER
APPAREL	1.37	1.46	1.88
VISITOR	1.43	1.81	2.13

- Output = Total dollars of output generated in the economy per dollar of input in the industry. For example, the visitor industry generates $1.43 elsewhere in the economy for each dollar it puts into the industry.
- Employment = Total jobs generated in the economy per job in the industry. That is, the apparel industry creates 3 jobs in other sectors of the economy for every 2 workers employed in a garment factory.
- Income = Total labor income generated in the economy per dollar of labor income in the industry. For every dollar of income derived directly from the visitor industry (e.g., hotel worker), another $2.13 is generated in another sector of the economy, such as food services or retail.

- The fiscal impact of the apparel industry, as cited in the report, is also very significant. Apparel manufacturing contributes nearly 25 percent to CNMI government revenues and more than 52 percent of the revenues to the Commonwealth Ports Authority, through which nearly all commerce and basic supplies reach the CNMI. Thus, as the impact analysis shows, "the loss of the apparel industry would leave a big hole in the economy ... [and] would also have a disastrous impact on the government budget ..." It also notes that if the apparel industry were lost, it would be "tantamount to cutting the CNMI economy by one-half ... Economic disaster by any standard." (Based on employment.)

- The report also notes the importance of the garment industry in reducing transportation costs: "a) contributing to the profitability of other businesses reliant on off-island supplies or markets; and b) lowering the overall cost of living by reducing the transport cost of imported goods."

- The report also concludes that expansion of the visitor industry is probably the best way to mitigate the loss of the apparel due to GATT. However, even if the visitor industry were to match the growth rate of the early 1990s – a best case scenario – it would not be sufficient to offset the losses in the apparel industry. Accordingly, the model predicts that the CNMI economy "is headed for a slowdown at best, and a prolonged and painful recession at worse."

Development of Industries in the Commonwealth Will Require Time; Focus Should Be Given to Maximizing Benefits of Existing Industries

- While opportunities exist in certain areas – like insurance, data processing, and communications industries – the development of these new industries in the CNMI will take time to develop, a number of years in most cases. Therefore, there will be no quick fix "in the near-term to mitigate the economic and political difficulties that the CNMI is facing."

- The study recommends pursuing new opportunities to diversify the Commonwealth's economy and identifies a process by which the CNMI can seek to attract new businesses to the Commonwealth. More importantly, however, the study suggests focusing on the development of existing CNMI businesses, stating "[b]efore seeking new opportunities it is often wise to make the most of what already exists."

- Focusing on the two main industries in the CNMI – apparel and visitor – the report suggests that the visitor industry has the most potential for expansion and development. The report, however, also recommends "that every effort be made to avoid an abrupt or disorderly phase

out of [the garment] industry and to retain the more productive segments of the industry as long as possible."

Federal Proposals Are Too Severe, Will Result in Economic Disaster – Report Opposes Implementation of Federal Immigration Controls, Sudden Increases in Minimum Wage

- The study provides a foundation for determining future policies affecting the CNMI. The Department of Interior which funded the report should not advocate policies that ignore it. Doing so would seriously endanger the economy of the CNMI and significantly impact the social structure by reducing standards of living.

- The report recommends "that the Federal government recognize the potential economic disruption from the indiscriminate application of Federal immigration, customs, minimum wage or other laws to the CNMI."

- The study concludes that many businesses other than the apparel industry "will suffer indirect economic consequences should the Federal government immediately enforce US standards of immigration and minimum wage or impose a CNMI garment quota."

- The report concludes that the imposition of the Immigration and Naturalization Act (INA) to the CNMI, whether phased in or imposed suddenly, "could be either catastrophic or atrophic for the economy" and that the CNMI's "economic conditions would deteriorate." The impact would be substantial, with standards of living severely declining. It would also make it "likely that substantial increased levels of funding support from the Federal government would be necessitated." Here is what the report had to say about the Federal proposals to apply the INA:

  > [The Federal proposals] have invariably been very severe. It is highly likely that the economy of the Northern Marianas would be seriously damaged, and that the standard of living of the U.S. citizens residing there would suffer tremendously. Major existing industries could virtually collapse, leaving few sources of export earnings. The economy would be sent into a catastrophic contraction.

