

GEORGE MILLER
7TH DISTRICT, CALIFORNIA

2205 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-0507
(202) 225-2095
www.house.gov/georgemiller

DANIEL WEISS
CHIEF OF STAFF

COMMITTEE ON EDUCATION
AND THE WORKFORCE
SENIOR DEMOCRAT

COMMITTEE ON RESOURCES

DEMOCRATIC POLICY COMMITTEE
CHAIRMAN

Congress of the United States
House of Representatives
Washington, DC 20515-0507

CAROL HATCH
DISTRICT DIRECTOR

1333 WILLOW PASS ROAD
SUITE 203
CONCORD, CA 94520
(925) 602-1880

3220 BLUME DRIVE
SUITE 281
RICHMOND, CA 94806
(510) 262-6500

375 G STREET
SUITE #1
VALLEJO, CA 94592
(707) 645-1888

TTY (202) 225-1904

April 14, 2005

The Honorable Richard Pombo
Chairman, Committee on Resources
1324 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Since 1992, I have been engaged in efforts in the Congress to remedy the abuse of tens of thousands of foreign guest workers in the U.S. Commonwealth of the Northern Marianas Islands (CNMI) and to strengthen U.S. immigration and labor laws governing the territory.

For many years, there has been a systematic and well-documented pattern of labor and human rights violations, as the CNMI aggressively developed its economy based on the importation of tens of thousands of poor, indentured foreign workers -- mostly women -- from Asia. Housed in barrack-like buildings, sometimes surrounded by barbed wire, the workers have been forced to toil as much as 12 hours a day at sub-minimum wages, under often dangerous and unsafe conditions. Widespread cases of wage underpayment and other violations of federal labor law have been documented, litigated and prosecuted, including a \$20 million settlement between 54 retailers and the CNMI government to compensate and give back pay to up to 30,000 factory workers on the islands.¹

The situation has been even graver for the young women who arrived in the CNMI with the promise of a job in the garment factories or hotels, only to find no job available. Hundreds of these young women have been coerced into the CNMI's thriving sex trade.² Others were simply abandoned in the slums of Saipan, thousands of dollars in debt to mercenary recruiters, and unable to afford to return to their home countries.³

As early as 1992, as chairman of the Committee on Natural Resources, I held a hearing on the abuses in the CNMI. In subsequent years, I conducted additional investigations, including an official inspection tour, and I produced two reports that documented the extent of these abuses.⁴

¹ *Associated Press*, 2/45/03.

² "Is this the USA?" *20/20 ABC News*. 3/13/98.

³ "Economic Miracle of Mirage: The Human Cost of Development in the Commonwealth of the Northern Marianas Islands." Committee on Resources, Democratic Staff. US House of Representatives. 4/24/97

⁴ "Economic Miracle or Mirage: The Human Cost of Development in the Commonwealth of the Northern Marianas Islands." Committee on Resources, Democratic Staff. US House of Representatives. 4/24/97; "Beneath the American Flag: Labor and Human Rights Abuses in the CNMI." Rep. George Miller and the Committee on Resources, Democratic Staff. US House of Representatives. 3/26/98.

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The findings of these reports were confirmed by several interdepartmental reports from the Executive Branch, as well as in numerous press and media exposés.⁵ I also introduced legislation in 1997 to fully extend US labor and immigration laws to the CNMI.⁶ While this legislation was blocked from moving forward in the House, the Senate passed immigration legislation by unanimous consent in February 2000.⁷

Recent investigations by *ABC News*⁸, the *Marianas Variety*,⁹ the *Saipan Tribune*,¹⁰ and the *Associated Press*¹¹ have highlighted the past involvement of lobbyist Jack Abramoff and others in behavior that warrants investigation by the committee of jurisdiction in the House of Representatives, the Resources Committee. These allegations include the overpayment for lobbying services, interference in territorial elections, interference in contract procurement, and the questionable payment of overseas trips for Members of Congress and staff – all during the period Mr. Abramoff represented the Marianas government and interests in the territory.

As a member of the House Resources Committee, which has jurisdiction over U.S. territorial affairs, I am requesting that you, as Chairman, begin an investigation of any potential wrongdoings related to Mr. Abramoff, his associates, and clients in the CNMI.

