

DEPENDENCY AND DEVELOPMENT IN THE GARMENT INDUSTRY:  
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

by

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## **Abstract**

This study examines colonization, development, and globalization in the Commonwealth of the Northern Mariana Islands (CNMI) with respect to the garment industry, the main industry of the islands. A broad-reaching analysis examined population, gender, economic factors, and import/export data in order to explore the repercussions of garment industry development and subsequent decline on the CNMI. A quantitative analysis was conducted utilizing data from the United States Census Bureau, the CNMI's Department of Commerce, and the U.S. Department of Commerce Office of Textiles and Apparel.

This research illustrates how the effects of the garment industry in small developing nations are dramatically impacted by a trade arrangement, the Multi-Fiber Arrangement (MFA), which was a protectionist measure used to restrict manufacturing of certain product through a quota system. In addition, this study reveals the economic implications and societal outcomes for the CNMI after the collapse of the garment industry as a result of the 2005 MFA phase-out. Garment production orders shifted to large producer nations once quota restrictions were no longer in place. Factory closures, lost business revenue, and a loss of manufacturing positions affecting predominantly women plagued the CNMI as well as cost-of-living increases. Federalization of the CNMI took place in 2009 which further complicated the islands' politics and guest worker population status. Tourism is now the CNMI's chief industry although its growth is dismal and heavily reliant upon world economies. A comparison between Mauritius, another small island nation, concludes the discussion with insight on women's development and future considerations for economic growth as a means of development and dependency in the CNMI.

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## **Dedication**

To the many workers who have labored and toiled for the sake of global consumerism.

# CHAPTER 1 – Introduction

## Background

This study explores the repercussions of garment industry development in the Commonwealth of the Northern Mariana Islands (CNMI), an archipelago comprised of 14 islands in the North Pacific Ocean (see Figure 1). A territory of the United States to varying degrees since the close of World War II (WWII), the CNMI was granted special constitutional exclusions for customs, wages, immigration laws, taxation, and voting rights. This paper investigates how these special exclusions, specifically customs and immigration laws, allowed for the development of a garment industry on the islands. During the 1980s and 1990s, capital investment flowed into the Marianas which developed the island's economy into two main industries—garment manufacturing and tourism. Approximately 85% of economic activity on the CNMI was contributed from the garment industry and tourism combined, and garment manufacturing accounted for 96% of exports from the island (United States Government Accountability Office [USGAO], 2006).

However, in 2005 a quota system, the Multi-Fiber Arrangement, ended which had previously allowed for a calculated growth and protectionism in world economy imports and exports of textile goods. As a result, since 2005, the Mariana Islands have seen a sharp decline in their once robust garment industry (Curran, 2008). At the peak of garment manufacturing, approximately 35 factories were located on the Marianas, but as of January 15, 2009, the last remaining factory closed its doors leaving the island devoid of any significant source of revenue and employment possibilities (McPhetres, 2008; *Saipan Factory Facts*, 2009). This research examines the outcomes of the garment manufacturing decline on the CNMI and entreats the



question: What has become of the people and the CNMI's economy after the demise of its main industry?

## **Purpose**

The purpose of this study is to examine the effects of colonization, development, and globalization in the Commonwealth of the Northern Mariana Islands, with specific focus on the garment industry. This industry is analyzed largely because garment manufacturing has historically been the most important industry on the islands since WWII, accounting for approximately 40% of the CNMI's gross domestic product (GDP) in 2002 (USGAO, 2006). However, beginning in 2005, a sharp decline in garment production has occurred in the Marianas, coinciding with the final phase-out of the Multi-Fiber Arrangement (MFA). The MFA, enforced from 1974-2004, imposed quota limits on apparel and textile goods. This study will address the economic implications of this decline as seen through garment factory closures, lost revenue, and a shift in guest worker populations on the Marianas. Currently, little literature exists which examines the trends and projected future outcomes from the decline of the garment industry in the CNMI.

This research is important as it lends insight into the effects of dependency on the garment industry as a main source of revenue. On the CNMI this dependency is seen through the use of garment manufacturing as a means to enter the world market economy, which owing to the nature of the garment industry allows for poor, under-developed nations to vie for market space with relative ease by investing minimally in resources and subsequently obtaining swift growth (Nordas & WTO Secretariat [WTO], 2004). This research also will explore potential possibilities for future economic development as garment production orders are lost and growth slows in the CNMI. This study is relevant to other newly developed and developing countries as

increasing competition from China and India in garment production is realized. A genuine fear exists that these competitive countries, who have abundant human capital, stable economies, and significant infrastructure, will continue to gain unfair portions of the global market economy (Curran, 2008). A case in point shows that clothing market shares for the United States literally tripled for China (from 16% to 50%) and quadrupled for India (from 4% to 15%) after the elimination of the MFA (Nordas & WTO, 2004, p. 30). Due to the economic decline that has occurred on the CNMI since the phase-out of the MFA, this study seeks to investigate data reported by the United States Census Bureau (USCB) and Office of Textiles and Apparel (OTEXA), as well as other legal documents, academic journals and literature. This study includes: a) a basic overview and background of the garment industry and the development of the CNMI, b) quantitative statistical measures utilizing economic and population demographics, and c) a discussion of the future implications and predictors for the CNMI economy and its people.

## **Definitions**

Definitions important to this study include, but are not limited to:

**Comparative Advantage:** A theorem stating that a country's economic growth coincides with its ability to develop and trade in a competitive product which creates fluidity of exchange in the world's marketplace (McMichael, 2008).

**Garment Industry:** Composed of three main sectors—textile production, garment manufacturing, and retail/wholesale sales—forming a supply chain that is both a labor intensive, low-wage industry, in addition to a capital-rich, highly skilled industry depending on the sector of focus (Nordas & WTO, 2004).

**Globalization:** The increased interdependence of world economies that "encompasses the free flow of information, goods, services, and capital across national borders...[and] the spread of culture, consumer tastes, and technology from the West...to the rest of the world" (Handelman, 2009, p. 310).

### **Organization of Thesis**

After the introductory chapter, Chapter Two is organized as a Review of Literature exploring characteristics of the garment industry and background of the Commonwealth of the Northern Mariana Islands. Chapter Three presents the Research Questions, Data Analysis, and Instrumentation of this study. The fourth chapter holds the Findings of this research. Chapter Five is comprised of a Discussion of future implications, predictors for the CNMI, a comparison of Mauritius, another small island nation, and a dialogue on the potential for women's development.

## **CHAPTER 2 – Literature Review**

### **Characteristics of the Garment Industry**

#### *Historic Overview*

The garment industry has three major segments: textile production, garment manufacturing, and retail/wholesale sales (Figuroa, 1996). Textile production is by far the most “high-tech”, industrialized, capital-intensive segment of the supply chain. Because of specialized equipment and sophisticated operating procedures such as chemical facilities (necessary to produce fabric and other raw materials), textile production is largely regionalized to a few main countries in the Americas, including the United States, Brazil, and Mexico (Figuroa, 1996). Additionally, highly industrialized areas such as Japan and South Korea contribute to textile development and production because of their modern infrastructure, technology-driven business structures, and greater access to educational opportunities and technical training leading to a highly educated and skilled labor force.

The garment manufacturing segment of the supply chain is the most geographically dispersed and requires the least amount of capital and infrastructure. This portion of the supply chain is the most price-competitive and least technologically advanced (Figuroa, 1996). To keep production costs low, a largely unskilled and uneducated labor force is utilized virtually worldwide. The labor force in garment production is composed of predominately young women. As Bonacich (2002) reported, “employers claim they prefer young women because of their hand-eye coordination...who are shy and soft-spoken, who have never heard the word *union*, and who respect male authority” (p. 126). In this manner, employers often utilize the most vulnerable and least protected laborers in the world who are paid bottom-tier wages for labor-intensive goods, such as apparel. Garment manufacturing has also been synonymous with *sweatshops* as defined

by the U.S. General Accounting Office as “an employer that violates more than one federal or state labour, industrial housework, occupational safety and health, workers’ compensation, or industry regulation” (Firoz & Ammaturo, 2002, p.29). Incidences of this type of abuse—such as unpaid or forced overtime, threats of deportation, suppression of labor unions, and inadequate health and employment benefits—have been found to exist in garment factories on the Marianas (Clarren, 2006).

Retail/wholesale sales, the driving force of the garment industry, compromise the final segment of the supply chain. Retailers dictate the price, quantity, and assortment of all garment purchases. Within the United States, this segment lies mainly in a small concentration of powerhouse companies, including Federated Department Stores, Wal-Mart Stores, Inc., May Department Stores, and Sears Roebuck (Figueroa, 1996). The retail segment is highly skilled, technology-driven, and requires that workers attain a specified education and knowledge level. Retail sales also encompass the vast network of formal and informal sales which take place throughout the world. As compared to the formal sector, the informal sector as defined by Handelman (2009), is “part of the economy that is ‘unregulated by the institutions of society [most notably the state].’ [It] encompasses otherwise legal activities (not criminal operations or prostitution) but operates outside the spheres of tax collection, government labor and safety regulations” (p. 167).

Overall, all three segments of the garment industry are in a continual state of flux based on worldwide economies and trade agreements. Trade agreements allow wider access for manufacturing and open markets; however, trade policies such as the MFA, are also about “the right of U.S. capital to move freely into less-developed countries and to employ, either directly

or indirectly, their lower-cost, less-protected labor” (Bonacich, 2002, p. 126). The dynamics of trade agreements in the garment industry are discussed more thoroughly in the next section.

### *Multi-Fiber Arrangement*

The MFA was created in 1974 as a protectionist measure to stabilize the growth of imports and exports throughout the world and to shield the vulnerable textile and apparel industries in developed countries from over saturation of low-cost goods into the marketplace from other producer nations (Curran, 2008). Historically, this protectionism was accomplished by placing quota restrictions on various supplier nations. A quota is a type of protectionist trade measure that limits the amount of merchandise imported into a country during a specific time period. Leading garment producer nations such as the Asian “tigers”—Hong Kong, South Korea, Taiwan, and Macau—typically received the highest quota restrictions in the past; more recently, China has emerged as a strong contender in the export market (Curran, 2008). Due to restrictions placed on the leading producer nations, the MFA inadvertently pushed the textile industry to internationalize and diversify. For instance, when supplier nations expended their quota allowance, they would access quota from another country, thus spreading garment production to an ever-expanding network of countries (Curran, 2008). The CNMI became intertwined in this worldwide system of garment production soon after the establishment of the MFA in the late 1970s and early 1980s as a means to develop the economy on the islands.

Quota reduction and elimination for apparel goods have long been issues in worldwide trade negotiations. The Uruguay Round of trade negotiations lasted from 1986 to 1995 and ended with the formation of the World Trade Organization (WTO). One of the key focuses of these negotiations was to eliminate quotas on apparel goods, which had the potential to benefit developing countries, who at the time constituted the bulk of production. By giving developing

countries easier access to maneuver trade barriers, the intention was to allow substantial growth of the garment manufacturing industries within these countries, capitalizing on their expansive, yet relatively unskilled labor force. Beginning in 1995, quotas on apparel goods were phased out over a 10-year period, ending on January 1, 2005. The formation of the Agreement on Textiles and Clothing (ATC), the body responsible for overseeing the MFA phase-out, was viewed by many as a positive step in allowing developing countries unbiased access to the free market. However, fears also existed that larger, competitive countries like China and India, who have the capacity, stable economy, and labor force to out produce any small economy, would gain unfair portions of market growth (Curran, 2008).

To inhibit this immediate growth by China at the close of 2005, several initiatives were negotiated by WTO member countries to ease the access of China into the new global market. Aside from the MFA, which ended at the beginning of 2005, the following safeguards were developed—the China Textile Safeguards (CTS), which lasted through 2008, and the China Product-Specific Safeguards (CPSS), to be reviewed again in 2013 (Kim & Reinert, 2007). The CTS and CPSS provided safeguard provisions which impede market disruption or the situation when “a significant cause of material injury, or threat of material injury to the domestic industry occurs due to the rapid increase...of imports of an article” (Kim & Reinert, 2007, p. 162). Beginning with the expiration of the MFA, imports to the United States from China witnessed close to a 40% drop in the cost of clothing and textile goods as well as over a 600% volume increase from these Chinese imports (Anonymous, 2008). These initial figures not only signified the need for continued safeguard measures, this challenging import situation encouraged further discussions on anti-dumping policies and negotiating of a bilateral trade agreement with China (Anonymous, 2008).

Based on this new landscape of post-MFA trade, the significance of the phase-out of the MFA on the CNMI will be examined in this study. Although the CNMI is a territory of the United States, the Marianas are not protected as an autonomous country under WTO provisions. This is significant as the CNMI has benefited from quota-free and duty-free trade with the United States. However, with the elimination of the MFA, the CNMI's garment industry is now facing heightened and intense sourcing competition from other producer countries, namely China (USGAO, 2006). This study addresses the role of the garment industry in the development of the Marianas as well as possible economic implications for the islands as increasing competition from China and other top producer nations come to fruition. A comprehensive introduction to the colonization and development of the Marianas is discussed in subsequent sections followed by a review of the garment industry in the CNMI.

