

EXTENSIONS OF REMARKS

AMERICA'S HONG KONG

HON. MICHAEL P. FORBES

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 4, 1997

Mr. FORBES. Mr. Speaker, I would like to encourage my colleagues to read an article entitled "America's Hong Kong" in the current edition of the *American Enterprise*, the journal of the prestigious American Enterprise Institute. In the May/June edition, Ronald Bailey provides an indepth analysis of his recent fact-finding trip to the Commonwealth of the Northern Mariana Islands [CNMI].

Bailey recounts the history of the islands, which were the scene of some of the heaviest fighting during World War II. As he explains, it took more than 25 days of fierce fighting for the United States to secure the islands from Japan at a cost of more than 3,000 American casualties and more than 30,000 Japanese defenders.

He explains that after the war, the poor and underdeveloped islands were administered by the U.S. military until 1975 when a covenant was negotiated with the United States that established CNMI as a "self-governing entity under the sovereignty of the United States."

Until the covenant, Bailey points out that the islands "were an impoverished ward living off meager Federal handouts." By the mid-1980's, a series of factors "converged to create a remarkable economic boom."

Bailey refers to the Marianas as "a true free-market success story."

He details the growth of the economy, increases in per capita GDP, and the drop in unemployment from 15 to 4 percent. The economic growth enabled the government to reduce tax rates.

We can learn from their example. It is worth stressing that even though tax rates were cut, CNMI government revenue increased from \$5 million in 1978 to \$220 million in 1996. As a result, U.S. contributions to their government operation ended in 1992.

Bailey also addresses the charges of labor abuses and concedes that these existed, but that local officials were working to improve conditions. He cites Gov. Froilan Tenorio to the effect those who abuse workers "are being investigated, prosecuted and convicted of crimes or administrative violations."

Mr. Speaker, there are some in this body and this administration who believe that they can manage the islands better from Washington. Bailey responds by quoting the Governor's simple plea: "Don't permit Washington to micromanage us or impose its policies and theories on us. Don't send us back to the old cycle of dependency on Federal handouts."

I agree with this approach and hope that this article will serve to shed new light on how this American commonwealth has prospered and reduced its dependence upon the Federal bureaucracy.

AMERICA'S HONG KONG

The Commonwealth of the Northern Mariana Islands (CNMI) is a chain of 14 tiny is-

lands directly north of Guam in the western Pacific. The island of Saipan is home to 90 percent of the commonwealth's population. For centuries, Spain administered the islands as colonial possessions; then they were sold to Germany and eventually handed over to Japan after World War I.

As the Second World War approached, the Japanese fortified the islands. U.S. troops invaded Saipan on June 15, 1944. It took 25 days of fierce fighting to secure the island at a cost of more than 3,000 dead American soldiers and more than 30,000 dead Japanese defenders. The islands are still littered with the debris of the battles: rotting gun emplacements, Japanese command posts and bunkers, rusting armored vehicles. Of the many war memorials that dot Saipan, the most sobering is at Suicide Cliff. From that precipice, hundreds of Japanese men, women, and children jumped several hundred feet to their deaths rather than surrender to the American invaders.

After the war, the poor and undeveloped islands were administered by the U.S. military, which closed them to outsiders because of a very elaborate, secret CIA covert operations base on Saipan. In the 1970s, this sleepy tropical backwater began to negotiate a new status with the United States. This eventually resulted in a 1975 covenant that established the Commonwealth of the Northern Mariana Islands as a self-governing entity under the sovereignty of the United States. The relationship is made clear on island license plates, which proudly read "CNMI USA."

Essentially, the locals became U.S. citizens, but without the right to vote in presidential elections, and without federal income taxes. Although most federal laws apply, the covenant reserved some crucial areas to the control of the CNMI government, including minimum wage rates, immigration rules, and customs. In 1978, the islands established a democratically elected bicameral legislature with a Senate and a House of Representatives, an executive branch headed by a governor, and an independent judiciary.

Until the covenant, the Mariana Islands were an impoverished ward living off meager federal government handouts. In 1970, the 1,000 or so indigenous people who were employed had annual wages totaling \$1.5 million, and the largest employer was the Trust Territory government. In 1970, the total number of hotel rooms in the islands was 83.

Even after the covenant, full economic takeoff had to wait for the conferring of American citizenship on CNMI residents to be finalized by various bureaucrats. But by 1986, three factors—the stability assured by affiliation with the United States; the opening of air service to Japan; and the abandonment of restrictions on foreign investment—converged to create a remarkable economic boom. A tourist flood resulted—the number of hotel rooms rose from 740 accommodating 117,000 visitors who spent \$59 million in 1980, to 3,600 rooms for 650,000 tourists who spent \$522 million in 1995. The second pillar of the CNMI economic miracle in the garment industry. It rose from essentially nothing in 1985 to a \$419 million business in 1995. Total gross commercial revenue in the islands has grown from \$244 million in 1985 to \$1.5 billion in 1994.