- Due to the potential adverse impacts of increasing the minimum wage in the short term, the report concludes that "it is not clear that *now* is a good time for raising the minimum wage" (emphasis added) – notwithstanding the reports reasoning that under different economic circumstances "carefully applied and phased, the US minimum wage could be applied without devastating effects on the CNMI economy." Moreover, the CNMI has adopted a process (i.e., a CNMI Wage Board) to regularly review and prudently adjust its minimum wage without causing economic disruptions. The minimum wage bills in Congress, however, would immediately raise the minimum wage in the CNMI to Federal levels overnight causing catastrophic economic harm.

- The report does not dodge criticism of the CNMI, rather it encourages continued enforcement of existing laws. "The real issues are enforcement, deadlines and substantial penalties for non-compliance," the report states.

* * * * *

Key Recommendations to Improving the Business Climate in the Commonwealth Should Be Seriously Considered By Federal Officials Before Implementing New Federal Laws

- The report makes several recommendation to address infrastructure, financing, transportation and land use. These are important, mainly to the local CNMI officials, and may require working with Federal officials to implement. However, the report makes several specific recommendations that should receive serious consideration by Federal officials before acting on proposals to implement Federal policies on the CNMI:

  1. Retain immigration control.

     The report acknowledges the progress being made by the CNMI government and industry in this area. It notes that "the real issues are enforcement, deadlines and substantial penalties for non-compliance." It says that the CNMI should "[c]rack down in no uncertain terms on abuses of whatever nature in the garment or other industries.

  2. Phase in the US minimum wage.

     While encouraging the phase in of the US minimum wage, the report concluded that such action under the current economic conditions, and without due consideration "to the CNMI's location on the doorstep of East Asian markets." In fact, the report does not suggest that the Federal government should impose a Federal minimum wage, it only suggests the minimum wage rates should gradually be phased-in to U.S. levels. Moreover, it says it should be tied to the "islands' economic health." This process is already underway with the CNMI Wage Board.

  3. Propose specific US Safety nets and technical assistance for economic development.

     The report states, "It is crucial that the US and CNMI governments not allow the resolution of the above issues to worsen the economic situation or hamper a return to economic growth." It also encourages the US to "relax the regulations and provide [Capital Improvement Project] funds ..., increase technical assistance funds that support economic development recommendations and provide an economic safety net" as a result of the current economic crisis.

September 2, 1999

economy collapses because of S. 1052, will U.S. Congress come back prepared to subsidize our government and rebuild our industries at an acceptable free market economic pace?

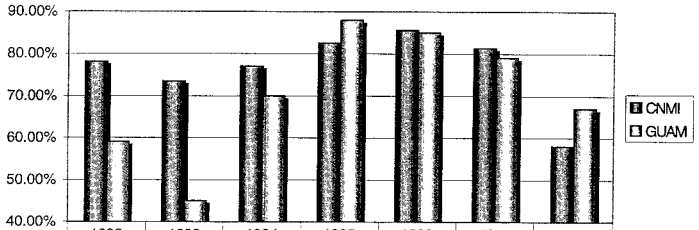
Rather than an outright takeover, let's approach this properly to build a supportive working relationship -- one without hidden agendas. In cooperation between the CNMI and federal agencies, help us enforce the laws rather than seeking problems to capitalize on. Only through a cooperative and focused approach can we accomplish real solutions.

Respectfully submitted,

HOTEL ASSOCIATION OF THE
NORTHERN MARIANA ISLANDS

HANMI
HOTEL ASSOCIATION NORTHERN MARIANA ISLANDS
P.O. BOX 1983 SAIPAN, MP 96950 • (670) 234-3455 EXT. 250 • FAX: (670) 234-3411

Appendix A
HOTEL OCCUPANCY



	1992	1993	1994	1995	1996	1997	1998
CNMI	78.10%	73.49%	77.03%	82.62%	85.57%	81.35%	58.05%
GUAM	59.00%	45.00%	70.00%	88.00%	85.00%	79.00%	67.00%

Source: Hotel Association of the Northern Mariana Islands
Guam Hotel and Restaurant Association