While two committees in the Senate are engaged in thorough reviews of allegations concerning Mr. Abramoff and his associates and their involvement with Native Americans tribes, the Committee on Resources has neither begun such a review nor an investigation into allegations of possible improprieties involving the CNMI and Mr. Abramoff and his associates. The growing evidence of questionable activities compels the Committee to exercise its appropriate oversight responsibilities without further delay.

I request that such an investigation by the Resources Committee proceed in a bipartisan manner, involving the staff of both the Republican and Democratic Members, and that the methodology, scope and timetable for the inquiry be jointly developed and presented to the Committee membership at the earliest possible date. All materials sought by the Committee should be requested in a bipartisan manner and reviewed in their entirety by both the majority and minority staffs and Members.

CNMI Background

In 1976, Congress approved a covenant to establish the CNMI under the sovereignty under the United States. This covenant, which was approved by our Committee, exempted the CNMI from

⁵ Department of Interior, Office of Insular Affairs: "Federal-CNMI Initiative on Labor, Immigration, and Law Enforcement in the Commonwealth of the Northern Mariana Islands." Annual Reports, 1995-1998.

⁶ HR 1450, introduced 4/24/97.

⁷ Senator Daniel Akaka, Press Release, "Senate Passes CNMI Reform Bill." 2/7/00.

⁸ "DeLay's Lavish Island Getaway: Embattled Lobbyist Arranged DeLay Trip." *ABC News: World News Tonight*. 4/6/05.

⁹ "NMI Dragged into Abramoff-DeLay Controversy," 4/ 5/05.

¹⁰ *Saipan Tribune*. 4/4/05.

¹¹ *Associated Press*, 3/30/05.

U.S. immigration and labor laws.¹² The CNMI government encouraged garment manufacturers from China to locate in Saipan, the CNMI capital, as a way of circumventing quotas and customs duties since the territory is exempt from both.¹³

The CNMI garment industry is entirely staffed with temporary foreign guest workers brought in by labor recruiters, primarily from China. CNMI garment workers have no green cards and no right to apply for permanent residency. The 40,000 guest workers (15,000 in the garment industry alone), having paid up to \$7,000 to a recruiter to secure a job, outnumber the permanent residents, who are U.S. citizens. The cloth they use for manufacture is entirely of Chinese origin. In effect, the CNMI garment industry is a Chinese enterprise operating on U.S. soil solely for the purpose of circumventing duties and, in the past, quotas.¹⁴

Wage, overtime, and workplace safety violations in the CNMI garment industry have been widespread and well-documented both by congressional and interdepartmental reviews. Furthermore, hundreds, perhaps thousands, of unsuspecting women were lured to the CNMI under false pretenses for jobs that did not exist, only to end up in the sex trade, still indentured to their recruiters.¹⁵

CNMI Relationship with Jack Abramoff

There are numerous issues that merit committee investigation in this matter. I have highlighted below four in particular that should be of serious concern to the Committee.

Improper accounting of lobbying fees

Mr. Abramoff, now at the center of two Senate committee investigations, was contracted by the government of the CNMI from 1994 to October 2001 to help maintain the territory's exempt status from certain labor and immigration laws.¹⁶

Between 1994 and 2000, Mr. Abramoff represented the government of CNMI, first through the lobbying firm Preston Gates Ellis and Rouvelas Meeds, LLP, and after 2000, through the lobbying firm Greenberg Traurig. In 1999, Mr. Abramoff was also contracted to represent the Western Pacific Economic Council, a non-profit organization located in the CNMI, and from 2001-2002, Mr. Abramoff represented the Saipan Garment Manufacturers Association -- the textile industry association in the CNMI.¹⁷

¹² "Economic Miracle of Mirage: The Human Cost of Development in the Commonwealth of the Northern Marianas Islands." Committee on Resources, Democratic Staff. US House of Representatives. 4/24/97.

¹³ "Beneath the American Flag: Labor and Human Rights Abuses in the CNMI." Rep. George Miller and the Committee on Resources, Democratic Staff. US House of Representatives. 3/26/98.