## **Commonwealth of the Northern Mariana Islands**

### *Colonization and Development*

The Commonwealth of the Northern Mariana Islands is a collection of 14 islands in the far North Pacific Ocean (see Figure 1). Sometimes referred to as *Saipan*, which is actually the capital, the Marianas consist of three main islands- Tinian, Rota, and Saipan (see Figure 2). Approximately 90% of the inhabitants of the CNMI live on Saipan (USCB, Overview, 2008). The islands have had a long history of colonization and military presence which have shaped their modern political and economic structures as seen through the following overview.

The early Chamorro people inhabited the Marianas and are believed to have migrated from Indonesia as early as 1500 B.C. Discovered in 1521 by Portugal's Ferdinand Magellan, the archipelago was controlled by Spain for the next 300 years. The Marianas lay due north of Guam, which for several centuries was a major Spanish trading route between the Philippines



and Mexico. In 1669 the first Spanish colony named *Las Marianas* was established (Lonely Planet, 2006).

After the Spanish-American War in 1898, Guam ceded to the United States and subsequently, Germany proceeded to purchase the Marianas. With no major incentives for industrial development on the islands, Germany developed mainly copra, a coconut derivative, which is also valued as coconut oil (Department of Interior [DOI], CNMI, 2009). At this point only easily accessible parts of the islands were modernized which left remote areas with inadequate infrastructure and lower standards of living (Firth, 2000). Through centuries of colonization, the breakdown of the traditional indigenous lifestyles and cultures occurred. Increasingly, migration to seek employment on agricultural plantations also occurred between islands within the region. A new society formed which replaced native forms of rule and government order and brought about new political dimensions and caste systems based on Spanish colonial rule (Frith, 2000).

During World War I (WWI), Japan claimed jurisdiction over the Mariana Islands through a League of Nations mandate. Frith (2000) claims that colonization of the Pacific Islands was suited for the conquering colonial powers because of vast natural resources. However, as a remote, minuscule location, the islands were not utilized and developed as other mainland nations such as Australia and New Zealand which continued to grow and prosper into prominent Pacific nations. Yet, in actuality, island regions such as Hawaii, Fiji, and the CNMI, had similar purposes for colonization as mainland development which was to “move colonies as fast as possible toward the cash economy, preferably by means of foreign investment in the tropical resources valued by the Western world” (Firth, 2000, p. 182). Not only were these newly formed

governments expected to develop a market economy, they were required to finance their own costs of governing because the colonial powers did not furnish provisions.

After nearly three decades of Japanese control, Saipan was developed to a level deemed adequate enough to participate in regional and global trading systems, specifically agriculture and manufacturing. Sugarcane, holding over 60% of revenues, was the predominant industry and flourished under Japanese rule (Frith, 2000; Lonely Planet, 2006). Colonial institutions “such as education, health care, labor recruitment...familiarized Islanders with a wage economy and led them to internalize some Japanese customs and attitudes” (Poyer, Falgout, & Carucci, 2001, p. 308; USCB, Overview, 2008). Japan’s initiative to modernize the Marianas through trade and infrastructure development set the stage for the island’s later expansion to a garment manufacturing hub.

The Marianas entered into the world’s political and military scene after the attack by Japan on Pearl Harbor in December 1941. From 1941 to 1944, “most Islanders spent the war years working to meet Japanese military needs. Military construction forced many to relocate. Property was confiscated, families disrupted, schools and churches closed” (Poyer et al., 2001, p. 309). WWII brought lasting change to the islands. No urban area was left untouched as a result of bombardment and occupation by American troops. During the battle for Saipan on July 9, 1944, over 30,000 Japanese soldiers, 3,500 Americans, and 400 Saipanese were killed. Neighboring Tinian Island also sustained mass casualties and became known as the launching pad of both atomic bombs which were bound for Hiroshima and Nagasaki (Lonely Planet, 2006). The transition from Japanese ownership to American control at the close of WWII resulted in a complete change of political, social, economic, and cultural agendas (Poyer et al., 2001; USCB, Overview, 2008).

On July 18, 1947, President Harry Truman and the U.S. Congress approved a joint resolution and trusteeship with the United Nations (UN) called the United States Trust Territory of the Pacific Islands (TTPI) (Poyer et al., 2001; USCB, Overview, 2008). The Department of the Interior was given administrative power; however, self-governance of the island nation did not begin until 1961, well after the war, because of the island's military significance and positioning to Asia (USCB, Overview, 2008). Through the 1960s and 1970s, the Marianas had differing administration authorities, agreements, and resolutions all corresponding with its prospective American commonwealth status and desired self-governing role. In 1961 Saipan and Rota petitioned the United States Government (USG) to merge with Guam, a much stronger Pacific island economy. For practically eight consecutive years this same petition was presented, and finally in 1969 the citizens of Guam voted in a referendum for the proposed merger and it was rejected (Lonely Planet, 2006).

From the 1950s to 1970s development often encompassed foreign aid from the USG as opposed to wide-scale plans to foster economic independence (Lonely Planet, 2006). Micronesians hoped to regain their pre-war standard of living such as they knew under Japanese rule. However, American policy decisions, administrative choices, and racial attitudes such as "primitive peoples...should be content with a subsistence economy" slowly deteriorated hopes of revival (Poyer et al., 2001, p. 314). The CNMI shifted from a post-war development focus to a globalization focus after it formed with the United States into a trusteeship on January 1, 1978, which disbanded the existing TTPI agreement and reorganized the nation as the Commonwealth of the Northern Mariana Islands (Central Intelligence Agency [CIA], 2008; USCB, Overview, 2008).

Efforts to invest in capital and technological development such as tourist resorts, garment factories, and commercial fishing in the CNMI and surrounding islands slowly came from “outside the region in the form of foreign investment and foreign-owned enterprises...[where] only a small percentage of the value of local resources is retained by Pacific Island nations” (Lockwood, 2004, p. 21). Owing to this influx of foreign capital and development, islanders became increasingly dependent on outside influences such as imported foods based on a Western diet as well as consumer items not originally available. Since then, Western foods have caused a “rapidly growing rate of heart disease and diabetes among islanders” (Lockwood, 2004, p. 21). At the close of 1986 on November 3rd, President Ronald Reagan finally proclaimed the Marianas an official commonwealth of the United States (USCB, Overview, 2008).

### *Economy and Garment Industry*

The commonwealth status of governance in the CNMI was solely based on the United States’ constitution except for special exclusions in customs, wages, immigration laws, taxation, and voting rights. Indigenous inhabitants qualified as American citizens; however, still to this day, they are not allowed to vote in United States elections (CIA, 2008). These constitutional exclusions allowed for capital investment to flow into the Marianas during the 1980s and 1990s, which developed the island’s economy into two main industries- garment production and tourism. Approximately 85% of economic activity in the CNMI was contributed from garment manufacturing and tourism combined, and garments accounted for 96% of exports from the island (USGAO, 2006).

The garment industry, the most important industry on the Marianas, was able to expand through abundant, low-skilled, and low-cost laborers. Although considered American soil, half

of the population in the Marianas is Asian (56.3%), one-third is Pacific Islander (36.3%), mainly of Chamorro descent, and a minute amount is Caucasian/Other/Mixed (7.4%) (CIA, 2008). The total population in 2008 was estimated to be 86,616, with residents mainly residing on Saipan (USCB, Overview, 2008). In July 2010, the CIA (2010) estimated a significant population drop to 48,317.<sup>1</sup> Owing to the garment industry, the CNMI has long been a destination for guest workers from South Asian countries, predominately from the Philippines and China. Evidenced by the 2000 Census, the population was comprised of nearly 28,000 foreign laborers, which is roughly one-third of the total population (CIA, 2008). In order to maximize the economic advantage of its constitutional amendments, which have allowed special provisions for these laborers, the guest worker program has provided access to thousands of Chinese and Filipina women to take part in the formation of a new international division of labor (NIDL) on the CNMI. The NIDL as defined by McMichael (2008) began to occur in the 1970s and is “the relocation of deskilled tasks to lower-wage regions of the world” (p. 96). As a result of this development and repositioning of the new labor force, opportunities for offshore sourcing arose through the increase of transportation operations and information technology transfers. With ease of movement, both in human and knowledge capital, the shift of global production systems to remote regions of the world was achieved on the CNMI (McMichael, 2008).

The special constitutional exclusions, for example, garments made in the CNMI that were not composed of foreign materials valued at more than 70% of the garment's worth were exempt from U.S. quotas and customs duties if exported to the U.S. (USGAO, 2000). This allowed for duty-free and quota-free trade, specialized labor provisions like a low minimum wage, and immigration laws allowing foreign laborers which all contributed to CNMI's comparative

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<sup>1</sup> Further discussion of this shift in population will be discussed in the Findings section.

advantage over other island nations and Asian countries involved in garment production. For instance, China, which had an ample, cheap labor force, was still faced with taxation, quotas, and tariffs (Clarren, 2006). However, more recently, with the phase-out of the MFA, the CNMI garment industry has no longer been able to compete with low-wage, high producing countries such as China. In fact, according to the Department of Labor (DOL), with quota and duty advantages lessened by the phase-out, the manufacturing industry on the islands lost more than 3,800 garment jobs from 2004 to 2006 (USGAO, 2006).

In 2000, the island region had a GDP of nearly \$900 million and a per capita GDP of \$12,500, which included subsidies from the USG (CIA, 2008). Unlike other U.S. territories which grew (American Samoa, 0.4%; Guam, 1.8%; Virgin Islands, 2.9%) in GDP from 2002-2007, the Marianas declined by an average annual rate of -4.2% compared to the mainland U.S. which also grew (2.8%) (The Associated Press, 2010, May 5). According to the CIA's criteria of GDP, this designates the Marianas as a *developed country* (GDP of approximately \$12,200 or higher) for fiscal qualifications; however, close to half of the population (41%) lies below the poverty line (CIA, 2009b; Department of Commerce [DOC], CNMI, Third Quarter, 2008; DOC, CNMI, 2007). This *developed country* designation is debatable by other quality of living scales such as the Human Development Index (HDI), which takes into account several different criterion (*Life Expectancy*, *Literacy*, and *Per Capita GDP*). The HDI ranks countries in world order where a perfect score for the criterion is 1.00 and a lack of any presence for the criterion is 0.00 (CIA, 2009b). The CNMI ranked 72nd (HDI=0.875) on the HDI scale alongside 71st Latvia (0.876) and 73rd Turks & Caicos Islands (0.873). The measures of HDI on the CNMI are as follows: *Life Expectancy* (0.849), *Literacy* (0.970), and *Per Capita GDP* (\$12,500). In comparison, the mainland U.S. is ranked 31st (HDI=0.953) and has the following measures: *Life*

*Expectancy* (0.885) , *Literacy* (0.955), and *Per Capita GDP* (\$45,020) (Hastings, 2009). These data describe the significant difference between the CNMI and the mainland U.S. with special regards to monetary differences. The income gap between \$12,500 and \$45,020 gives rise to the question: Should the Northern Mariana Islands be reclassified as a *developing country*?

Firth (2008) states that the development classification for the Pacific Islands has long been a sign of contention between the island governments “because to be classified by international organizations as a Least Developed Country [LDC] brings benefits and concessions even in a rapidly globalizing world” (p. 191). These advantages can be seen in the continuous flow of United States subsidies that continue to necessitate island dependence from the mainland. This dependence also has been fostered by an unequal distribution of income between the wealthy and the impoverished on the Marianas and a large immigrant labor force which imparted a large percentage of their income towards remittances or overseas income transfers back to their home countries. In addition, one factor that has kept the income gap secure in the past was the low minimum wage which was \$3.05 in 2006, well below the 2006 mainland American wage of \$5.15 (Clarren, 2006). In 2007, Congress passed a new law for the islands raising the hourly minimum wage to \$7.25 in a schedule of four stages by 2014 which corresponds to the mainland United States law (Chen, 2010; McPhetres, 2008). This mandated increase in worker wages has garnered criticism and backlash from business owners who have threatened to depart from the islands completely while workers insist a living wage is long overdue (Chen, 2010).

Another competitive advantage over countries in central and southern Asia, most notably China and India, is the geographic position of the CNMI. The islands lie practically due south of Japan and east of the Philippines making them a prime location for transportation and port facilities. Although the islands are surrounded by other South Pacific nations, the CNMI’s only

major export trading partner has been the United States, with its sole export being apparel commodities. At the peak of its economic prosperity, the CNMI's garment industry in the late 1990s exported about \$1 billion (wholesale) worth of garments to the United States annually. This amount equaled well over \$2 billion worth of retail-valued garments (Clarren, 2006). More recently, however, as increasing competition from China and India has occurred, decline in garment production in the Marianas has been evident. For instance, in 2000 the CNMI exported approximately \$1 billion worth of wholesale apparel goods to the U.S. which had declined by over two-thirds (\$307 million) in 2007 (OTEXA, 2008).