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Appendix B

FOURTH QUARTER FORECAST FOR HOTEL OCCUPANCY
BASED UPON DIRECT FLIGHTS FROM JAPAN

SAIPAN, COMMONWEALTH OF THE N. MARIANA ISLANDS

Total Hotel Rooms Available Per Day	2976
Average Length of Stay	3.2
Average Number of Persons Per Day Per Room	2.1

Direct Air Capacity from Japan		Oct-99	Nov-99	Dec-99
Number of Air Seats Available Per Month		32860	31800	32860
Air Occupancy 100%	Rooms Occupied	1615	1615	1615
	Occupancy Rate Per Day	54%	54%	54%
Air Occupancy 80%	Rooms Occupied	1292	1292	1292
	Occupancy Rate Per Day	43%	43%	43%
Air Occupancy 70%	Rooms Occupied	1168	1168	1168
	Occupancy Rate Per Day	39%	39%	39%

Source: Hotel Association of the Northern Mariana Islands
Note: Based Upon Direct Air Schedule Effective October 1, 1999

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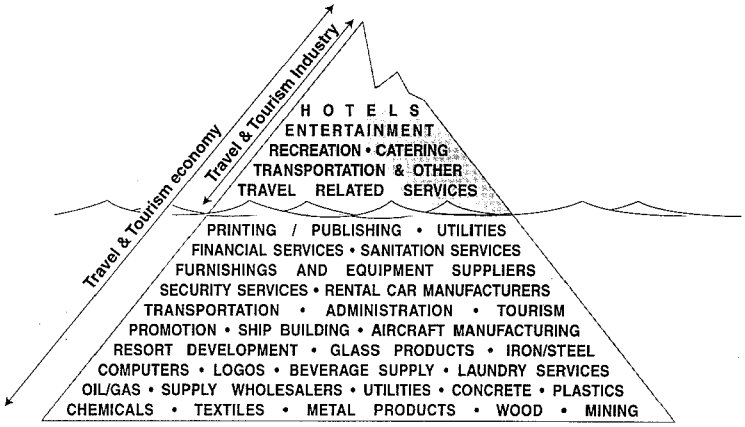
Appendix C

Model of A Tourism Economy

"Merely the tip of the iceberg."



Source: World Travel & Tourism Council

APPENDIX D

June 16, 1997

PHILIPPINE OVERSEAS EMPLOYMENT AGENCY
Corner EDSA and Ortigas Avenue
Metro Manila, Philippines

To whom it may concern:

In View of the current issue in regards to mal-treatment of Filipino workers here in the Commonwealth of the Northern Mariana Islands, we are writing our personal concern, as one of those thousand Filipino Contract Workers here in Saipan. We are happy, contented working and even some of us are living with our families here and we never encounter any abuse from our employer. We are those employees that arrived over ten years ago and we are getting more than adequate benefits, from free food, transportation, housing , medical , free airfare every 2 years, etc. but most important is the very fair employer-employee relationship that we are all enjoying. Compare to other countries minimum wage & benefit, we think that CNMI employers are fair enough to give all the above and the opportunity to prosper.

Citing our concern to our fellow Filipinos here in Saipan, most of us are earning or getting double/triple of what our salary was, when we left our job in the Philipppines and that give us a chance to uplift our standard of living. Some of us even have our own business now, can afford to buy house & lot, manage to buy a car and send our children to private schools.

On Federal minimum wage , some of us are receiving more than what is required and that give us a change to up-grade our lives in Saipan that we never did living in the Philippines like driving your own car and spending our one (1) month vacation every two (2) years to either home or other destination of choice that we never been before. Adding all the benefits to our present salary, it is even much higher than what they're getting if you are in the U.S. mainland. A consistent salary that we continue to enjoy these past years is better than to force U.S. Minimum Wage and bankrupt local businesses then we all end up returning home with no forseeable future .

