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Abramoff's Links to the Industry

By Kristi Ellis

WASHINGTON — Disgraced lobbyist Jack Abramoff wove his tangled web into the fashion industry.

Abramoff — who has pleaded guilty to several counts of fraud, conspiracy, bribing members of Congress, defrauding Indian tribes and tax evasion, contained in two separate indictments in Washington and Florida — had ties to the industry in the Nineties when he represented the government of the Commonwealth of the Northern Mariana Islands, a U.S. territory, and the Saipan Garment Manufacturers Association from 1994 to 2001, according to documents obtained by WWD.

During that time, Abramoff lobbied American lawmakers to block legislation aimed at extending the protection of U.S. labor and minimum wage laws to the workers on Saipan, primarily poor women from China, who were brought to Saipan, the capital of the Marianas, as guest workers to stitch garments for scores of U.S. retailers and manufacturers.

The Marianas government and the Saipan apparel association signed a contract with Abramoff estimated at \$8 million to \$10 million over the seven-year period, according to documents. As part of his aggressive lobbying campaign, Abramoff invited then-House Whip Tom DeLay (R., Tex.), his family and staff to the Marianas and Saipan in the late Nineties. DeLay came away from the Saipan trip stating that working conditions and the minimum wage level were adequate in Saipan and did not need reform. He allegedly blocked the House from considering legislation intended to improve labor standards, the minimum wage and immigration on the island.

DeLay is facing criminal charges himself and was indicted in Texas in November on charges of violating campaign finance laws. He has said he now will not seek reinstatement as House Majority Leader.

The Justice Department has launched a wide-reaching corruption investigation into Abramoff's lobbying activities and ties to powerful members of Congress, which potentially could taint several lawmakers and impact November's midterm elections. As part of his plea agreements, Abramoff has agreed to cooperate with law enforcement officials in the Justice Department's corruption probe in Congress and the Bush administration. He faces up to 11 years in jail in the Washington criminal case and was ordered to pay about \$26.7 million in restitution and taxes. He faces a maximum of 10 years in the Florida case and must pay a \$500,000 fine. It is unclear whether the Justice Department's deep probe will focus on Saipan and the Marianas, DeLay's trip to the territory and legislative favors. Calls to an Abramoff attorney were not returned.

But Abramoff's role in the affair and with DeLay — and legislation the House leader helped block — has angered proponents of major labor law reform in the Marianas, including lawmakers, U.S. textile officials and labor and human rights advocacy groups. It has led some to question whether the blockbuster sweatshop class-action lawsuits that embroiled several American retailers and apparel manufacturers that sourced apparel in Saipan in the Nineties would have taken a different course. They also question whether Saipan will improve its labor conditions without pressure from the U.S. and meaningful labor law reform.

"We know, based on public sources, that intensive lobbying efforts were undertaken for many years to freeze the existing state of the law [in the Marianas] to thereby permit the garment manufacturers on Saipan to maintain the competitive advantage they had established by virtue of favorable legal treatment," said Michael Rubin, a partner at Altshuler Berzon Nussbaum Rubin & Demain in San Francisco. "If you have protectors on Capitol Hill and favorable laws, you are

probably going to get away with more."

Since they were produced in a U.S. territory, garments were shipped tariff-free and quota-free to the U.S. market and were allowed to display the "Made in the USA" label.

The federal Fair Labor Standards Act applies only to overtime pay in the Marianas and the territory's minimum wage rate is set at \$3.05, according to the U.S. Department of Labor, much lower than the U.S. federal minimum wage of \$5.15, and some claim that there are not enough Labor inspectors to catch abuses in factories.

Rubin was a key player in three lawsuits filed in 1999 seeking \$1 billion in damages against some of the biggest names in the fashion industry, some of which were added later, including Gap Inc., J.C. Penney Co., Target Corp. and Levi Strauss & Co. The suits alleged the companies knowingly profited by exploiting immigrant apparel factory workers.

In mid-2003, 27 contractors located in Saipan and 27 U.S. apparel companies charged with buying from sweatshops and named in the suit filed at a federal court in the Marianas agreed to a \$20 million settlement deal without admitting wrongdoing, bringing to a close the four-year legal battle.

Rubin said he believes the lawsuits would have "never been necessary had there been effective, vigilant government enforcement [in Saipan] of existing labor law." He said he was not seeking to reform the laws in the Marianas, but rather to pressure the local government and the U.S. to enforce existing laws.