Minimal trading partners and a lack of diverse commodities has left the Marianas at the mercy of the world market economy. The CNMI has been reliant upon offshore business interest and the strength of the U.S. dollar to stabilize and grow its economy. Moreover, these circumstances have created a great reliability on the United States' economy and subsidies. Since the future of the CNMI seems uncertain, an analysis of the phase-out of the MFA on the Marianas is needed, particularly as total garment production output continues to decline. This study will respond to the question, what long-term impact has the MFA phase-out had on the CNMI economy and its people? In order to explore this question further this research will examine both pre- and post- MFA figures from OTEXA to analyze shifts in export values by U.S. dollar, occurring over a 10-year period from 2000-2009.

### *Garment Industry Turmoil and Current Conditions*

Other issues have surfaced over time through the development of the garment industry on the CNMI and by nature of the guest worker program, including the prevalence of sweatshop conditions in garment manufacturing facilities. Unpaid, forced overtime or by contrast, no overtime, used as a source of punishment, have been common practices on the Marianas. Many



women sought to work overtime for a number of reasons, including repaying recruitment fees necessary to obtain a job on the islands and sending money home to families in the form of overseas remittances (Clarren, 2006). Labor unions were not allowed in many factories and employers regularly threatened deportation if workers did not follow orders. Health insurance and other benefits were usually not provided and forced abortions and/or pregnancy-related terminations have been common (Clarren, 2006).

In response to these issues, in 2002 the garment industry on the CNMI was inundated with a \$20 million lawsuit supported by a 30,000-member class of garment workers and several labor rights organizations. The lawsuit cited major American retailers such as Target, Abercrombie & Fitch, Gap, Inc., and JC Penney Co. for mistreatment of workers in foreign-owned factories on American soil, occupational and labor violations, misleading advertising, and trafficking of goods in contradiction to United States trade laws. The case was ultimately a major victory for labor rights proponents (*First-ever Lawsuit Filed*, 1999; Oreskovic, 2002). As a mandate of the \$20 million settlement, an external monitoring program, the first of its kind in the CNMI, was developed and included a *Code of Conduct* for manufacturers to follow. The program expired in 2007, however, and no follow-up plan has been put into place (Oreskovic, 2000). Additionally, prior to the lawsuit, garments produced in the Marianas were labeled *Made in the USA*. After the lawsuit and with further pressure from labor organizations, most companies resigned to use labels reflecting a more concise origin such as *Made in Saipan (USA)* or *Made in Northern Mariana Islands (USA)* (Clarren, 2006).

In regards to the current economic conditions of the garment industry on the Marianas, preliminary results from the *Garment Export Value* analysis (Figure 3) and the *Major Shippers Report* (Figure 4) show a steep decline in monetary figures, leading to the confirmation that the

economy of the CNMI can no longer rely on garment production as its main industry. From 2000-2004, prior to the final phase-out of the MFA, garment export values declined slightly, but not to the same extremes as seen after 2005. In fact, Figure 3, which highlights the period from 2000 to 2007, reveals that in 2004 garment export value actually increased (4.28%) from the previous year. However, in 2005 exports plunged by -21.21% based on 2004 levels and in subsequent years garment export values have continued to erode. From 2004 to 2007, total garment exports declined by two-thirds (-62.76%) from \$826.0 million to \$307.6 million. The percentage change in export value from 2007 to 2008 (3rd Quarter) shows a -71.23% decline (DOC, CNMI, 2008, *Third Quarter*; 2006, *Fourth Quarter*; 2003, *Fourth Quarter*).

As for imports to the mainland U.S. from the CNMI, the Office of Textiles and Apparel (OTEXA) *Major Shippers Report* (see Figure 4), which highlights the period from 2006 to 2008, shows that *Category 1-Apparel MFA* has repeatedly fallen by nearly three-quarters (-70.87%) since 2006 through 2008 (year-to-date). In dollar amounts, this accounts for a \$402,418,000 loss within two years. In 2006, total garment shipments from the CNMI to the U.S. totaled \$494,643,000; by 2008, total garment shipments to the U.S. amounted to only \$92,225,000. Shipments have also fallen dramatically from 2006 to 2008 in *Category 31-Cotton Apparel* (-58.35%) and *Category 61-Man-made Fiber Apparel* (-80.72%). Clearly, these figures substantiate a resounding decline in CNMI's total garment exports (OTEXA, 2008).

In addition to these export and import figures, within the last year, news reports confirm that “three remaining garment factories on Saipan will survive long enough to meet their obligations to their buyers” (Erediano, 2008, p. 1). As of January 15, 2009, the last remaining factory, *Uno Moda*, closed its doors leaving the CNMI without a garment industry and now more than ever heavily reliant upon its second major industry—tourism (*Saipan Factory Facts*, 2009).

Originally, approximately 35 factories existed in the Marianas during its 30-year period of garment production (McPhetres, 2008). In an interview conducted by the Australian Broadcast Corporation, Richard Pierce, Special Assistant to the Governor for Trade Relations and Economic Affairs on the Marianas, stated that not only has Saipan “lost about 30 percent of its population...[subsequently,] revenue streams have decreased about 45 percent in the last three years” (Mortensen, 2009, n.p.). It is obvious that the shrinking of the garment manufacturing sector has affected the CNMI’s overall economy.

The CNMI has seen the full-circle effects of development from colonialism to globalization through foreign market investment in the garment industry. Sachs (2005) stated that economies which are dependent upon one product for export experience high volatility and uncertainty in the world market. With the fall of the garment industry, the CNMI could potentially revert back to basic state of development, particularly with the absence of a major industry to support the economy and subsequently its people. Outcomes of this shift include a lack of employment opportunities, an increase in crime, flight of native residents to the United States, and an increase of informal activity jobs such as prostitution and domestic service (McPhetres, 2008). As part of this study, future implications for the CNMI’s economy and people will be addressed.

### *Purpose and Research Objectives*

The purpose of this study is to examine the effects of colonization, development, and globalization in the Commonwealth of the Northern Mariana Islands (CNMI), focusing specifically on the garment industry as a source of development. Given this information, this study will explore the future implications to the economy and outcomes for the people of the Marianas as the garment industry continues to deteriorate. Currently, little literature exists which

examines the decline of the garment industry in the CNMI. Additionally, information is limited regarding the outcomes of the MFA phase-out for small regions and islands such as the CNMI, where the garment industry has been incredibly vital to the development of a market economy and the globalization of the country as a whole. Specific objectives of this study include the following:

*Objective 1:* To examine changes in the societal situation on the Marianas as the deterioration of the garment industry becomes evident. Population and economic statistical data from the CNMI gathered by the United States Census Bureau (USCB) will be analyzed.

*Objective 2:* To explore the role of the garment industry in the development of the CNMI. Data from the Office of Textiles and Apparel (OTEXA) and United States Department of Commerce's Commonwealth of the Northern Mariana Islands Central Statistics Division will be utilized to investigate the effects on CNMI's garment value both pre- and post-MFA.

*Objective 3.* To project future implications for the economy and outcomes for the people and the garment industry on the CNMI. Legal documents, academic journals and literature related to Pacific affairs will be examined.

## CHAPTER 3 – Methods

### Research Questions

As part of this study, the following research questions were developed to investigate the objectives of this project.

*Objective 1:* To examine changes in the societal situation on the Marianas as the deterioration of the garment industry becomes evident. Population and economic statistical data from the CNMI gathered by the United States Census Bureau (USCB) will be analyzed. The following questions will be addressed:

1.1 What was the demographic distribution of laborers in the *Manufacturing Sector* based on the *Commonwealth of the Northern Mariana Islands 2000 Census of Population and Housing* report?<sup>2</sup> This distribution will identify who the laborers were in the CNMI and who has been affected by changes in the garment industry. The following questions will address the distribution specifically:

1.1a) What was the proportion of workers involved in the *Manufacturing Sector* as compared to the *Employed Civilian Population*? The data will provide insight into the number of people that relied upon the garment industry for their livelihood.

1.1b) Were *women* more likely than *men* to be employed in the *Manufacturing Sector*? Current literature states that garment manufacturing is composed

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<sup>2</sup> The 2000 Census report is the most recently published census data for the CNMI.

predominately of women. Data analyzed in this study will offer evidence of whether or not the CNMI's industry mimicked the characteristics of the garment industry in other areas of the world.

1.2 What proportion of the economy (by 1. *Establishment Number*, 2.

*Sales/Revenues*, 3. *Annual Payroll*, 4. *Number of Employees*) in the *Northern Mariana Islands 2002 and 2007 Economic Census of Island Areas* report did *Apparel Manufacturing* constitute compared to:

1.2a) the *Manufacturing Sector* as a whole on the CNMI, and

1.2b) all *Sectors of the CNMI's* economy?

The above data will allow economic comparisons concerning the extent to which the CNMI relied on manufacturing versus other sectors to support its economy over a 5-year period.

*Objective 2:* To explore the role of the garment industry in the development of the CNMI. Data from the Office of Textiles and Apparel (OTEXA) and United States Department of Commerce's (USDC) Commonwealth of the Northern Mariana Islands Central Statistics Division will be utilized. The effects on CNMI's garment value both pre- and post- MFA phase-out will be analyzed. The following questions will be addressed:

2.1 What was the U.S. Dollar value of imports to the U.S. from the CNMI over a 10-year period: 2000-2004 (pre-MFA phase-out) and 2005-2009 (post-MFA phase-out)?

2.1 How have garment export values from the CNMI changed (in US\$) over a 10-year period: 2000-2004 (pre-MFA phase-out) and 2005-2009 (post-MFA phase-out)?

The above data will investigate the monetary changes in import and export values that have occurred as a result of the MFA phase-out by cross-referencing OTEXA import records alongside USDC's CNMI Central Statistics Division export records.

*Objective 3:* To project future implications for the economy and outcomes for the people and the garment industry on the CNMI. Legal documents, academic journals and regional newspapers related to Pacific affairs will be examined. The following questions will be addressed:

3.1 What have been unforeseen outcomes for the people of the CNMI as a result of the demise of the garment industry?

3.2 What government policies related to development are currently taking form in the Marianas?

3.3 Are other industries being established to replace the garment industry?

The above data will delve into the current situation on the Marianas. Also, they will provide information pertaining to the societal and economic consequences resulting from the demise of a country's main industry.

## **Instrumentation and Data Analysis**

### *Objective 1*

To examine *Objective 1* further, data as reported by the USCB's Database, *Commonwealth of the Northern Mariana Islands 2000 Census of Population and Housing* report,

and the *Northern Mariana Islands 2002 and 2007 Economic Census of Island Areas* reports will be analyzed. This analysis supports exploration of the effects of colonization, development, and globalization in the CNMI, focusing specifically on the garment industry as a source of development and growth. Combined, these reports will be beneficial in investigating past and current economic conditions and population characteristics on the CNMI.

*Commonwealth of the Northern Mariana Islands 2000 Census of Population and Housing*

The Census Bureau in accordance with the United States Government and the governments of the Island Areas (Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, and CNMI) survey their populations every 10 years to collect data for the following categories—basic demographic, social, economic, and housing characteristics. Each island area has its own questionnaire and the collected data are processed separately. This study will access data from the last available report in 2000—*Commonwealth of the Northern Mariana Islands 2000 Census of Population and Housing*<sup>3</sup>. A subsequent census was performed in 2010; however, data from this query will not be accessible by the public for several years.<sup>4</sup>

The data were obtained through the *American FactFinder*, an interactive database utilized by the USCB. In order to answer: What was the proportion of workers involved in the *Manufacturing Sector* as compared to the *Employed Civilian Population*? (Objective 1.1a), data were gathered by the available parameters:

1. *Employed civilian population 16 years and over: Total* (PBG042001)
2. *Employed civilian population 16 years and over: Manufacturing* (PBG042004)

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<sup>3</sup> A sample questionnaire used for collection of data in the *2000 Census of Population and Housing* is shown in Appendix C.

<sup>4</sup> This will be discussed further in the *Recommendations for Future Research*.



The *Manufacturing Sector* represents those establishments which transform a material, substance, or component into a new product. Often times these establishments are described as plants, factories, or mills characterized by machinery that requires power or is equipped to handle certain materials. Apparel manufacturing and contracted operations for material manufacturing is a primary part of the *Manufacturing Sector*. Other areas include printing, wood product manufacturing, and food/beverage manufacturing (American FactFinder, 2010; United States Census Bureau, Department of Commerce [USCB, DoC], 2003a; USCB, DoC, 2010a).