Dennis C Macatangay — waiter
ARIEL ABADILLA — WAITER
Leonito Pelle — Helper cook
LINDO IBIS — COOK
Rofall Jorie — former
Dennis Macatangay — WAITER

**TESTIMONY BY STEVEN R. GALSTER, EXECUTIVE DIRECTOR
GLOBAL SURVIVAL NETWORK**

**BEFORE THE HOUSE COMMITTEE ON ENERGY AND RESOURCES,
CONCERNING THE U.S. COMMONWEALTH OF THE NORTHERN MARIANA
ISLANDS**

SEPTEMBER 16, 1999

TESTIMONY PRESENTED BY:

**STEVEN R. GALSTER
EXECUTIVE DIRECTOR
GLOBAL SURVIVAL NETWORK
P.O. BOX 73214
WASHINGTON, D.C. 20009
TEL: 202-387-0028**

TESTIMONY BY STEVEN R. GALSTER, GLOBAL SURVIVAL NETWORK, BEFORE THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES, SEPTEMBER 16, 1999, CONCERNING THE U.S. COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI)

American traditions of fairness and human rights are routinely violated in the U.S. territory of the Commonwealth of the Northern Mariana Islands (CNMI) -- and they will continue to be violated so long as the U.S. Congress gives the CNMI government control over immigration and labor there. Although not always apparent to visitors, debt bondage is a way of life for many foreign workers living in the CNMI. Taking full advantage of the CNMI's special status as a U.S. territory --a territory that is not, in effect, fully bound by U.S. laws-- foreign corporations, Chinese employment agencies, criminal human traffickers from across Asia, and opportunistic middlemen from the CNMI have profited enormously at the expense of thousands of foreign workers in search of jobs in the USA. They have also made a mockery of our government's reputation as a leader of human rights. Instead of finding the dollars and democracy most workers seek in CNMI, many become trapped in debt-bondage situations, often with no one to look to for help.

This situation has gone on long enough. The question remains: what are those who can do something about this situation -- the House and Senate Energy and Resource Committees in particular-- going to do about it?

If past serves as prologue, so long as the characterization I just gave of the situation in CNMI remains in question, I fear that very little will be done. Word has already circulated that opponents of reform in CNMI are anxious to pin the blame for any wrongdoings in CNMI on our federal agencies.

The situation I depicted above may not be fully evident to a Congressperson during a highly visible, 3 day visit to Saipan, but it is quite real.

The basic problem is NOT that existing US laws are not enforced by federal agencies on Saipan. The basic problem is a systemic one: Congress has allowed a situation to develop in which the transplanted Asian garment industry simultaneously enjoys a substantial –perhaps $200,000,000 a year—tax break, while flooding the local CNMI labor market with tens of thousands, powerless foreign workers. The industry is protected by U.S. tariffs, but the workers lack federal protections.

The picture I draw of the CNMI stems from my organization's research into human trafficking operations in the CNMI. Global Survival Network (GSN) is a human rights organization with a solid and extensive record for investigating cases of human trafficking around the world. Our investigative work on trafficking of women and girls for forced prostitution out of the former Soviet Union and into Europe, Asia and the United States was the focus of major media exposes carried by CNN, New York Times, US News and World Report, ABC, BBC, and a host of other overseas media outlets. The US State Department collaborated with GSN to educate women and girls in Eastern Europe of potential dangers posed by deceitful and abusive human traffickers abroad. GSN's research and recommendations are also the focus of 2 pieces of legislation aimed at combating human trafficking, which are currently being circulated in the US House and Senate chambers . GSN's investigative work on Saipan is detailed in this report, "Trapped," which was the focus of an ABC 20/20 show on Saipan in late May, 1999.

During GSN's earlier investigation into Russian Organized Crime involvement in international sex trafficking operations, a place called Saipan came up a number of times as a destination point for Russian women, as well as women from Asian countries, trafficked

to service sex tourists. Typical of other trafficking cases, we heard that Russian and Asian women paid exorbitant recruitment fees to secure jobs as waitresses earning U.S. dollars in Saipan for periods of 3 to 12 months at a time. The women assumed that they would earn far more than the debt they incurred when "buying" their job, and many assumed they would be working as waitresses. We extended our investigation to the CNMI in 1998 and 1999 to have a closer look.