"We came in to help the workers based on extensive evidence that the most fundamental rights were being deprived and no efforts were under way to protect them," Rubin said. "Now we know that extensive efforts were clearly made to stop laws from being passed that would extend basic worker protections to garment workers in Saipan [that] are enjoyed by workers in other U.S. territories and the mainland."

Many lawmakers, staffers, U.S. labor and human rights groups and domestic industry groups contend that the failure of Congress to pass legislation to reform the minimum wage and immigration laws in Saipan was largely due to DeLay's power in the House and ability to block it from moving.

"The federal government put out reports during the Clinton administration documenting not only sweatshop abuses in Saipan, but also women who were forced into the sex trade, who were prohibited from marrying, who were forced to have abortions, and Congress sat by and did absolutely nothing," said a key Capitol Hill staffer, who spoke on the condition of anonymity. "You show me a member of Congress that would let that go on for five minutes in their districts, but because it was happening to Asian women thousands of miles away and there were powerful protectors in Congress, it was allowed to continue for more than 10 years. Under the American flag, that is completely unacceptable. That is the system Jack Abramoff was lobbying to protect and that piece of it should not be forgotten."

Daniel Weiss, chief of staff for Rep. George Miller (D., Calif.), who first introduced legislation to reform the labor and immigration laws in the Marianas in 1997, said it has been estimated that as many as 85 people, including members of Congress, staffers and families, traveled to the Marianas through Abramoff over the years.

"His goal, we believe, was to show them how great it was in the Marianas, how wonderful everyone was doing and there was no need to pass any legislative reform of the laws there," said Weiss. "It was really a shame and a scandal that members of Congress would support the mistreatment of other human beings for economic gain or because a lobbyist asked them to do that."

Miller produced two investigative reports — one in 1997 and another in 1998 — alleging the egregious and rampant abuses in the Saipan garment industry.

"The industry was completely frustrated in its efforts to gain a reasonable arrangement in terms of Saipan's labor laws and labeling requirements, but those efforts made very little progress through the Congressional process and we always assumed there was heavy-duty lobbying on the other side to block our efforts," said Auggie Tantillo, executive director of the American Manufacturing Trade Action Coalition. "We took a position that we thought was logical: If they get duty-free treatment and can use the 'Made in the USA' label, they should be under the same labor and hourly wage standards that we are, but that never saw the light of day."

Congress has yet to pass labor law or immigration reform legislation for the Marianas.

The Saipan Garment Manufacturers Association, comprising 22 licensed manufacturing companies, recently lobbied against a bill aimed at raising the minimum wage for certain garment jobs that was introduced in its own government's legislature last July.

James C. Lin, chairman of the apparel association, in defending the group's stance against an increase in the minimum wage, said in a letter to state legislators that an increase for garment packers, trimmers, ironers and warehouse personnel "will place garment manufacturers in an untenable cost squeeze."

Lin noted the pressure on Saipan garment manufacturers associated with the elimination of quotas and said competition is tough with low-cost producers such as Asian, African, South American and Middle Eastern countries, "where the hourly wages are considerably less than in the CNMI."

The association said in a statement on its Web site that it has taken steps to improve labor conditions in the garment industry.

"SGMA and its members will continue to cooperate for the improvement and stabilization of the garment industry, to enforce its code of conduct in order to eradicate unfair trade practices [and] to distribute accurate and reliable reports," the statement said. The association also noted it would provide an annual list of current garment members in "good standing" to local government officials.

In Saipan today, some 12,000 workers still sew and assemble apparel for U.S. and international companies and many worker's rights advocates said they have seen improvements due to a monitoring system that was instituted as part of the settlement. A panel of three judges oversees the monitoring, unannounced inspections of factories and investigations of worker complaints. Rubin said about \$4 million to \$5 million has been invested in the four-year monitoring program, which expires in July 2007.

"We have seen dramatic improvements and we are very pleased with the improved factories and living conditions for Saipan garment workers based on the investment made in the new monitoring program," Rubin said.

There is concern that Saipan could slip back into pervasive labor law abuses once the monitoring system expires and in the absence of any true reform. There is also the question of whether Saipan will remain a viable sourcing alternative, since it lost its quota-free advantage when the global system of apparel and textiles quotas was dismantled last year.

Peter McGrath, executive vice president of Penney's, said the company still maintains some production in Saipan, although it is a much smaller percentage than in the past. McGrath stressed that the factories Penney's used were "always pristine."

"Saipan was an outlet for tough categories where quota was not available, but today, with no quota, Saipan is not nearly as cost effective as it was," he added.