As previously noted in *Objective 1*, another important factor that will offer evidence of whether or not the CNMI's industry mimicked the characteristics of the garment industry in other areas of the world is the question: Were *women* more likely than *men* to be employed in the *Manufacturing Sector*? (Objective 1.1b). Data were gathered by the following parameters from the *Commonwealth of the Northern Mariana Islands 2000 Census of Population and Housing* report:

1. *Employed civilian population 16 years and over: Male* (PCT050002)
2. *Employed civilian population 16 years and over: Male; Manufacturing* (PCT050007)
3. *Employed civilian population 16 years and over: Female* (PCT050029)
4. *Employed civilian population 16 years and over: Female; Manufacturing* (PCT050034)

In addition to reviewing the *Commonwealth of the Northern Mariana Islands 2000 Census of Population and Housing* report, *Objective 1* also manifests the need to examine the economy of the CNMI.

#### *Northern Mariana Islands 2002 and 2007 Economic Census of Island Areas*

The *Economic Census of Island Areas* is conducted on a five-year schedule (...1997, 2002, 2007) for the Commonwealth of Puerto Rico, Virgin Islands, American Samoa, Guam, and

CNMI. This census provides comprehensive economic data which are collected by each representative government in conjunction with the U.S. Government. The census questionnaire is referenced by the *Alphabetical Index of Industries and Occupations* and the *Employer Name List* of recorded business establishments only.<sup>5</sup> Furthermore, this questionnaire is prepared from the *American Business Index (ABI)* which contains the codes for the *North American Industrial Classification System (NAICS)*. The NAICS Industry classification series is composed of 265 categories for employment, classified into 14 industries. *Apparel Manufacturing* (NAICS Code 315) is a division of the *Manufacturing Sector* (NAICS Codes 31-33). Other divisions of manufacturing include, but are not limited to, food/beverage/tobacco product manufacturing, textile mills, wood product manufacturing, and printing and related support activities (American FactFinder, 2010; USCB, DoC, 2003b; USCB, DoC, 2010a).

Data for the *Northern Mariana Islands 2002 and 2007 Economic Census of Island Areas* were collected using the *American FactFinder*. In order to answer *Objective 1.2: What proportion of the economy (by 1. Establishment Number, 2. Sales/Revenues, 3. Annual Payroll, 4. Number of Employees)* in the *Northern Mariana Islands 2002 and 2007 Economic Census of Island Areas* report did *Apparel Manufacturing* constitute compared to:

- a. the *Manufacturing Sector* as a whole on the CNMI (Objective 1.2a), and
- b. all *Sectors of the CNMI's economy?* (Objective 1.2b)

Data were gathered by the following parameters:

1. *Apparel Manufacturing* (NAICS Code 315)—2007
2. *Apparel Manufacturing* (NAICS Code 315)—2002
3. *Manufacturing* (NAICS Codes 31-33)—2007

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<sup>5</sup> This will be discussed further in the *Limitations* section of Chapter 5.

4. *Manufacturing* (NAICS Codes 31-33)—2002
5. *Total for All Sectors* (NAICS Code 00)—2007
6. *Total for All Sectors* (NAICS Code 00)—2002

Further evidence of the economic dynamics on the CNMI will be examined in *Objective 2*.

### *Objective 2*

To examine *Objective 2*, export trade data published by the Office of Textiles and Apparel (OTEXA) from the *U.S. Possessions Report* and the United States Department of Commerce's Commonwealth of the Northern Mariana Islands Central Statistics Division from the *Economic Indicator Report* will be analyzed. This analysis allows for exploration of the economic implications from the phase-out of the MFA and investigates the decline in garment production and garment imports into the U.S. from the CNMI.

#### *U.S. Possessions Report*

The *U.S. Possessions Report* is distributed by the OTEXA, part of the Department of Commerce International Trade Administration. This report calculates imports into the United States from the CNMI, Guam, the Virgin Islands, and American Samoa. Generated monthly, this report is listed by *Customs Category per Square Meters*, *Category Units*, and *U.S. Dollars*.

The *U.S. Dollars* category was chosen to investigate the change in U.S. import value of garments produced on the CNMI. By studying the change in U.S. Dollars over a 10-year period divided into two categories, pre-MFA phase-out (2000-2004) and post-MFA phase-out (2005-2009), these data will answer the question: What was the U.S. Dollar value of imports into the U.S. from the CNMI over a 10-year period: 2000-2004 (pre-MFA phase-out) and 2005-2009 (post-MFA phase-out)? (Objective 2.1).

Data for the years 1995-2009 were obtained through direct correspondence with Keith Daly, an OTEXA analyst whose area of expertise includes the CNMI. OTEXA does not list previous year figures on their website for the *U.S. Possessions Report*, so their office was specifically contacted to obtain the data. The data set was reformatted to only include year-end totals by *U.S. Dollar Value* from 2000-2004 and 2005-2009. The *Percent Change to Previous Year* was also calculated and will be presented in Chapter 4 (OTEXA, 1995-2009). Exploration of these data will show any increases or decreases for imports into the U.S. from the CNMI and will provide insight into the effects on CNMI's garment values both pre- and post- MFA phase-out.

#### *Economic Indicator Report*

The *Economic Indicator Report* is a quarterly report published by the Department of Commerce Commonwealth of the Northern Mariana Islands. The purpose of this report is to represent social and economic conditions on the islands. The data are gathered by the Central Statistics Division of the U.S. Department of Commerce and other CNMI Government Departments, Agencies, and private organizations. This report accounts for the following measures depending on the publication year: *Banking Activity, Remittances, Loans from Commonwealth Development Authority, Average CNMI Hotel Daily Rate, Average CNMI Hotel Occupancy Rate, Business Gross Revenue, Revenue, Government Expenditures, Imports, Exports, Building Permits, Telephone Lines and Auto Sales*. This objective will investigate specifically the *Exports* category.

The *Exports* category of the *Economic Indicator Report* was chosen in order to gather evidence of the CNMI's main export commodity. By studying the *Export* category on the CNMI

over a 10-year period (selecting Year-End or final quarter figures from 2000-2009) divided into two categories, pre-MFA phase-out (2000-2004) and post-MFA phase-out (2005-2009), these data will answer the question: How have garment export values from the CNMI changed (in US\$) over a 10-year period: 2000-2004 (pre-MFA phase-out) and 2005-2009 (post-MFA phase-out)? (Objective 2.2).

The *Export* value data will be collected from the following reports—2000 (October-December Report), 2006 (October -December Report), 2009 (July-December Report<sup>6</sup>). To explore export values, these particular years were selected given the availability of data for public use on the U.S. Department of Commerce: Commonwealth of the Northern Marianas website ([www.commerce.gov.mp](http://www.commerce.gov.mp)). Each report shows a 5-year spread of yearly totals, for example, the 2000 *Economic Indicator Report* has the following years reported: 1996, 1997, 1998, 1999, 2000. The closing year is always listed by four quarters, for example in 2000—2000.1, 2000.2, 2000.3, 2000.4. Because of this 5-year spread, data can be gathered for all years except 2001 which is not available for public download. In addition for the final year, 2009, the only available data were from the first two quarters. The 2009 figures will be shown as such—2009.1 and 2009.2.

Data from 2000-2009 (excluding 2001) will be formatted into a table to compare *Percent Change to Previous Year* and placed into two categories—pre-MFA phase-out (2000-2004) and post-MFA phase-out (2005-2009). Exploration of the data will be used to investigate whether any increase or decrease occurred for exports from the CNMI; changes in export value will

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<sup>6</sup> Unlike 2000 and 2006, the 2009 *Economic Indicator Report* was combined into one report for the 3rd and 4th quarters.

reveal the state of economy on the islands (Department of Commerce, Commonwealth of the Northern Mariana Islands [DoC-CNMI], 2000, 2006, 2009).

### *Objective 3*

To examine *Objective 3*, legal documents, academic journals and regional newspapers related to Pacific affairs will be analyzed. The *Consumer Price Index* for the CNMI will be utilized in order to investigate the cost of living on the Marianas from 2000-2009. The *International Data Base* will provide demographic data on future projections for the people of the CNMI. Additionally, *Regional Newspapers* such as the *Saipan Tribune* will allow for investigation into local government affairs on a first-hand basis alongside other *Government Reports* based on the CNMI's future development.

Utilizing the aforementioned *Economic Indicator Report (Objective 2.2)*, figures for tourism and its effects on the economy will be analyzed. This analysis allows for exploration of the future implications to the economy and outcomes for the people of the Marianas as the garment industry continues to deteriorate. In addition, this research is also relevant and informative for other newly developing and developing countries which have been impacted by the MFA phase-out and where the garment industry has been vital to the development of market economies and operated as an impetus for globalization.

#### *Consumer Price Index*

The *Consumer Price Index* (CPI) for the Commonwealth of the Northern Mariana Islands monitors price changes for inflation on goods and services normally purchased by residents of the CNMI through a sample population. The U.S. Department of Commerce has modified its instruments in recent years so that the CPI is similar to a cost-of-living index. The instruments

developed for the CPI on the CNMI were based on a series of weighted scores for household expenditures which was last calculated from a survey in 2005 on the islands of Saipan, Rota, and Tinian (Department of Commerce, Commonwealth of the Northern Mariana Islands [DoC, CNMI], 2009). The CPI measures nine major groups shown with weighted percentages<sup>7</sup>: *Housing & Utilities* (30.4%), *Transportation* (22.2%), *Food* (17.1%), *Medical Care* (10.7%), *Apparel* (6.1%), *Education & Communication* (5.6%), *Recreation* (3.4%), *Other Goods & Services* (3.1%), and *Alcoholic Beverages* (1.4%).

In order to examine fluctuations in cost of goods and services and henceforth cost-of-living expenditures, this study will utilize the top five weighted percentage groups: *Housing & Utilities*, *Food*, *Transportation*, *Medical Care*, and *Apparel* as well as the total CPI average for *All Items*. A line chart for these five groups plus total CPI of *All Items* average for the fourth quarters of 2000.4, 2005.4, and 2009.4 will be presented in Chapter 4. These figures will provide insight into the following question: What have been unforeseen outcomes for the people of the CNMI as a result of the demise of the garment industry? (Objective 3.1).

### *International Data Base*

The *International Data Base* (IDB) is a collection of demographic indicator data published by the USCB. The data are published by country and subsequently by the following years 1995, 2005, 2010, 2015, 2025 for the CNMI. For the purpose of this research, future projections are included for the years 2010, 2015, and 2025. The data are categorized by *Population*, *Fertility*, *Mortality*, and *Migration* with subcategories such as *Mid-year Population*,

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<sup>7</sup> The weighted percentages were derived from a 2005 survey based on household expenditures. For instance, the average household spent about 17% of their income on *Food* and 30% on *Housing & Utilities*. This survey was conducted on the CNMI by the Central Statistics Division of the CNMI (DoC, CNMI, 2009).

*Growth Rate, Life Expectancy at Birth, Net Migration Rate, and Net Number of Migrants* (USCB, DoC, 2010b). An analysis of these data will aid in understanding any over-arching effects of the garment industry collapse for the people of the CNMI by contributing to the question: What have been unforeseen outcomes for the people of the CNMI as a result of the demise of the garment industry? (Objective 3.1).

### *Regional Newspapers*

In order to document the local events of government actions and concerns on the Marianas, weekly updates were collected since October 28, 2008, by automated email for news media relevant to this topic. Data and information were gathered from the following sources—*Saipan Tribune*, *American Visa Bureau*, and *Islands Business*—to investigate the question: What government policies related to development are currently taking form in the Marianas? (Objective 3.2)

### *Government Report*

In addition, a report prepared for the CNMI's Governor from the Office of Insular Affairs, the U.S. Department of the Interior, was retrieved to investigate the impact of government policy on the CNMI. The report titled, *Economic Impact of Federal Laws on the Commonwealth of the Northern Mariana Islands*, will be used in documenting the recommendations for action advised by the U.S. Department of the Interior to the CNMI's Governor. This government report will support the question: What government policies related to development are currently taking form in the Marianas? (Objective 3.2).



## *Economic Indicator Report*

As outlined in *Objective 2* above, the *Economic Indicator Report* is a quarterly report published by the Department of Commerce Commonwealth of the Northern Mariana Islands. The purpose of this report is to represent social and economic conditions on the islands. In 2009 this report accounted for the following measures<sup>8</sup>: *Banking Activity, Remittances, Auto Sales, Visitor Arrival, Average CNMI Hotel Daily Rate, Average CNMI Hotel Occupancy Rate, Business Gross Revenue, Government Expenditures, General Fund Revenue, Imports, Exports, Telephone Lines, Building Permits, CPI (3rd Quarter), CPI (4th Quarter), and Historical CPIs for Selected Groups* (DoC-CNMI, 2010). In order to substantiate the development of other sectors, this study will examine the fluctuations of the tourism industry from 2005-2009, post-MFA, through the following measures: *Visitor Arrival, Average CNMI Hotel Daily Rate, Average CNMI Hotel Occupancy Rate, and Business Gross Revenue*. Tourism accounted for the CNMI's second most important industry prior to the 2005 MFA phase-out. By examining tourism in the context of the post-MFA phase-out years, 2005-2009, data will be explored to account for either a strengthening or weakening of the tourism industry after the demise of the garment industry on the CNMI. The information garnered from these data will provide insight into the question: Are other industries being established to replace the garment industry? (Objective 3.3).