In preparing for our investigation, we learned that other foreigners were also buying jobs to work in Saipan, most securing menial positions with the Saipan garment industry. We read numerous accounts of alleged employer abuse, including recruitment by deceit, and working under coercive and/or debt-bondage situations. We could also see that these allegations were strongly denied by the garment industry, CNMI officials, and even some US Congresspersons.

Employer watchfulness and intimidation of workers --be it in brothels or garment factories-- makes it difficult to obtain reliable information through traditional journalism and interviewing methods. By the same token, employers may not comfortably share with researchers the true nature of their employment and supervisory techniques, for fear of saying something that will be taken out of context and used against them unfairly.

In response to these constraints, GSN adopted unconventional research procedures to document the existence or non-existence of human trafficking in the CNMI. Leading this research team, I posed as an apparel company representative interested in placing an order with Saipan-based factories. Employers felt comfortable talking to me because they saw me as a potential buyer. Another GSN researcher posed as an academic researcher interested in migrant workers. Workers felt comfortable telling their story to her because she was able to meet the workers outside their workplace, and because the workers were never asked to provide their personal identity. On both levels of inquiry, we challenged our interviewees to back up their statements.

Travelling between executive garment offices in Hong Kong and factory floors in Saipan, not to mention workers' barracks, we learned and documented the following facts (some of which continue to be backed up by weekly reports from our sources in Saipan):

- Most foreign workers in CNMI are working and living under debt bondage: they have incurred between $1,500 and $12,000 in "recruitment fee" debts for the right to have a job in CNMI. They are obliged to pay back this debt or face serious consequences, including physical harm, and possibly even death, to themselves or their families.

- In many cases, a foreign worker in CNMI will have to work one full year or more, at 60 hours per week, to pay off their debt, before they start to earn money for themselves.

- Once on Saipan, most of these foreign workers give up their right to change jobs or return home because they have signed a contract in their own country stating a commitment to work for their original employer. Specifically their boss, in effect, has the power to deny them a job transfer. This was explained to us by workers and employers alike. Several security guards and sewers working for garment factories matter-of -factly stated that if they took their respective complaints about non-payment and employer harassment to the local Department of Labor and Immigration (DOLI) they would lose their chance at having any job in the CNMI, which, given the debt they had to pay off, was not a viable option.

- This letter was written two weeks ago by a Chinese woman in Saipan who faces deportation 6 weeks from now because she has been black-listed by her former employer, who she left and complained about to a US media company. The power of her former employer extends back to China. She wrote that he told her "Don't you dream, we will not agree on your date extension. You should go back to China as soon as possible, and upon return to China, we will have to deal with your matter."

A Saipan garment factory boss confirmed that he and other employers have such power. He told me that if a worker in his factory wants to transfer to another, the CNMI government will ask him if he approves of the transfer, and usually he will say "no."

- Workers who do manage to leave their abusive employers are often forced to "buy" their new job, usually at a rate of $1,000. Two months ago, several Bangladeshi workers secretly recorded a garment factory employer offering jobs for $1,000 apiece. This practice is widespread.

- Chinese criminal money lenders operate on Saipan with impunity, offering desperate workers cash to buy jobs or for other purposes. Interest rates are rates as high as 30%.

- Many foreign women and some girls have been deceived by traffickers who promised jobs as waitresses, but upon arrival on Saipan they are forced into prostitution, sometimes working in Chinese and Japanese owned clubs run by what the women described to me as "Mafia."

- Many garment workers are still working in squalid conditions. Specifically, I witnessed fire hazards in factories, air unfit for breathing in others, dirty and cramped living quarters, and unsanitary water conditions.

- Garment factory bosses are known to prepare their factories and workers for visits by US legislators or garment monitors, by warning workers not to speak badly about their jobs, and by cleaning up factory floors in advance of the visit.

- Domestic servants in CNMI are often abused psychologically and sometimes physically by their employers, who often pay them late, and sometimes not at all.

- The CNMI government is neglectful of, and sometimes complicit in, labor abuse. Job permits have been sold by CNMI officials to traffickers, who turn around and sell jobs --sometimes non-existent ones-- to foreign workers. The Department of Labor and Immigration does not always thoroughly investigate some workers complaints against garment employers because the CNMI government wants to maintain an amiable relationship with this industry. The example I gave earlier of the secretly recorded conversation of an employer selling jobs to out of work foreigners took place inside the office of the Department of Labor and Immigration in Saipan.