¹⁴ Ibid.

¹⁵ "Is this the USA?" *20/20 ABC News*. 3/13/98.

¹⁶ Audit Report AR-99-04, Office of the Public Auditor, CNMI

¹⁷ Lobbying Reports, Clerk of the House.

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According to a 1999 internal audit of the CNMI's lobbying contracts, Mr. Abramoff and others were paid \$8-10 million to represent the Marianas and the Saipan garment industry – a substantial sum given the CNMI's \$35 million budget deficit in 1998.¹⁸

The audit raised two key questions about the Abramoff contract.

- The audit questioned whether the CNMI had overpaid Mr. Abramoff for his services at Preston Gates.
- The audit found that between October 1, 1996 through October 31, 1997, and again from November 1, 1998 though July 31, 2000, Preston Gates had no valid contract with CNMI, and thus payments made to the firms were unlawful.¹⁹

Additionally, a comparison of Mr. Abramoff's lobby disclosure reports to the audits reveals that Mr. Abramoff failed to account for more then \$1 million in fees the CNMI government paid for his services between 1996 and 2001.²⁰

Congressional Trips to the CNMI

From 1996 through 1998, more then 85 Congressmen, Senators, aides and others, including then-Majority Whip Tom DeLay, flew to the CNMI in an effort by the local government and the garment industry to maintain CNMI's exemptions from U.S. labor, immigration and customs laws.²¹

To date, it has been largely assumed that the government of the CNMI was covering the costs of these trips. But several factors indicate that Mr. Abramoff may have paid for the trips through Preston Gates. According to a *Washington Post* article in April 1996, a spokesman for then-Gov. Froilan Tenorio admitted that he was not sure who paid for the travel.²² Furthermore, in an audit of the Preston Gates contract in October, 1999, Preston Gates could not account for all of the money CNMI had paid to the firm, including travel charges incurred in September 1995, August 1996, September 1996, and November 1996.

Clearly, Mr. Abramoff believed the congressional trips were an important tool in achieving his clients' goals. An email from Mr. Abramoff to his CNMI clients, dated January 31, 1998, describes how a team of Preston Gates lobbyists, whom he calls the "Travel Subgroup," will "have responsibility for any trips to the CNMI." The memo goes on to say that "there is no doubt that trips to the CNMI are one of the most effective ways to build permanent friends on the Hill and among policy makers in Washington."²³

¹⁸ *Seattle Times*, 7/2/98.

¹⁹ Audit Report, AR-99-04, Office of the Public Auditor, CNMI

²⁰ Audit Report M-01-05 of the Office of the Public Auditor, CNMI reported between fiscal years 1996-2001, CNMI paid Abramoff \$7,171,131. Abramoff's lobby disclosure reports, however, report his earnings at only \$5,560,000 for calendar years 1996-2001. In fiscal year 1999, alone, CNMI reported paying Abramoff \$1,064,314 in fees, yet Abramoff failed to disclose any payments in his lobbying forms for that calendar year.

²¹ *The New Republic*, 6/18/01, *New York Times*, 1/20/98

²² *Washington Post*, 4/2/96.

²³ Email from Jack Abramoff to Willie Tan, Gov. Fitial, and eloyinos@aol.com, Sat, January 31, 1998.

As just one testament to the apparent influence Mr. Abramoff's lobbying effort was having on local interests and members of Congress, the head of the largest garment operation on Saipan, Mr. Willie Tan, wrote an article referring to Preston Gates as "one of the nation's leading legal and lobby firms" because of its connection to the "Kingmaker of the U.S. House of Representatives," referring to Congressman DeLay.²⁴

Interference in CNMI Elections

In 1999, two men who formerly served as key staff to Congressman DeLay -- Ed Buckham, a one-time chief of staff who later became the head of his Leadership PAC, ARMPAC, and Mike Scanlon, his former spokesman and an Abramoff associate -- were involved in an effort to influence the election of the Speaker of the CNMI Legislature. The goal of this manipulation was to assure selection of a pro-garment industry candidate.²⁵

The garment industry favored the election as Speaker of Ben Fitial, a Democrat and a high-ranking executive in the Willie Tan garment factory enterprises, a task complicated by the fact that the Republicans held a majority in the CNMI legislature.