## **CHAPTER 4 – Findings**

The research for this study consisted of quantitative data gathered from the United States Census Bureau (USCB), the Office of Textiles and Apparel (OTEXA), the United States

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<sup>8</sup> The 2009 *Economic Indicator Report* measures are not identical to previous publication years.

Department of Commerce's Commonwealth of the Northern Mariana Islands Central Statistics Division as well as the *Consumer Price Index* for the CNMI, the *Economic Indicator Report*, the *International Data Base*, regional newspapers, and government documents. This broad-reaching analysis examined population, gender, economic factors, and import and export data in order to explore the repercussions of garment industry development and subsequent decline on the Commonwealth of the Northern Mariana Islands. These findings will allow for elaboration on future implications to the economy and outcomes for the people of the Northern Mariana Islands. Additionally, the garment industry has been vital to the development of market economies and at the forefront of globalization, giving this research relevance for other newly developing and developing countries which have been impacted by the phase-out of the MFA. The following information will document the findings gathered for Objectives 1-3.

## **Objective 1**

### *Changes in the Societal Situation*

*Objective 1* explores the societal situation on the Northern Mariana Islands through population and economic statistical data gathered from the USCB. The data will identify who were the apparel manufacturing laborers in the CNMI and who has been affected by changes in the garment industry.

#### *Objective 1.1a*

To provide insight into the number of people that relied upon the garment industry for their livelihood, data from the *Commonwealth of the Northern Mariana Islands 2000 Census of Population and Housing* report were analyzed to answer the question: What was the proportion of workers involved in the *Manufacturing Sector* as compared to the *Employed Civilian*

*Population?* Figure 5<sup>9</sup> is a pie graph divided into two sections: *Manufacturing Sector* and *Total Employed*. A comparison of the data is displayed in this graph by *Employed Civilian Population 16 Years and Over* versus *Percentage of Employed Civilian Population 16 Years and Over in the Manufacturing Sector*. The total *Employed Civilian Population* on the Marianas was 42,753 people while the *Manufacturing Sector* was 17,398 people, accounting for 41% of the total employed civilian population. As such, these data capture the significance of the *Manufacturing Sector* on the CNMI's economy and population. Its workers accounted for nearly half of the total employed population. As the garment industry has declined, the employees in the *Manufacturing Sector* have certainly been affected by the reduction of positions in this sector which will be discussed further in Objective 1.2b.

#### *Objective 1.1b*

To explore the proportion of women to men in the garment manufacturing industry in the CNMI, data from the *Commonwealth of the Northern Mariana Islands 2000 Census of Population and Housing* report were examined to answer the question: Were *women* more likely than *men* to be employed in the *Manufacturing Sector*? Figure 6 is a pie graph categorizing the labor force by *Males (Total Employed and Manufacturing Sector)* and *Females (Total Employed and Manufacturing Sector)* based on the *2000 Census of Population and Housing* report. These data are divided by two sets: *Male Employed Civilian Population 16 Years and Over in the Manufacturing Sector* and *Female Employed Civilian Population 16 Years and Over in the Manufacturing Sector*. These figures are shown with both total number and percentage equivalents. More females (23,268) were employed than males (19,485) in the total employed

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<sup>9</sup> Refer to Appendix B for all *Figures*.

civilian population. However, females in the *Manufacturing Sector* (13,135) accounted for more than three times (68%) the population of male workers in the *Manufacturing Sector* (4,263), which only accounted for 22% of the *Total Employed Male* population. Consequently, these data illustrate that as a whole, women and men were equally proportional in the total labor market on the Marianas. However, by contrast, in the *Manufacturing Sector*, which comprises the garment industry, women laborers out-numbered men 3:1. As indicated by these data, with the collapse of the garment industry, working women on the CNMI have been impacted far greater than men. This finding captures the unique characteristics of gender-specific jobs that the garment industry brought to the CNMI which were geared towards women workers.

#### *Objective 1.2a*

To provide economic comparisons concerning the extent to which the CNMI relied on apparel manufacturing versus other manufacturing sectors to support its economy over a 5-year period, data from the *Northern Mariana Islands 2002 and 2007 Economic Census of Island Areas* were collected to answer the question: What proportion of the economy (by 1. *Establishment Number*, 2. *Sales/Revenues*, 3. *Annual Payroll*, 4. *Number of Employees*) did *Apparel Manufacturing* constitute compared to the *Manufacturing Sector* as a whole on the CNMI?

Table 3<sup>10</sup> is arranged by *Apparel Manufacturing* compared to the overall *Manufacturing Sector*. In 2002, *Apparel Manufacturing* accounted for almost 50% (42 establishments) within the *Manufacturing Sector* (78 establishments). *Sales/Revenues* was comprised of relatively equal amounts \$639,357,000 (*Apparel Manufacturing*) to \$665,774,000 (*Manufacturing Sector*).

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<sup>10</sup> Refer to Appendix A for all *Tables*.

*Annual Payroll* was also roughly an equal amount for each at \$177,781,000 (*Apparel Manufacturing*) to \$184,706,000 (*Manufacturing Sector*) as was the *Number of Employees* from 16,351 to 16,941. These data portray that although many establishments existed in the *Manufacturing Sector*, the *Apparel Manufacturing* sector, composed of 50% of establishments, contained nearly all of the *Annual Payroll*, *Sales/Revenues*, and *Number of Employees*. This example illustrates that on the Northern Mariana Islands, *Apparel Manufacturing*, in fact, encompassed relatively all of the *Manufacturing Sector* in 2002. In addition, apparel manufacturing was the leading contributor of monetary returns and employment in the *Manufacturing Sector* as a whole.

For 2007, establishments in *Apparel Manufacturing* were reduced since 2002 by almost 50%, from 42 to 25 establishments; in the *Manufacturing Sector*, the *Establishment Number* declined from 78 to 59. *Sales/Revenues* in *Apparel Manufacturing* decreased by nearly 75%, from \$639,357,000 in 2002 to \$160,032,000 in 2007, and in the *Manufacturing Sector* by over 70%, from \$665,774,000 in 2002 to \$189,715,000 in 2007. *Annual Payroll* in 2007 saw similar down shifts in *Apparel Manufacturing* by 73%, from \$177,781,000 to \$47,852,000, and in *Manufacturing*, *Annual Payroll* declined by 69% to \$56,565,000 (from \$184,706,000). *Number of Employees* were down approximately 60% in both sectors respectively. These findings reveal that prior to the MFA phase-out in 2002, the CNMI had a robust garment manufacturing industry. Following the phase-out in early 2005, dramatic shifts in production occurred on the Marianas as orders slowed, jobs disappeared, and factories closed. The result of the MFA phase-out left the CNMI, a small, producer nation, to compete in the marketplace with global garment manufacturing giants such as India and China. As evidenced by the data, the CNMI was not

successful in this competition for garment orders with larger producer nations and the necessity to rely upon other sectors for economic development arose<sup>11</sup>.

#### *Objective 1.2b*

To provide economic comparisons concerning the extent to which the CNMI relied on *Apparel Manufacturing* compared to all economic sectors over a 5-year period, data from the *Northern Mariana Islands 2002 and 2007 Economic Census of Island Areas* were collected to answer the question: What proportion of the economy (by 1. *Establishment Number*, 2. *Sales/Revenues*, 3. *Annual Payroll*, 4. *Number of Employees*) did *Apparel Manufacturing* constitute compared to all *Total Sectors* of the CNMI's economy? Table 3 explores the relationship between *Apparel Manufacturing* and *Total Sectors* for the years 2002 and 2007. These data are displayed by *Establishment Number*, *Sales/Revenues*, *Annual Payroll*, and *Number of Employees* by *Apparel Manufacturing*, *Manufacturing*, and *Total Sectors* for the years 2002 and 2007.

In 2002 (pre-MFA phase-out), *Apparel Manufacturing* consisted of 42 establishments, approximately 3% of *Total Sector* establishments (1,246). Additionally, *Apparel Manufacturing* accounted for 35% (\$639,357,000) of *Sales/Revenues* as compared to *Total Sectors*. *Annual Payroll* in *Apparel Manufacturing* was 47% (\$177,781,000) of the *Total Sector* annual payroll (\$381,575,000). The *Number of Employees* held a ratio of 1:2 (16,351/32,790), with *Apparel Manufacturing* comprising 50% of the total employees on the CNMI.

In 2007 (post-MFA phase-out), establishment numbers decreased for both *Apparel Manufacturing* (25) and *Total Sectors* (1,191). *Sales/Revenues* in *Apparel Manufacturing*

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<sup>11</sup> This reliance will be discussed further in *Objective 3.3*.

(\$160,032,000) only accounted for 12% of the *Total Sector* (\$1,284,188,000), or a 24% decrease from 2002. Annual payroll in *Apparel Manufacturing* dwindled to \$47,852,000, only accounting for 19% of the *Total Sector's* annual payroll (\$246,133,000), or a decrease of 28% from 2002. The number of employees dropped to a ratio of about 1:4 (6,374/22,622), declining by over 28% from 2002, or roughly a loss of 10,000 employees in the apparel manufacturing sector.

As a result, these numbers clearly substantiate the importance that the *Apparel Manufacturing* sector had on the CNMI's economy. Not only did apparel manufacturing constitute a fairly large proportion of sales and revenue, it provided a legitimate means of employment for 50% of workers on the CNMI before the collapse of the garment industry. As mentioned in *Objective 1.1b*, this collapse of industry and loss of jobs in the garment industry affected the occupations of women three times more than men. In 2002, the CNMI's garment industry was a mere 3% of total businesses, but it accounted for nearly 35% of total revenue, providing an enormous wealth to the CNMI. By 2007, this number had dwindled to only 12% of the *Total Sector*, which not only diminished the CNMI's ability to have an economic safeguard or surplus, but also created a negative implosion for the job market and the future of the people on the CNMI.

## **Objective 2**

### *Pre- and Post- MFA*

*Objective 2* explores the role of the garment industry in the development of the CNMI. Data from the Office of Textiles and Apparel (OTEXA) and the United States Department of Commerce's Commonwealth of the Northern Mariana Islands Central Statistics Division were utilized to investigate the monetary changes in import and export values that have occurred as a result of the MFA phase-out. This analysis allows for exploration of the economic implications

from the phase-out of the MFA and investigates the decline in garment production and garment imports into the U.S. from the CNMI and exports from the CNMI.

### *Objective 2.1*

To provide an understanding of monetary changes in the U.S. Dollar value of imports to the U.S. from the CNMI that have occurred as a result of the MFA phase-out, data from the *U.S. Possessions Report* published by OTEXA were collected to answer the question: What was the U.S. Dollar value of imports to the U.S. from the CNMI over a 10-year period: 2000-2004 (pre-MFA phase-out) and 2005-2009 (post-MFA phase-out)? Table 1 is divided into two rows: *Pre-MFA Phase-Out* and *Post-MFA Phase-Out* and three columns: *Year*, *Value (in U.S. \$)*, and *Change to Previous Year (%)*. Pre-MFA phase-out (2000-2004) imports from the CNMI into the United States totaled over \$4,411,166,305. Post-MFA imports (2005-2009) totaled just \$1,596,799,434. In total, a decline of -99.53% occurred in this 10-year period from 2000-2009.

Prior to the MFA phase-out, minimal decreases in *Change to Previous Year (%)* were observed, with -13.87% equaling the highest loss in 2002 and the highest gain (0.23%) occurring in 2003. The garment industry continued to erode at an even higher percentage once the MFA became obsolete in 2005 (-16.13%). By 2009, imports into the U.S. from the CNMI accounted for \$4,649,067 and a -95.53% loss from the previous year. The findings from OTEXA's *U.S. Possessions Report* confirm that the United States continued to substantially decrease garment imports from the CNMI after 2005, post-MFA. The Multi-Fiber Arrangement, a trade agreement that gave the CNMI an advantage by placing quota restrictions on other major producer nations such as China and India, was completely phased out in 2005, leaving the CNMI in a handicapped position within the world market. The garment industry, which had originally been developed



and molded by unique dynamics such as proximity to market, constitutional exclusions, and a guest worker program, could not be saved when faced with global competition and free market trade after the MFA phase-out.