- CNMI politicians and CNMI-based businessmen feel free to abuse workers because:
  -(a) the local government agency in charge of investigating labor abuse, the Department of Labor and Immigration (DOLI) is less than diligent in investigating allegations of abuse;
  -(b) the US Department of Labor has limited authority in investigating individual complaints. (See * below for details).

-(c) they have learned that window dressing for visits by US federal officers or Congressmen is enough to deter reform efforts, even though some of this window dressing has been exposed as very superficial, evidenced recently by a serious water contamination case at the best factory in Saipan.
-(d) they feel that they have close friends in high places that will staunch efforts at reform, specifically high level US Congressmen.

On this last point, and then I will close, it is worth pointing out that the very top garment executives, as well as some CNMI legislators I met, felt completely immune from any potential Congressional reform efforts in CNMI. They claimed that House Majority Whip, Tom DeLay would manipulate congressional processes to prevent CNMI labor reform. The exact words of one executive, which summed up this feeling of immunity, were these: "You know what Tom told me? He said, [name of executive], if they elect me as majority whip, I make the schedule of the Congress. And I'm not going to put in on the schedule. They got to go through all the committees before they come to me. Even if it comes to me, I'm not going to schedule it. What, are they going to have a motion to get it from my committee, they will not do that --who are you? So Tom told me, forget it...not a chance."

This same executive, who holds more sway with the CNMI government than any one person, added: "[Tom DeLay] called up the guy who is charge of the committee, his name is Don Young from Alaska...And he said Don, nothing wrong with CNMI. He say, you gotta go there. If this is slave labor, mistreatment, those kind of thing, go after them. It's all not true...You guys are trying to do something right into wrong. Tom explained to them. So, Don Young backed off."

I hope that this Committee is not really backing off the issue of reform in CNMI. There are many people in the CNMI, together with their families back home, who anxiously await the outcome of these hearings. Indulge me one last time as I read another quote from the letter written by the Chinese worker in Saipan, who has exhausted all available channels for help in Saipan, including the very committed, but limited US federal offices. If you think this is manipulative, just remember that this story is typical of what so many foreign workers have to tell from their experience in the US Commonwealth of the Northern Mariana Islands. This letter was written on August 30, 1999:

"Currently, my situation is very difficult. If I return to China, its governmental International Company [the agency that recruited her to work in Saipan and charged her for the job] would seek revenge and punish me; if I don't go back to China, my life is threatened here. Everyday, I am on tenterhooks, hiding while seeking jobs that are not to be found. I can't support myself for basic expenses, such as food, rent and going to the doctor. Now, I am at the end of my rope. I once asked for help from relevant U.S. departments in Saipan. I never got any answers. I am beginning to think it may be true that the U.S. government really has used me up, and doesn't care about my life or death??? Therefore, I ask you, Congress, etc. to help me. If you don't help me, and I continue to live like this, I may die in Saipan. I have reached the stage of collapse. Please give me a hand.!!!"

Please give this woman, and many other foreign workers like her in CNMI, a hand. Please extend the Immigration and Nationality Act, and the Fair Labor Standards Act of the United States, to the CNMI as soon as possible. Congress has denied to the states, such as Alaska, the power to control their own immigration and minimum wage laws, but it has given these same powers to CNMI politicians, who are mainly influenced by Asian garment companies that care first and foremost about profit, and little if anything about human rights for their workers. That was a mistake that Congress can change by a majority vote. Thank you.

footnote:
* The U.S. Department of Labor's Wage Hour Division has the authority to investigate cases involving non-payment of appropriate overtime wages referred from the CNMI Department of Labor and Immigration or directly from workers. Both agencies, however, lack the authority to look into cases of unpaid regular wages. The federal Wage Hour Division only intervenes to examine businesses with more than $500,000 in wages annually, thus, only in cases involving multiple employees and egregious overtime violations.

The Washington Post

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Human Rights Group Urges Action on Saipan

By William Branigin
Washington Post Staff Writer

Human rights and labor groups are urging the Justice Department to crack down on the trafficking and abuse of foreign workers on a U.S. island in the western Pacific.

