

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Alice in Wonderland said it best: "Things just get curiouser and curiouser." The past year in the Commonwealth of the Northern Mariana Islands can best be described as organized chaos. The structure is there but the parts do not often work together.

One of Governor Froilan Tenorio's main rallying cries has been the budget deficit, variously valued at thirty to fifty million dollars, inherited from the previous administration. According to some reports, his administration has already added another thirty million. Part of this resulted from new hires, a new salary act for the judiciary, a new \$14 million judicial complex, and salary increases and new positions. At the same time, there has been a reduction of tax revenues because of the uncertain economic climate, leaving the government with less revenue than was anticipated in the budget.

An effort was made to completely reform the tax law in January. Several tax bills were formulated and submitted to the legislature. The one that passed, in a special midnight session of the House of Representatives, was immediately approved by the Senate and signed into law by the governor. Unfortunately, few of the legislators had read the bill. As a result, excise taxes on some tourist-related products were increased 100–300 percent. Leather goods were among those hardest hit, but the law did not define the difference between luxury leather goods and others. As a result, such items as baseball mitts and watchbands on cheap watches were taxed

the same as luxury handbags and imported shoes. The reform act also reduced slightly the annual rebate of income tax. The whole act proved counterproductive. Louis Vuitton, a major luxury leather retailer, has delayed the completion and opening of its new mall in the hotel district because the tax would price its goods out of the market. Another company decided not to invest. Many others, hotels included, canceled or delayed expansion projects.

The governor's proposed budget for 1996 was for \$230 million, an increase of \$40 million over the previous year, and \$80 million more than in 1992. The governor argued that this was necessary and that if revenues could not be found any other way, casino gambling should be allowed in order to cover the deficit. He has said that the legislature should decide about gambling. The legislature and the sitting constitutional convention, on the other hand, have indicated that the people should decide the issue in a referendum.

As mentioned in last year's report, the governor did reorganize the executive branch. After several court challenges, the Department of Commerce and Labor became the Department of Commerce and Natural Resources, Immigration and Labor were merged, and other autonomous agencies, including the Marianas Visitor's Bureau, were brought under the governor's authority.

A major battle was fought between the mayor of Rota and the governor over interpretations of Amendment 25 of the Constitution. The amendment granted certain administrative powers

to the mayors of Tinian and Rota. The new mayor of Rota interpreted the clause to give him complete line authority over commonwealth programs on his island. The governor thought otherwise and set up his own direct representative office on Rota. Mayor José Inos took the issue to court, which decided in June that while the governor has responsibility for commonwealth programs on all of the islands, he must work through the departments and not administer directly. The mayor retains some administrative authority but is primarily responsible for local issues. Both sides claimed victory.

The third Marianas Constitutional Convention finally opened on 5 June. The twenty-seven delegates (including seven women) were still in session at the end of the review period, with many items of business still to discuss. The major issues to be tackled by the convention were Article 12 (land tenure), legislative and executive organization and powers, budget and tax, as well as the relationship between the three main islands and the central government. Voting rights and civil liberties will also be addressed. The amendments they propose will be voted on by the people at a special referendum, possibly in November.

Since the governor has taken office, five major cabinet-level people have been removed or resigned. The chief executive has been taken to court by the legislature and private citizens. His ineffectiveness in dealing with the labor issues has drawn criticism from the US Congress. The legislature has rejected several gubernatorial nominees, including one for chief justice of

the Supreme Court, twice. In retaliation, Governor Tenorio appointed a sitting judge of the Superior Court (a mainlander) to the chief justice's position. Since the Supreme Court was expressly established to avoid appeals to mainland courts on domestic issues, there have already been expressions of dismay. So far no confirmation hearings have been held by the Senate on Judge Marty Taylor.

The legislature has not been totally effective either. A budget was finally passed for fiscal year 1995 without public hearing or even scrutiny by the legislators. Laws such as PL 7-45 requiring that by 30 September 1995 all CNMI government employees be US citizens was not addressed until June, after many skilled and professional third-country nationals left their posts in advance of the expiration of their contracts. By the summer, it looked as if only a few physicians and other skilled personnel would be servicing the government hospital. The law was voided, and a new one extending the deadline to the year 2000 was passed with some conditions. The damage was done already, however, and after returning from Saipan, a group of Filipino nurses gave a news conference in Manila, blasting their treatment in the commonwealth (*PDN*, 7 July).