As the primary recipient of the CNMI's garment production, the United States buying preferences shifted drastically in 2005 as a result of the MFA phase-out. Table 1 illustrates that garment values from the CNMI to the U.S. plummeted from \$1,024,985,293 in 2000 down to \$4,649,067 in 2009. Clearly U.S. businesses simply sourced from the cheapest and most advantageous opportunity available and this was no longer the CNMI. The purpose of the MFA, to place restrictions on production by quota usage for larger producing nations, is clearly shown in the outcome suffered by the Mariana Islands. As a small producer nation with minimal trading partners and a lack of diverse commodities, the shift in trade preferences destroyed this island's once robust garment industry.

### *Objective 2.2*

To cross-reference export trade data in *U.S. Dollar Value* from the Northern Mariana Islands to the United States during pre- and post-MFA phase-out periods, data from the *Economic Indicator Report* published by the United States Department of Commerce's Commonwealth of the Northern Mariana Islands Central Statistics Division were analyzed to answer the question: How have garment export values from the CNMI changed (in US\$) over a 10-year period: 2000-2004 (pre-MFA phase-out) and 2005-2009 (post-MFA phase-out)?

Table 2 is divided into two rows: *Pre-MFA Phase-Out* and *Post-MFA Phase-Out* and three columns: *Year*, *Export Value (in U.S. \$)*, and *Change to Previous Year (%)*. Pre-MFA

phase-out (2000-2004) export figures totaled nearly \$3,466,400,000, excluding the year 2001<sup>12</sup>. By contrast, Table 1 (U.S. imports from the CNMI) totaled \$3,464,568,931, also excluding the year 2001 to create an equal comparison. The difference was a surplus of \$1,831,069 on the CNMI's *Economic Indicator Report*, which means that slight discrepancies or recording errors may be present in the primary data between U.S. and CNMI records<sup>13</sup>. In addition, the 2000 *Economic Indicator Report* states "Total Exports", while the 2006 and 2009 report states "Garment Export Values" only. This would presume that garments were the only export of the islands during the 2006 and 2009 *Economic Indicator Reports* (DoC-CNMI, 2000, 2006, 2009).<sup>14</sup>

During the post-MFA period, a sharp decline (percent change of -100.00%) was observed in total exports from the CNMI to the U.S., totaling \$1,593,790,000 from 2005-2009. In the Post-MFA period (2005-2009), export values also continued to dwindle, falling most dramatically from 2008 to 2009, which recorded \$0 in exports by the second quarter of 2009 (2009.2). These findings represented by the *Economic Indicator Report* substantiate that the CNMI was greatly impacted by the phase-out of the MFA. Overall, the CNMI witnessed a -100.00% drop in garment commodity exports from 2000-2009, concluding with no garment exports in the second quarter of 2009. Their main industry, apparel manufacturing, and henceforth their economy, disintegrated within five years of the MFA phase-out from 2005-

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<sup>12</sup> Data could be gathered for all years except 2001, which was not available for public download.

<sup>13</sup> This topic will be discussed further in the *Limitations* section of Chapter 5.

<sup>14</sup> Ivan Blanco (personal communication, November 15, 2010), Director of the CNMI Commerce Department's Central Statistics Division stated this discrepancy as "99% of CNMI exports from the years you're looking at 1999-2009 was Garment... We do a little export in other commodities but they are not significant and are on an inconsistent basis to capture in our economic indicator reports."

2009. The Multi-Fiber Arrangement both prospered and debilitated this small, island nation through garment production expansion and by economic destruction at the end.

### **Objective 3**

#### *Future Implications*

*Objective 3* explores future ramifications for the economy and the people as a result of the collapse of the garment industry on the CNMI. Legal documents, academic journals, and literature related to Pacific affairs were examined. The *Consumer Price Index* (CPI) and the *International Data Base* (IDB) provided cost-of-living and demographic data for future projections for the CNMI's people. Additionally, regional newspapers such as the *Saipan Tribune* allowed for investigation into local government affairs on a first-hand basis. The data analyzed the current and imminent situation on the Northern Mariana Islands. They also provided insight into the societal and economic consequences resulting from the demise of a country's main industry, apparel manufacturing.

#### *Objective 3.1*

The CPI provided analysis of cost-of-living fluctuations on the CNMI during the following years—2000, 2005, and 2009 with 4th quarter data. These data present evidence of how the population on the Marianas is thriving and surviving. Figure 7 is arranged by *Percentage of CPI* in a line chart for the top five weighted percentage groups: *Housing & Utilities, Food, Transportation, Medical Care, and Apparel*, as well as the total CPI average for *All Items*. The CPI denotes an index such as *Housing & Utilities* based on 100% points. For example, if an index were 84%, then this means a -16% decrease in prices occurred during this period. Subsequently, a 110% index means prices rose by 10%. These figures provide insight

into the following question: What have been unforeseen outcomes for the people of the CNMI as a result of the demise of the garment industry?

The most notable increase in CPI between 2000-2009 on the Northern Mariana Islands was for the measure *Housing & Utilities*, which subsequently is also the highest weighted percentage (30.4%) on the CPI. In 2000, the CPI for *Housing & Utilities* measured 66%. These data indicate that consumers on the CNMI spent a below average amount (a -34% decrease from the 100% benchmark) on *Housing & Utilities* in 2000. The consumer price increase actually fell by -0.5% percentage points in 2005 (65.6%) for *Housing & Utilities*, but saw the largest percent increase (42.2%) from the period between 2005 (65.6%) to 2009 (108%). So only after 2005, post-MFA phase-out, did the people of the CNMI see prices escalate for *Housing & Utilities*, the most important element needed to live in the Marianas. The continual increase in *Housing & Utilities* CPI from 2000-2009 suggests that as businesses in garment manufacturing continued to fail and as economic conditions deteriorated, the people on the CNMI equally suffered through price increases in housing, rentals, and the utilities needed to live in these residences.

*Transportation*, the second largest weighted percentage (22.2%) of the top five weighted percentage groups in the CNMI's *Consumer Price Index*, realized only a moderate price increase from 2000 (97.1%) to 2009 (108.5%). *Transportation* expenses stayed slightly below the norm in 2005 (95.2%), but from 2005 to 2009 (108.5%) the percentage grew by 13.3%. Once again, pre-MFA phase-out, *Transportation* costs on the CNMI were near average; however, after the MFA phase-out in 2005, the CPI was inflated by almost 9% points (108.5%). This number reinforces the same fluctuations that occurred in *Housing & Utilities* and portrays an economic environment that was increasing difficult for the people on the CNMI after the phase-out of the MFA.

*Food*, the third largest weighted percentage (17.1%), increased 14.4% from 2000 (91.7%) to 2009 (106.1%). Post-MFA, from 2005 (84.7%) to 2009 (106.1%), the CPI for *Food* rose by 21.4%. These numbers illustrate that prior to the MFA phase-out food prices were well below the average 100% points by almost -8% (91.7%) in 2000 and -15% (84.7%) in 2005; however, by 2009, prices had jumped to 106.1% which added more than a 6% cost in extra financial burden food in the average home. The fourth highest weighted measure (10.7%) on the CNMI's CPI was *Medical Care*. This measure saw similar CPI escalations such as seen in *Transportation* and *Food*, totaling a 15.8% percentage change increase during 2000-2009 and a 9% increase from 2005-2009, post-MFA. *Apparel*, the fifth highest measure (6.1%) of the CNMI's CPI, was relatively flat in percentage change from 2000-2009 (-2.2%). Overall, *All Items*<sup>15</sup> on the CPI averaged a 21.5% percentage change increase from the years 2000-2009. These CPI data illustrate that, overall, the Northern Mariana Islands experienced inflation throughout all aspects of consumer product prices for the years leading up to the MFA phase-out and certainly afterwards. In the years following the phase-out of the MFA, 2005-2009, *All Items* increased by 22.6%.

Utilizing the *Consumer Price Index*, the collected data are used to understand the cost-of-living fluctuations on the CNMI and show a stark increase in consumer prices after the phase-out of the MFA in 2005. Not only did the most important necessity, *Housing & Utilities*, increase by over 40% in cost, *Food*, another basic human need and mainstay for living on the CNMI,

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<sup>15</sup> *All Items* includes nine major groups: *Food, Alcoholic Beverages, Housing & Utilities, Apparel, Transportation, Medical Care, Recreation, Education & Communication, and Other Goods & Services*.

increased by over 20% during the post-MFA period. These data portray an island nation which has witnessed the onset of an economic environment that is increasingly difficult in which to survive. Not only have jobs been lost from 2005 onwards, the people are further challenged with escalating costs for goods and services. The fallout of the garment manufacturing industry has triggered wide-reaching devastation to other facets of the CNMI's economic and societal situation.

The *International Data Base*, published by the USCB, is a database for demographic indicators shown by country and year. As part of this study, five examples of demographic indicators—*Mid-year Population*, *Growth Rate*, *Life Expectancy at Birth*, *Net Migration Rate*, and *Net Number of Migrants*—are illustrated in Table 4 by the years 2005, 2010, 2015, and 2025. These data were examined to understand any over-arching effects from the garment industry collapse for the people of the CNMI by contributing to the question: What have been unforeseen outcomes for the people of the CNMI as a result of the demise of the garment industry?

Table 4 reveals a sharp decrease in *Mid-year Population* between 2005 (71,000) and 2010 (48,000) with a significant negative *Growth Rate* in 2005 (-26.6%). From 2010 to 2025, the population *Growth Rate* levels out to a flat 1.2% with a *Mid-Year Population* of 53,000 in 2025. *Life Expectancy at Birth* saw slight improvements from 76 years in 2005 to 79 years in 2025. *Net Migration Rate* mimicked the population *Growth Rate* in a similar negative pattern, down -28.2% in 2005 as well as -7.4% in 2010; but becoming flat for the years 2015 and 2025 with a slight 0.7% increase. *Net Number of Migrants* also followed the same declining pattern with a -20,000 hiatus of migrants in 2005 and -4,000 in 2010. The demographic predictors for

migrants in 2015 and 2025 decreased to zero which reflects that the CNMI is expected to have no influx of migrants in the future.

The figures obtained from the IBD are important to examine because they clearly show a pattern in the projected future development of the CNMI. Not only is the current population expected to remain constant with little growth, the migrants that have already left the CNMI from 2005-2010 will not be returning. This poses complications for laborious industries such as manufacturing, tourism, and other service sectors. Furthermore, the Marianas must consider innovative ways to develop the population that currently resides on the islands and to establish methods to retain and bolster the population. *Objective 3.2* will consider approaches and policies that the CNMI's government has established to aid in the development on the islands.

#### *Objective 3.2*

Regional newspapers and a U.S. Government report were gleaned for information and news media regarding the CNMI Government's strategies for development. Data and information were gathered from the following sources—*Saipan Tribune*, *American Visa Bureau*, *Islands Business*, and the *Economic Impact of Federal Laws on the Commonwealth of the Northern Mariana Islands* report—to support the question: What government policies related to development are currently taking form in the Marianas?

Deliberation continues in Washington D.C. about how to deal with the commonwealth status of the CNMI while still allowing self-governance. One policy that has trumped all other discussions on the Marianas during the past two years is the United States Government (USG) federalization of immigration rules and non-immigrant status for eligible aliens. On November 28, 2009, the USG became the sole administrator of the CNMI's immigration, which beforehand,

the CNMI had curtailed special rules per their constitutional exclusions regarding guest workers and visa requirements. With this new policy in place, guest workers are able to stay in the Marianas until 2014 after which they must obtain an American visa. Another key aspect of this new immigration policy is that tourists must obtain a U.S. visa in order to visit the islands, although visitors from key markets such as Russia, Japan, South Korea, and China will be exempt from this visa application (American Visa Bureau, 2009).<sup>16</sup>

Subsequently, this policy, U.S. Public Law 110-229, which required the CNMI's immigration to become federalized by U.S. control, also required the Office of Insular Affairs to create a recommendation for the residency of the guest workers who remain on the CNMI. The U.S. Department of the Interior's recommendation was to confer U.S. citizenship or permanent residency with possible admission to U.S. citizenship for guest workers that have legally been working in the CNMI for at least five years (Eugenio, 2010, May 17). Public backlash has occurred concerning U.S. citizenship because families whose children were born in the Marianas are considered U.S. citizens. New immigration laws have the ability to break up families similar to circumstances that are seen in the mainland United States. In addition, many guest workers have made the Marianas their home after having lived there for more than five years and some even for decades.

On December 14, 2010, the U.S. Citizenship and Immigration Services issued a memorandum that allows aliens, predominately guest workers, the ability to obtain a non-immigrant status visa without having to leave the CNMI. This alleviates the need for a worker to leave the country and re-enter to receive a non-immigrant classification visa which is the normal procedure (*Aliens can change status*, 2010). Rose Cuison Villazor, a law professor, addressed

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<sup>16</sup> The tourism industry will be discussed more thoroughly in Objective 3.3.



the U.S. Congress stating that permanent residency should be granted to all CNMI's guest workers and their non-U.S. citizen family members which would "thereby address the undemocratic consequences and humanitarian problems that are and have been associated with the CNMI's guest worker program" (*Ray of hope*, 2009, p. 2).