The plea, in a letter to Attorney General Janet Reno, accompanies the release today of a report on an eight-month undercover investigation by a Washington-based human rights group, Global Survival Network, into conditions in the Commonwealth of the Northern Mariana Islands. The group found that the U.S.-affiliated archipelago "has become a center of international human trafficking operations" involving Chinese and Japanese organized crime, debt bondage, sexual slavery and the exploitation of workers in garment sweatshops.

The letter to Reno, signed by a dozen organizations including the American Bar Association's East European Law Initiative, also asked her to look into whether a leading congressional friend of the commonwealth's $1 billion-a-year garment industry, House Majority Whip Tom DeLay (R-Tex.), "improperly" used his position to block reform legislation.

A spokesman for DeLay said Delay's actions are aboveboard and that DeLay believes the proposed legislation would mean "big government" and destroy the islands' "free-market economic growth."

Successive commonwealth governments have charged that reports of human rights and labor abuses on the islands are exaggerated and asserted that local authorities are adequately dealing with those that occasionally arise.

The Global Survival Network's report and the letter to Reno represent the latest challenge to the commonwealth and its garment industry, which have been fighting greater federal controls, private lawsuits and charges of health violations. Class-action suits filed in January on behalf of 50,000 current and former garment workers seek to hold 18 major U.S. retailers responsible for a "racketeering conspiracy" to produce clothing in sweatshop conditions on the commonwealth's main island, Saipan.

Rep. George Miller (D-Calif.) proposed legislation in February to impose federal immigration and minimum wage laws on the commonwealth. Last month, a bipartisan group including Sen. Spencer Abraham (R-Mich.) and Rep. Bob Franks (R-N.J.) introduced a bill to end the ability of foreign-owned factories, using "ill-treated indentured labor" and materials from China, to put "Made in U.S.A." labels on their clothing and avoid duties and quotas at an annual cost to the United States of $200 million in revenue and 20,000 jobs.

Under a 1976 "covenant" with the United States, the commonwealth sets its minimum wage – now $3.05 an hour -- and is exempt from federal immigration laws. That has allowed it to bring in 38,000 foreign guest workers, mostly from the Philippines and China. They do most of the work in the private sector and outnumber the 27,000 native islanders and other U.S. citizens, who have a 16 percent unemployment rate.

In carrying out the Global Survival Network's investigation, the group's director, Steven R. Galster, posed as a clothing buyer from New York and used a hidden camera to videotape visits to garment factories and meetings with industry officials on Saipan.

The videotape shows Chinese women toiling at sewing machines beside huge piles of clothing on crowded factory floors in what Galster described as unsafe working

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conditions. Factory officials explain that, unlike in their homelands, the workers cannot easily change jobs, because that requires approval from the local government, which usually refuses.

Workers are charged up to $10,000 each by recruiters to get the jobs, which they are told pay generous salaries "in the United States," Galster said. The system has spawned gambling and loan-sharking by Chinese organized crime on the islands, and some of the female garment workers have been diverted to a burgeoning sex trade on Saipan that caters largely to Japanese tourists, he said.

Among those interviewed with the hidden camera was Willie Tan, a powerful Saipan garment manufacturer who has been fined by the federal government for labor law violations. He spoke of his close relationship with DeLay, who he said had promised to prevent any reform legislation from advancing in the House.

"You know what Tom told me?" Tan said. "He said, 'Willie . . . I make the schedule of the Congress. And I'm not going to put it on the schedule. . . .' So Tom told me, 'Forget it, Willie. No chance.' "

The letter asked Reno to investigate whether DeLay "may have improperly promised the use of his elective office to protect and defend criminal enterprises on the island of Saipan."

DeLay's deputy chief of staff, Tony Rudy, said DeLay "has made it publicly clear" he opposes the bills in question and wants to prevent federal bureaucrats from imposing "more red tape and regulations" and "trying to govern the islands from 12,000 miles away." He said DeLay also opposes the minimum wage in the United States.

"They're trying to kill economic growth on the islands," Rudy said. "The whole campaign is driven by labor unions that hope these jobs will move from Saipan to Philadelphia. In reality, they're going to move to the Philippines."