On the hopeful side, the US Congress did reappropriate the \$27 million dollars it had been holding up. Of this, \$4 million must be spent on programs to improve immigration and labor operations. Already, some federal agents are providing training to various law enforcement agencies. A sophisticated computer-tracking

system for immigration, labor, and law enforcement agencies is being installed with federal funds and is expected to alleviate much of the bureaucratic morass currently blocking effective administration of immigration and labor laws.

Labor issues were again in the forefront during 1994-95. Reported abuse of mostly Filipino workers resulted in a ban by the Philippine government on migrant farmers, houseworkers, and nightclub workers that went into effect in June 1995. It will have a severe impact on the hotel and service industry, where front desk and clerical personnel are almost all from the Philippines. It will also make it harder for two-income families to find care for their children. The ban is described as temporary. Various negotiations with the Manila government have been undertaken, although relations have been strained between Saipan and Manila over diplomatic niceties and protocol on both sides. In July 1995 Speaker of the House Diego Benevente led a mission to Manila to meet with labor officials there. His mission was apparently successful in that he met with President Ramos and came back with assurances that the ban would be lifted shortly. He was followed by Lieutenant Governor Jesus Borja and a party including members of the Saipan Chamber of Commerce, the Hotel Association, and the Contractor's Association. They hope to accomplish more concrete objectives in the relations between the two countries.

The minimum wage, now \$2.75 per hour, is scheduled to increase by 30 cents per hour per year until it reaches

the federal minimum wage of \$4.25 per hour by about the year 2000. One, possibly two, garment factories, will close in 1995 as a result of increased minimum wages and higher taxes. Although this could result in the loss of millions of dollars in various tax revenues and local purchases, the possible closings have not caused much anguish. The factories have never been popular with the general public.

On the positive side, JoeTen Enterprises, one of the largest wholesale-retailers in Micronesia, opened a multimillion-dollar PriceCostco Warehouse store on Saipan in June. It is the forerunner of a major commercial development that is expected to be completed by the summer of 1996. It will include movie theaters (there are none now), business facilities, restaurants, and a major bank.

A proposed \$21 million road contract with World Corporation of Korea was surrounded by controversy. The idea was that World Corporation would finance the project, do the actual construction, and then be reimbursed from the annual Federal Highway Administration's grant of about three million dollars. Critics were unhappy with the idea of committing federal funds that were not yet appropriated. World Corporation was also granted public land for a resort development in Marpi that originally included a casino project in partnership with SoDak, a gambling equipment manufacturer based in South Dakota. A ground-breaking ceremony had occurred, but construction had not begun at the end of the review period. The House of Representatives was investigating the land deal,

because it was allegedly carefully crafted to cover only 4.5 hectares, whereas if it had been five or more, the legislature would have had to approve it.

Other projects underway in 1994-95 include a multimillion-dollar program to expand the seaport at Puerto Rico, as well as some much-needed improvements to the road and water systems. Efforts to upgrade the water system are especially welcome, as demand has exceeded supply for some years. Efforts under the governor's declared "state of water emergency" have made more water available but not improved its quality. Some areas of the island of Saipan were still on strict water hours (2-3 hours a day), and bottled water is one of the fastest growing businesses in the islands. In prospect are the opening of a major new resort complex on Rota in July 1995, new non-hotel tourism activities on Saipan, and some \$100 million worth of federal funding for capital improvement projects over the next several years. In general, however, the economy of the Northern Marianas is

in trouble. Increased government obligations on a weakened tax base have resulted in a generally slower rate of growth and, in some cases, recession. The new tax structure is discouraging new investment and, with some exceptions, a flight of capital away from the islands.

This has been a year of deep division. The conflicts between the executive and legislative branches, between the House and Senate within the legislature, between the governor and nearly everyone else have brought about a deep sense of communal despondency. Investment has slowed to a crawl, the courts are full of cases involving executive actions, and lawsuits seem to be the major means of resolution. The constitutional convention is underway, but the number of proposed amendments on the floor is overwhelming. Elections for the legislature will be held in November. In some respects, it will be a vote of confidence for the governor and promises to be hard fought.

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