With the U.S. take-over of immigration and federalization, another prominent policy adjustment was the compliance of federal minimum wage rules. In 2007, Congress passed a new law raising the minimum wage to \$7.25 per hour in a period of four stages (McPhetres, 2008). Table 5 depicts the mandatory law requiring the CNMI to adjust the minimum wage by year in increments of .50 cents until the U.S. requirement of \$7.25/hour is fulfilled. By the current schedule, businesses on the islands are only required to pay workers \$5.05/hour as of May 2010. Full attainment of the \$7.25/hour will not occur until May 2015. As noted in *Objective 3.1*, the cost of goods and services has increased dramatically over the past five years; as such the increase of the minimum wage is long overdue. Yet, because of this new and extra financial burden businesses have threatened to pull out of the Marianas or to cut their current workforce as a result of the mandated minimum wage law (Chen, 2009).

Several factors may aid the CNMI as it considers its globalization predicament. First off, beginning in 2012, approximately 8,000 Marines and 30,000 dependents will be transferred from Okinawa, Japan, to Guam, a nearby island. The CNMI's government has also been working side-by-side with the Government of Guam on the transfer of military personnel and their families to Guam. This transfer of Marines from Japan is expected to produce upwards of \$4 billion in defense-related contracts (Eugenio, 2009, April 3). The transfer is set to commence in 2012; military planners have already visited all of the populated areas of the islands to discuss uses and impacts of this move. Tinian Island is slated to become a major training base for the

Marines; additionally Saipan Island, with the exit of the garment industry, now has many uninhabited warehouses and storage spaces which could be of use for military purposes (McPhetres, 2009). This move could bolster the Marianas economy and job opportunities in the services sector. However, it could also burden the already strained economy by increasing the need for better public services, health access, educational improvements, land and ecological preservation, public safety, and economic development needed to accommodate the expected 28-30% population growth expected on Guam (Eugenio, 2009, April 3).

Signs of economic deterioration on the Marianas exist and continue to show a corroding government. An example is seen from a recent government shut down on June 18, 2010. Government employees and public servants were without a paycheck due to insufficient funds in the treasury. The Senate and House of Representatives had to pass an emergency bill that allowed the Governor, Benigno R. Fitial, to reprogram up to \$10 million from the 2011 fiscal year payroll. Fortunately, the bill was swiftly passed; however, only critical positions such as doctors and police officers received uninterrupted pay during this June 2010 period. This circumstance more than ever shows the need for the Marianas to explore new avenues to generate economic development. Representative Joseph Palacios recommends increases in taxes and business licensing fees to generate more revenue (Eugenio, 2010, July 12). Additionally, the Office of Insular Affairs prepared a government report, *Economic Impact of Federal Laws on the Commonwealth of the Northern Mariana Islands*, which explored several of the topics already discussed and contributes to the answer of the question: What government policies related to development are currently taking form in the Marianas?

For the purposes of this study, findings from this report will examine two of the eight recommendations cited for action by the CNMI government: Repeal the statute extending U.S.

immigration laws to the CNMI and amend the statute extending the U.S. minimum wage to the CNMI. These two were chosen to report in the *Findings* because they apply the most concurrently with the information acquired from other media sources. Other recommendations will be discussed in the *Discussion* section such as consideration to amend the covenant between the U.S. and the CNMI as well as outside foreign investment. In order to employ these scenarios the report positions the outcome for the CNMI through two methods, the *Federalization* and *Relief Scenarios*. Specifically, the *Federalization Scenario* implies that the CNMI will continue to proceed with implementations that have occurred to federalize its immigration and minimum wage laws. The *Relief Scenario* presumes that the federal government will reverse its control over immigration and minimum wage leading to no restrictions on the use of guest workers, which will allow for unhampered development in the tourism sector (McPhee & Conway, 2008). This report suggests that the means to correct the situation on the islands is to follow the *Relief Scenario*, which, in turn, will give control back to the CNMI Government for a period of time. In regards to the minimum wage law, this would allow businesses to continue paying \$4.05/hour for several more years while the economy stabilizes. The needs of businesses and the government versus residents of the CNMI are clashing. As observed in *Objective 3.1*, considering the cost-of-living inflation, no person would be able to afford living on the CNMI unless the cost for goods and services also were decreased back to their pre-MFA level.

As for immigration, the CNMI must fill the gap that the garment industry left behind with its next largest industry, tourism, which will be discussed more thoroughly in *Objective 3.3*. In order to allow growth in industry sectors, laborers are needed and the *Economic Impact of Federal Laws on the Commonwealth of the Northern Mariana Islands* report states that with no restrictions on guest workers, the tourism industry can prosper without concern for a labor

shortage. This goal of growing the labor force for the sake of the tourism industry is also made more possible by the recommendation of this report to double visitor arrival rates by 2015 in cooperation with support of the CNMI Government's initiative for tourism.

### *Objective 3.3*

Tourism has flourished in the Northern Mariana Islands which holds diverse, tropical beauty and daily flights of predominantly Japanese, Korean, and East Asian tourists. However, with dependence on outside factors that cannot be controlled such as world economy growth, the modification of airline schedules and natural disasters, the tourism industry has been damaged with negative reverberations from the 1990s East Asia economic crisis, the September 11th terrorist attacks, and more recently the recession and economic downturn of the late 2000s. Despite these situations, however, prior to the MFA phase-out, tourism accounted for the CNMI's second most important industry. By examining tourism in the context of the post-MFA phase-out years, 2005-2009, data will be explored to account for either a strengthening or weakening of the tourism industry after the demise of the garment industry on the CNMI. The information garnered from the data will provide insight into the question: Are other industries being established to replace the garment industry?

In order to substantiate the development of other sectors, this study examined the fluctuations of the tourism industry from 2005-2009, post-MFA phase-out, through the following measures: *Visitor Arrival*, *Average CNMI Hotel Daily Rate*, *Average CNMI Hotel Occupancy Rate*, and *Business Gross Revenue*. These measures were recorded from the 2009 *Economic Indicator Report*, which is a quarterly report published by the Department of Commerce Commonwealth of the Northern Mariana Islands. The purpose of this report is to represent

social and economic conditions on the islands. As represented in Table 6, these measures, shown by *Percent Change* to the previous year, portray the status of the CNMI's now largest industry—tourism.

Overall, the tourism industry on the Mariana Islands depicts a dismal picture of business growth and stability. From 2005 to 2009 *Visitor Arrival* fell from 491,701 to 353,956 visitors, a -28.01% decrease. Except for a small percentage increase in 2008 (1.8%), every other year posted a two-digit negative *Percent Change*. While the number of visitors was decreasing, the *Average Hotel Daily Rate* was increasing. Between 2005 and 2009, the hotel rate rose by a total \$12.22/per day with an average yearly *Percent Change* increase of \$3.56. The *Average Hotel Occupancy Rate* also decreased from 70% occupied in 2005 to 58.3% in 2009, with again a small increase in 2008 (60.7%). *Business Gross Revenue* continued to post year-after-year negative growth from \$2,020,000,000 in 2005 down to \$1,522,000,000 in 2009, overall a yearly average *Percent Change* of -6.9%. Not only do these data quantify that tourism is not flourishing on the CNMI, they expose that the Marianas are in a very vulnerable economic position.

On top of the current tourism climate, the Marianas are also strongly dependent upon airline practices, schedules, and accessibility of flights which caused major conflict in October 2005 when Japanese Airlines discontinued flights altogether (USGAO, 2006). In another example, in September 2010 arrivals from Japan, the CNMI's largest visitor country, dropped by 19% mainly owing to the suspension of flights from Osaka and Nagoya (*September visitor arrivals*, 2010). As shown in the figures above, the tourism market on the CNMI is currently in decline and lacks the stability and consistency needed to replace the robust garment industry or to grow this small, island nation.

In conjunction with the tourism industry, gambling has been touted as a promising initiative that will increase revenue for the island of Saipan. However, the residents of Saipan have twice voted down the initiative. Most recently in August 2010, the CNMI's House of Representatives voted to approve the legalization of casino gambling on Saipan. However, Senate Floor Leader, Pete Reyes, stated the bill would "get killed in the Senate" and no conclusion of that bill is yet available via the World Wide Web (The Associated Press, 2010, August 24, p. 1). Already, two casinos exist on Tinian Island and one investor has applied and been granted a conditional license for a casino on Rota Island, both of which have legalized gambling, although neither of which have turned a profit from the original investment (The Associated Press, 2010, August 24). While the tourism and gambling industries have not produced a stable economic environment as evidenced by the data above, these industries do speak for the need to encourage outside investment on the CNMI. To support future endeavors the Northern Mariana Islands must once again rely on outside foreign investment to persevere and prosper from their current state of development or risk falling into further disarray and decline.

## CHAPTER 5 – Discussion

This study examined the effects of colonization, development, and globalization in the Commonwealth of the Northern Mariana Islands, focusing specifically on the garment industry as a source of development. Future implications to the economy and outcomes for the people of the Marianas as the garment industry deteriorated were also included in this examination. Through the data analyzed in this report and as confirmed by other news sources, "[i]t seems the now desperate CNMI economy must now, more than ever, find some way to reinvent itself. And the possibilities for this are increasingly slim," said Dr. Leroy O. Laney, economic adviser to the First Hawaiian Bank" (Eugenio, 2009, April 28).

### Summary of Results

Considerable evidence reveals that the garment industry in the CNMI has experienced a market collapse. Results from the *Garment Export Value* (Figure 3) and the *Major Shippers Report* (Figure 4) quite clearly show that the economy of the CNMI can no longer rely on garment manufacturing, which was its most important industry before the phase-out of the MFA in 2005. Furthermore, news reports confirmed that “the three remaining garment factories on Saipan will survive long enough to meet their obligations to their buyers” (Erediano, 2008, p. 1). Originally, the CNMI hosted upwards of 35 factories during its roughly 30-year stint in garment manufacturing (McPhetres, 2008).

The *Manufacturing Sector* on the CNMI accounted for nearly half of the employed population on the islands. As shown by these data in Table 3, the *Apparel Manufacturing Sector* in 2002, pre-MFA phase-out, encompassed relatively all of the *Manufacturing Sector* in regards to *Establishment number*, *Sales/Revenues*, *Annual Payroll*, and *Number of Employees*. With the

demise of the garment industry, the major provider of legitimate employment on the CNMI, over 17,000 people who are predominately women are now either unemployed or struggling to find another means of living. Additionally, by the *2007 Economic Census of Island Areas* report, post-MFA phase-out, apparel manufacturing establishments fell by almost 50%, *Sales/Revenues* decreased by nearly 75% as did *Annual Payroll*, and *Number of Employees* dwindled to 60% of that reported in the *2002 Economic Census of Island Areas* report.

The most significant factor leading to the demise of the garment manufacturing industry on the CNMI was the phase-out of the MFA in 2005. The MFA was created to stabilize the growth of imports and exports throughout the world by placing quota restrictions on supplier nations. It aided smaller producer nations by protecting them from over saturation of low-cost goods into the marketplace by larger, more developed nations such as China and India. The intent of the 2005 MFA phase-out was to provide freer trade around the world; yet, the CNMI, a smaller producer nation, was devastated from lost garment export revenues by the close of 2009. Further evidence of the impact on smaller garment producer nations—specifically Mauritius—will be considered further on in this discussion.

To expand on the effect of the MFA phase-out, further evidence was reported from the *U.S. Possessions Report* published by OTEXA. These data conveyed that pre-MFA phase-out (2000-2004), imports into the United States from the CNMI totaled over \$4,411,166,305 and post-MFA phase-out imports (2005-2009) totaled just \$1,596,799,434. In total, a decline of -99.53% occurred in this 10-year period from 2000-2009. By 2009, imports into the U.S. from the CNMI accounted for \$4,649,067 and a -95.53% loss from the previous year. The *Economic Indicator Report* from the Central Statistics Division of the CNMI's Department of Commerce also had similar findings. In the post-MFA period (2005-2009), export values from the CNMI to



the U.S. fell most dramatically from 2008 to 2009, which recorded \$0 in exports by the second quarter of 2009. These findings substantiate that the demise of the garment industry on the CNMI was in fact a result of the phase-out of the MFA in 2005. This phase-out and shift in trade preferences left the small island nation in a state of disarray and financial instability. A result of this garment industry collapse was the reliance on the CNMI's next largest industry—tourism.