Wan Lan: Chinese-English Literal Translation, Written in Saipan

Dear respectful Mr. Steph gelster:

My name is Wan Lan. I am a Chinese laborer working in Saipan Island. I am writing to especially tell you about my persecution and the difficult situation that I am in after I complained about my employer. I hope you will find time in your busy schedule to help me, a helpless, pitiful person.

In 1996, I was introduced by a Chinese governmental organization Jiangxi Province International Company to come to work in MGM Junior clothing company in Saipan. In 1998, ABC television station in New York broadcasted my complaint about my employer regarding human rights problems, etc. The complaint generated strong repercussions in all walks of society. My employer's shame turned to anger and he directed a subordinate to wound me (I have the picture of my wound and the diagnosis from the doctor). Taking advantage of my not knowing English, he had me detained in a police station for a day and a night. Then, he fired me. After I lost my job, I went to work as a TWA temporary worker for three months in another clothing factory, UK Company. Since I am a serious worker, the UK Company was ready to transfer me into a regular company worker job. Once my original employer, MGM Junior, found out about this, he tried very hard to stop this and I lost another job. After this, I paid a $1,000 fee to ask some go-between person to introduce and transfer me to Mariana Fashion Corp. (Because Saipan is currently very corrupt, in order to get to work in a clothing factory, the employer, the director, and the local manager all ask for a fee which is kept secret). Little did I know that MGM Junior had called my new employer and attacked me, which cost me not only a job opportunity but also $1,000. After this, I looked for jobs in many clothing factories, but once they heard my name, they rejected me. Finally, I knew it was MGM Junior who had called all the companies and had asked them to reject me. Although, I looked for jobs in stores and restaurants, I got the same treatment. The MGM Junior employer once said that he was going to get revenge and put me to death.

Now, I am facing the November 6, 1999 expiration date of my business passport. According to Chinese government regulations, the extension of the expiration date should be approved by Jiangxi International Company. Yet, the staff from the International Company says: "Don't you dream, we will not agree on your date extension. You should go back to China as soon as possible, and upon returning to China, we will have to deal with your matter." The reason that they treated me as such is because I was the one who originally complained about the MGM Junior employer, and I also got on the ABC station to lead people to go to the federal Labor Department to be witnesses, and become witnesses for the U.S. lawyers, class action case to sue the Saipan clothing business for $1 billion compensation. At that time, the International Company once warned me not to sue or to lead others to sue. It said that the Americans were using me and once they finished using me, they would kick me out and never pay attention to me. It also said that if I sue, it would have a negative impact on the clothing business in Saipan, which would directly have a negative effect on the International Company"s transport labor business and cause the company big economic losses since each laborer pays 30,000 to 45,000 yuan Renminbi. According to our knowledge, the company and the employer would divide the money equally.

There were even more frightening things happening a few months ago after I took quite a few people to the federal Labor Department to sue. Also, I appeared for the second time on the New York ABC station, etc. I was threatened many times on the telephone that if I continue to lead people to sue, I would be killed. The person who threatened me said that he is part of the mafia sent by the clothing factory. At that time I asked for help from the federal Labor Department. I got immediate protection from people sent by the FBI for a few days. Since the criminal wasn't caught, the case was set aside. I can't think straight, wondering whether or not these departments would only protect me after I am wounded or dead. If I really have to wait until then to get protection, why would I need their help and what would be the use of such help???

Currently, my situation is very difficult. If I return to China, its governmental International Company would seek revenge and punish me; if I don't go back to China, my life is threatened here. Everyday, I am on tenterhooks, hiding while seeking jobs that are not to be found. I can't support myself for basic expenses such as food, rent, and going to the doctor. Now, I am at the end of my rope. I once asked for help from relevant U.S. departments in Saipan. I never got any answers. I am beginning to think it may be true that the U.S. government really has used me up, and doesn't care about my life or death???

Therefore, I had to ask you, Congress, etc. to try to help me. If you don't help me, and I continue to live like this, I may die in Saipan. I have reached the stage of collapse. Please give me a hand!!!

Pleader for help: Wan Lan

August 30, 1999, written in Saipan