What I found on a recent fact-finding trip to the Marianas was a true free-market suc-

cess story. The economy grew at 13 percent per year from 1980 to '90, and per-capita GDP quadrupled from \$2,400 to \$10,000. Unemployment dropped from 15 percent to 4 percent. In addition, the Commonwealth slashed income taxes by 90 percent, cut capital gains taxes to half the U.S. rate, reduced excise taxes, and eliminated import duties. There are no inheritance, property, or sales taxes on the islands. Meanwhile, CNMI government revenues have increased from \$5 million in 1978 to \$220 million in 1996, and the U.S. contribution to government operations ended entirely in 1992.

The flood of private investment in the Marianas soon ran up against a dilemma. There were not enough local people to fill the new jobs being created. The solution was hiring thousands of temporary "guestworkers."

Under the covenant, the CNMI has complete control over immigration. The hotels, garment factories, and construction firms currently employ 29,000 guestworkers, and guestworkers make up nearly half of the islands' population of 60,000. Some 20,000 of the nonresident workers are Filipinos, while 7,000 are from mainland China.

"If you look at a map, you will see that we are the first tropical beach immediately south of Japan, Korea, Taiwan, and the China coast. This means that we have enormous potential to reap the benefits of our geographic location. But we cannot achieve that potential with our tiny local population alone," says CNMI Governor Froilan Tenorio. "What kind of investment climate do you think we will have if I have to tell a prospective investor, 'Sorry, we can't supply enough local manpower, and the federal government won't let us bring in any more foreign workers?'"

The Government's question is not merely a rhetorical one. Pushed by U.S. labor unions—who are upset by the prospect of a laissez-faire, loose wage, low-tax economic model blossoming under American sponsorship—and emboldened by instances of guestworkers being cheated and mistreated, the Clinton administration is threatening to clamp down on this mini-Hong Kong.

Allen Stayman, Director of the Office of Insular Affairs in the U.S. Department of the Interior, has threatened to rake control of immigration and wage policy away from the CNMI government. Clinton officials "are firmly convinced that a gradual increase in the CNMI wage rate and the eventual full application of the Fair Labor Standards Act would benefit the economy," testified Stayman this past February in support of a bill that would force up CNMI minimum wages. Governor Tenorio, on the other hand, argued in his own House testimony that all such federal intervention will do "is ruin our economy. . . and assure that our Commonwealth will remain permanently dependent on federal assistance."

The irony is that these interventions are being proposed just when other Pacific territories are jealously eyeing the CNMI's humming economy. One hundred twenty miles to the south, Guam is trying to negotiate a covenant with the U.S. similar to the one the CNMI has, in which Guam would gain control over immigration and labor regulations. And even as Clinton administration officials attack the CNMI, they have had a change of heart that leaves them looking favorably at

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Guam's request. Why? In February, the Washington Post reported that Guam got the attention of the Clintonites after Governor Carl Gutierrez raised and delivered nearly \$900,000 in combined contributions to the Clinton-Gore re-election campaign and the Democratic National Committee. These handsome campaign contributions made the citizens of Guam, who cannot vote in U.S. elections, the biggest donors to the Democratic Party per capita of any part of the U.S. Governor Gutierrez has met with President Clinton in person twice since making the contributions.

Maybe the CNMI missed a bet. If Governor Tenorio had hosted a fundraiser for Clinton, and then flown to the White House for a coffee date, he might not be facing today's threat to the common-wealth's right to direct its own economy.

Certainly there are problems in the CNMI. One is a large local bureaucracy. The 1997 budget shows that nearly 4,600 of the 27,500 U.S. citizens on the islands work for the government. The islands' long period of federal dependency fed cultural attitudes that are found all too often in poor countries around the world today. "Our people were enticed out of the fields and fishing boats and into desk jobs where they were taught that working for the government was the road to riches and that other people would do the dirty work," Governor Tenorio testified at a recent Congressional hearing. "Worse, we were inculcated with a welfare mentality. Uncle Sam paid the bills and cleaned up the messes, and we came to rely on that."

When I suggested to one government official on my recent visit that too many locals were working for the government, he answered: "Well, they're not trained for anything else. If we didn't pay them to work for the government, they'd be on welfare." A tourist boat captain joked to me that the traditional Marianas' greeting, "Hafa Adai," really means "half a day," which is all that an islander wants to work. Several other locals proudly cited the claim that islanders consume more Budweiser per capita than any other people in the world. Anheuser-Busch has twice sent out a vice-president to see what is going on.

There is also little question but that some guestworkers have been mistreated. Government officials do not deny this, and say they are making new officers to enforce contracts and apply existing labor standards. "Employers and others who abuse our guestworkers are no better than common criminals," testified Tenorio on Capitol Hill. "They are being investigated, prosecuted, and convicted of crimes or administrative violations."

The Governor argues "It would be impossible to understand how [federal agencies] could possibly do a better job in the CNMI than we are now doing." Taking over Immigration control and raising minimum wages would only destroy economic opportunities and hurt employees and employers alike. The current minimum in CNMI garment factories, \$2.90 per hour, is already more than ten times the average wage in mainland China, which the *New York Times* has recently reported to be 28 cents per hour. The overwhelming majority of CNMI guest workers request that their labor contracts be renewed upon expiration. Governor Tenorio's summary plea to Congress is a simple one: "Don't permit Washington to micro-manage us or impose its policies and theories on us. Don't send us back to the old cycle of dependency on federal handouts."