As the *Washington Post* noted, "[Congressman] DeLay and his aides made local lawmakers aware of the whip's close ties to Fitial, putting an airport runway wanted by some Marianas lawmakers on a list of projects in ... the transportation spending bill."²⁶ As Mr. Abramoff and his associates had hoped, two of the Republican members of the CNMI Legislature switched their support and voted to elect the Democrat, Fitial, as Speaker. One of the members who was spoken to and changed his vote, Norman Palacios, still serves in the CNMI legislature. At the time, Buckham said of the election turn-around, "I'm sure it did show he [Fitial] had powerful friends in Washington. I'm not going to deny that."²⁷

Congressional Intervention in CNMI on Behalf of Enron

There is also a record of Congressional intervention into contract negotiations in the CNMI. In 1999, Enron, represented by Mr. Buckham, was involved in a dispute over a power plant permit in CNMI. Bidding on the contract had already closed before Enron had submitted an offer. Mr. Buckham had Congressman DeLay write to the CNMI government on Enron's behalf, asserting that while he understood that the Marianas "desperately needs a fair hearing in far-off Washington, D.C., which at least some of us here have been able to provide," but that he was "also obligated to provide the same opportunity to ... Houston-based Enron Corp."²⁸ The bidding was reopened, Enron qualified, and Fitial made sure the \$120 million contract went to Enron.²⁹ Enron later backed out of the deal.³⁰

²⁴ *Saipan Tribune*, 11/18/98. The newspaper is also owned by Mr. Tan.

²⁵ *Washington Post*, 7/26/2000.

²⁶ "A 'Petri Dish' in the Pacific; Conservative Network Aligned with DeLay Makes Marianas a Profitable Cause," July 26, 2000.

²⁷ *Washington Post*, 7/26/2000.

²⁸ DeLay Letter to Speaker Benavente, 5/18/99.

Conclusion:

I believe there is more than enough initial evidence to warrant a thorough bipartisan investigation of Mr. Abramoff and congressional interference into elections and contracts in the territories. Additionally, the Committee should grant subpoena power to the Chair, establish a timetable for reporting on these events, and coordinate wherever necessary with other investigations of related behavior, including at the Department of Justice. Specifically, the Committee should further investigate the following issues:

- Did Mr. Abramoff fail to report all of the fees he received from the CNMI?
- Did Mr. Abramoff or others illegally pay for the trips that members and staff took to the CNMI in the 1990's?
- Did Mr. Ed Buckham and Mr. Mike Scanlon offer *quid pro quo* appropriations projects to CNMI representatives in order to affect the outcome of the Speaker election in the CNMI?
- Did Members of Congress inappropriately interfere with the procurement of a contract in the CNMI?

Since the early 1990's, I and some of my colleagues, have been fighting to put an end to the systematic and well-documented pattern of labor, immigration, and human rights abuses in the CNMI. Despite the fact that the CNMI is a territory of the United States, for too long Congress has either turned a blind eye toward -- or in some cases even worked to sustain -- a system where tens of thousands of guest workers have been forced into indentured servitude and even the sex trade.

What has now become apparent is that Mr. Abramoff, who is the focus of Senate and Justice Department investigations for his conduct relating to five Native American tribes, was similarly engaged in unethical and possibly illegal behavior with regard to his professional relationship with the CNMI. Furthermore, congressional actions raise serious questions regarding improper interference with CNMI elections and contracts.

Based on these facts, outlined in detail in this letter, I believe the Committee, which has explicit jurisdiction over the CNMI, is obligated to launch a fair and thorough investigation of these matters. Failure to pursue this investigation will not only add to the history of congressional neglect of matters of grave concern and importance but would be a serious abdication of this Committee's responsibility to oversee a critical area of its jurisdiction.

²⁹ Washington Post, 7/26/2000.

³⁰ Baltimore Sun, 4/3/02.

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Thank you very much for considering this request. I look forward to working with you to uncover all the facts associated with these activities.

Sincerely,


GEORGE MILLER
Member of Congress