IN HONOR OF RETIRING TEACHERS

HON. DENNIS J. KUCINICH

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 4, 1997

Mr. KUCINICH. Mr. Speaker, teaching our children is one of the Nation's most important tasks. The professionals who devote their career to it are worthy of our highest praise.

Let us commemorate the careers of two fine teachers from Cleveland's public schools: Carolyn Harrison and Artha Mae Vincent.

Carolyn Harrison devoted 30 years of service to the Cleveland public schools where she taught social studies to hundreds of students and taught elementary school to many children. A mother, grandmother and great grandmother, Carolyn also found time to be active in her church and to serve on the mayor's parent involvement committee.

Artha Mae Vincent served Cleveland's parents and children for 30 years as a science teacher. She also served as the department chairperson at Wilbur Wright Middle School and was a winner of the Martha Holden Jennings Scholar. She was also active in her church, volunteered her time generously, and raised a family.

Thirty years of service to the cause of instructing America's youth is a landmark achievement. Mr. Speaker, we honor its attainment by two fine teachers from Cleveland. They retire with our unending gratitude and appreciation.

EXPERTS NOTE IMPORTANCE OF BURDEN SHARING

HON. BARNEY FRANK

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 4, 1997

Mr. FRANK of Massachusetts. Mr. Speaker, rollcall recently put out a very useful supplement on the question of America's defense. One of the articles, written by two very well informed defense specialists, Michael O'Hanlon and William Durch, makes an important point which is often left out of discussions of how much America should be spending on the military. Much of what America spends on the military is essential for our national security. But a significant part—tens of billions per year I believe—is spent as an active international charity. That is, the United States continues to subsidize our wealthy European and East Asian allies, in a pattern which made sense when it began in the late 1940's after World War II, but no longer has any real justification. In the closing paragraphs of their report, the authors note that "those who argue for greater international burden sharing have a point: The United States does do more than its fair share today." And they go on to state, in what should be the central point of our defense budget debates, "it is time to start asking our major allies, especially the wealthy and well established democracies of Western Europe, to do their fair share."

These authors fully understand the importance of a strong national defense, and the point they make is that we could make considerable savings for the U.S. taxpayers in ways that would have no negative effect whatsoever

on our national security or international objectives, simply by ending the unjustified policy of subsidy of the wealthy which is an unfortunate continuing part of our military spending. I am inserting the relevant part of their article here:

BEYOND QDR

At a more general level, those who argue for greater international burdensharing have a point: The United States does do more than its fair share today.

Not only in backstopping difficult peace operations, but in maintaining its forces from Korea to the Taiwan Straits to the Persian Gulf to Bosnia, the United States undertakes activities and maintains stability in a way that no other state can rival. It also spends a considerably higher share of its GDP doing so than most allies devote to their militaries—roughly 3.5 percent of the GDP in this country, versus an average of just more than 2 percent among the NATO allies and just over one percent in Japan.

Some of these costs and risks ought to be reallocated. For starters, US dues for U.N. peacekeeping should be reduced through negotiation with other countries. But that is not enough. Perhaps the most serious flaw of the QDR is that it lets the major allies off the hook. They have no role in US war plans under the Bottom-Up Review, and apparently will have no role under the QDR's assumptions either. That is partly because we cannot dictate political decisions to our allies about when to fight. But it is also because they have not done enough to equip their forces for the types of wars that are most likely in this post-Cold War era.

It is time to start asking our major allies, especially the wealthy and well-established democracies of Western Europe, to do their fair share. They should buy military airlift and sealift, more logistics capabilities like trucks, and other assets that would help them help us fight the next war in a place like Southwest Asia.

Though depending heavily on imported oil, they provided only one-tenth as many forces to Desert Storm as the United States—and could probably not do even that well today.

Overall, the Pentagon, has done a passable job with the defense review. Give the generals and Cohen a solid B. But rough spots remain—and plenty of defense challenges await lawmakers on Capitol Hill in the months and years ahead.

High on the list are implementing the recommendations of the ODR, further scrutinizing weapons modernization programs, finding money for unforeseeable needs like peace operations, and pressing our wealthy allies to reshape their policies and force structures for the post-Cold War world.

IN HONOR OF MR. AND MRS. CACCIAPAGLIA

HON. THOMAS M. DAVIS

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 4, 1997

Mr. DAVIS of Virginia. Mr. Speaker, I rise today to pay tribute to and congratulate Frank and Kitty Cacciapaglia, a couple who have been helping to build and improve our community for many years. June 14, 1997, marks the 50th wedding anniversary for Frank and Kitty Cacciapaglia. The couple were married in Staunton, VA, before moving to northern Virginia, where they raised their five children.

During the couples first years of marriage, Frank was a chemist at the Food and Drug