The tourism industry is a vital part of the CNMI's economy as represented in Table 6. Separate from garment industry factors, the tourism industry has continued to decline year after year on the CNMI. From 2005-2009, *Visitor Arrival* rates decreased by over -28% from 491,701 to 353,956 visitors. Other evidence of a declining industry exists in the *Business Gross Revenue* amounts, which recorded a -6.9% change between 2005 and 2009. In the wake of the post-MFA phase-out, the tourism industry on the Northern Mariana Islands has not emerged as the hoped-for solution of economic stability and business growth on the islands. Other small nations have been challenged by worldwide downturns from trade agreements, economic recessions, while also reinventing themselves with innovative development measures. Mauritius is one example of this type of small island nation and subsequently in the next section its development will be examined in a case study.

#### *Mauritius, Another Small Island Nation*

The garment industry has been vital to the development of market economies for newly developed and developing nations around the globe, and as trade policies and agreements are modified, the effects reverberate throughout the world by impacting markets of scale. As such, another developing small island nation that has also been impacted by the phase-out of the MFA is Mauritius. Mauritius stands as one of the most developed southern African nations. With a

population of nearly 1.3 million, the island nation has grown from a low-income, agriculturally-based economy to a middle-income development state which incorporates industry, tourism, and financial investment (CIA, 2009a). At its independence in 1968, per capita income was approximately \$260. Today, it has grown to nearly \$12,400 which is the second highest in Africa (CIA, 2009a; World Bank, 2008).

Mauritius is similar in its colonial development to the Commonwealth of the Northern Mariana Islands. However, its economy has most recently been centered on 4 pillars—sugar, tourism, economic processing zones, and financial services. A plan called the *Economic Agenda for the New Millennium (2001-2005)* also identified an additional ‘pillar’ of growth within Mauritius which is the information and communication technology sector (African Development Bank Group [ADB], 2009). This additional pillar has guided Mauritius’ development away from dependence on its initial colonial economic sources such as sugar production while providing “greater diversification, hoping to make it more resilient to shocks and increase its competitiveness in world markets” (*Mauritius economy: Outlook*, 2009, para. 1). Out of the above pillars, sugarcane accounts for 15% of Mauritius’ export earnings and approximately 90% of cultivated land use. Additionally, food processing, textiles and garment manufacturing, mining, and chemicals are part of the industry sector. The services sector, making up almost three-quarters of the GDP (70.6%), has continued to attract upwards of 32,000 outside foreign investment companies which gain advantage from the banking sector and commerce in India, South Africa, and China (CIA, 2009a). Investments in education and infrastructure continue to play an important role to provide adequate facilities and increased human capital for the services sector on Mauritius (*Mauritius economy: Outlook*, 2009).

Unlike the CNMI, export processing zones (EPZ) have long been a part of Mauritius' model of development. The CNMI represented an EPZ by the nature of the definition, but it bound itself to only a small segment of garment trading with the U.S. EPZs as defined by Kinunda-Rutashobya (2003) are a "geographically or juridically bounded areas in which free trade, including duty free import of intermediate goods, is permitted provided that all goods produced within the zone are exported" (p. 227). Major incentives for EPZs are "economic development via export development, growth of manufactured products, creation of employment, technology transfer and better use of domestic resources" (Kinunda-Rutashobya, 2003, p. 227). Beginning in 1970, Mauritius founded Africa's first EPZ which today exports the likes of textiles, apparel, flowers, optical goods, jewelry, and toys. In the late 1990s, clothing accounted for nearly 80% of EPZ exports and of those exports one-half went to two countries—France and Britain (Brautigam, 1999). However, even with the success of the Mauritian EPZ model which increased foreign investment, capital, and manufactured exports, the country has recently found itself challenged by a declining export market and the downturn of the Mauritian rupee from the late 2000s worldwide financial crisis. Mauritius was diversified and specialized within garment manufacturing and other industries; yet instead of losing a foothold in trade, it continued to explore new ways to grow its internal economy through foreign direct investment (FDI).

Mauritius mimicked the CNMI's business boom closely in the mid-1980s. Yet, the Mauritius model was firmly grounded in export-led industrialization as a means to create economic growth. This export-led development facilitated investment from outside businesses particularly from European countries that had reached their quota limits and were exploring cheaper sources of labor. In addition, local domestic capital derived mainly from the sugar

oligarchy was also invested back into the EPZs which accounted for approximately 50% of ownership (Meisenhelder, 1997). Less dependence on foreign investment and a furthering of development for internal banks and lenders has given Mauritius a foothold over other African countries that do not have such diverse range of capital. Of the foreign investors that have taken part in the Mauritian economy, Hong Kong and China have been the predominate force behind FDI (Brautigam, 1999). As a result of this EPZ expansion early on in Mauritius' export history, key infrastructure development and worldwide trading networks contributed to and provided for the stability of the country's economy. In order to add more diversity in foreign investment strategies, one solution that Mauritius considered was to bolster EPZs by focusing on a "higher value-added production while moving lower-skill production to neighboring countries with cheaper labor" (Brautigam, 2009, p. 230).

Mauritius has excelled at developing FDI through its use of EPZs in the past two decades to develop a stable and growing economy. As necessity for factory investments have declined, Mauritian businesses and their government have been creative in seeking out off-shore production capacities as a model of 'value-added' production. These economic policies have led the country into a network of globalization and support, forming a regional economic integration (REI) and regional trade agreements (RTAs) with several southern African nations. These nations may be better equipped to handle world market shocks and unforeseen factors in globalization because they have in a sense pooled their resources as one, while still maintaining individualized goals and niches in the marketplace.

Aside from FDI in the Mauritian economy as shown above, capital has also been invested across southern Africa by private enterprises mainly in sugar and other agro-industries but also in the garment industry. Cote d'Ivoire, Tanzania, Madagascar, and Mozambique have been

recipients of this REI (Lincoln, 2006). REI as defined by Buckley, Clagg, Forsans, and Reilly, (2001) is “a way of increasing the preference of multinational enterprises (MNEs) for local production within the integrating area, and of increasing relative discrimination against firms outside the area of integration” (p. 252). This allows for countries to reap the economic benefits of a larger geographical area, in effect increasing the ‘size’ of a country, without reliance upon only one autonomous nation. REI and RTAs indeed create stability in a region; however, they also have the potential to exhibit protectionist measures by limiting global trading systems to operate without hindrances. Ultimately, Mauritius has positioned itself in an ideal place to begin branching out from its initial focus on sugar production and garment and textile manufacturing.

REI and RTAs have exhibited both political and economic significance for the region and “[t]oday’s RTAs go beyond simple trade liberalization of goods to incorporate comprehensive agreements on services, investment, customs procedures, and reach behind borders to harmonize domestic policies on standards, intellectual property, procurement etc.” (Close, 2006, p. 867). An important consideration, however, is that REI must take place between countries at a similar development stage or the gap between economies and technologies may be an upward challenge that causes more frustration than benefit (Close, 2006). Ultimately, REI and RTAs have the potential to provide technology transfers and government reform through the use of trade and capital.

As the Government of the Commonwealth of the Northern Mariana Islands looks to the future, evidence of increased regional economic integration and regional trade agreements should be a prime focus. Formation of REI and RTAs present a huge possibility for the CNMI. With close proximity to Guam, the Marshall Islands, Solomon Islands, and Micronesia, the CNMI is situated to expand into a regional bloc for manufacturing and trade alliances. With the

termination of garment production contracts, new inventiveness is necessary in order to transition into a different industry. Mauritius has been proactive by developing its fifth pillar, the information and communication technology sector, and it has been creative in exploring new processes for sugar production such as alternative fuel energy. The small island of Mauritius positioned itself in a stronger economic position after the 2005 MFA phase-out than the CNMI now finds itself. This ingenuity and motivation are ultimately the first steps to cultivating a nation with strong, stable, and lengthy economic growth possibilities and a positive human capital development factor which will be discussed in the subsequent section.

### *Women as Human Capital in the Garment Industry*

Human development, specifically women as human capital, is a common practice in the garment industry throughout the world. In order to maintain low production costs, largely an unskilled and uneducated labor force is needed and comprises the majority of the workforce in the garment manufacturing industry. On the CNMI, data from Figure 6 illustrate that women and men were equally proportional in the total labor market on the Marianas. However, by contrast, in the *Manufacturing Sector*, which includes the garment industry, women laborers outnumbered men 3:1. These data validate that human capital consisted predominately of women on the CNMI, which are consistent with characteristics of the garment industry. As reported by Bonacich (2002), “employers claim they prefer young women because of their hand-eye coordination...who are shy and soft-spoken, who have never heard the word *union*, and who respect male authority” (p. 126). These findings capture the unique characteristics of gender-specific jobs that the garment industry brought to the CNMI which were geared towards women workers. These data also illustrate that the reverberations from the demise of the garment industry have impacted women far greater than men.

Future policy considerations for the Government of the CNMI should include a focus on women's development. With the disbandment of the garment industry and the downturn of the economy, many positions traditionally held by women in garment manufacturing have created a need in policy development for expanded opportunities in education and technical skills training. Training in higher level skills such as sourcing, trading, marketing, cooperative, and Fairtrade practices would be an excellent start. Also, development in products that require a higher initial value such as leather manufacturing for accessories like handbags, gloves and shoes could be a potential niche market for the CNMI. By training and educating women in a skill set that is higher than their previous guest worker standard, the government would be creating a new tier of workers, benefitting both individual lives and the country's economic situation. Also, investment in women's training and skill development will provide new human capital investment that could yield positive results for the country's economy and social environment by expanding product manufacturing potentials and new industry segues into technology and communication hubs.

#### *Development and the Garment Industry*

The long-term impact of the MFA phase-out has not yet been seen, but in the short-term it has caused terrible consequences for the island economy and its people. Clearly the CNMI's cost of living is inflated as noted in statistics from the *Consumer Price Index* in Figure 7, which shows that the costs for *Housing & Utilities*, *Food*, and *Transportation* have escalated since 2005. In the case of *Housing & Utilities*, the cost of living has risen by over 40% after the phase-out of the MFA. In addition, the *International Data Base*, published by the USCB, predicts a leveling off of population growth by 2025 which does not bode well for industries of labor such as manufacturing and service sectors that support tourism. Another factor for the people of the CNMI that has complicated their future development is the complete federalization

of the island's governance given over to the U.S. Government (USG). As conducted in an broadcast interview by PRI's *The World* (2010), Magistrad, the reporter, stated "[A native islander]...says he grew up in a very different Saipan, a quieter and friendlier Saipan and looking around at the Chinese hookers in micro-minis, the abandoned garment factories, the casinos and endless poker parlors, he says we don't need more of this stuff" (p. 3). Another participant followed up with, "Bank robbery. It was unheard of when I was growing up. We lost that community spirit on our island, the way we developed. We choose to be part of the United States but we're not an industrial society. We are islanders" (PRI's *The World*, 2010, p. 3).

The turn over to U.S. federalization has given responsibility to the USG to control immigration rules and non-immigrant status for eligible aliens. The circumstances which led to the development of the Marianas resulted from a key decision which occurred by the U.S. Administration after the close of WWII. An economic survey of the island conducted in 1946 gave recommendations for the economic stability of the CNMI for which the USG should abide by for the sake of the island's natives. This document, *Planning Micronesia's Future*, reveals the challenging circumstances that the islands and their inhabitants were left in after devastation from the war (Oliver, 1946). Because of USG's responsibility for the islands, Oliver (1946) found that "[n]atives lost the economic advantages of their previous income levels through no fault of their own....The American Administration must assist in organizing the framework of finance and, like previous administrations, it must continue to provide financial assistance not only for recovery of native economic life but also for its continuation after recovery. That is one of the inescapable costs of holding the islands" (p. 28). One recommendation from the U.S. Office of Insular Affairs' government report, *Economic Impact of Federal Laws on the Commonwealth of the Northern Mariana Islands*, was that the U.S. should amend the covenant



originally binding the two countries together. For factors such as minimum wage and immigration laws, this could be an avenue into self-governance for the CNMI. But for practical purposes, this recommendation could also deplete any financial support and security that the U.S. currently provides to the islands which would leave them in even worse condition.

The question remains to be answered if the garment industry is in fact a positive factor in the development of small nations like the CNMI and regions with little to no previous manufacturing and trading possibilities. The paradox remains that the USG allowed and encouraged factors such as exclusions to immigration and minimum wage laws which allowed the CNMI to prosper in garment manufacturing and to develop large amounts of economic and capital gain. Based on the *Human Development Index* discussed in the *Review of Literature*, the income gap between the CNMI and the mainland U.S. is \$12,500 to \$45,020. With this in mind, the CNMI should be given special considerations for a *developing country* and the U.S. as administrator should be responsible for its state of development. However, with the instatement of the USG as sole administrator of governance for the CNMI's immigration and constitutional amendments that occurred in late 2009, the CNMI has once again found itself where it was over 60 years ago—at an economic disadvantage to the United States and in extreme dependence on the U.S. in matters of financial assistance and future rule and guidance.

The garment industry as a catalyst for development and change is certainly a viable means for low-income, underdeveloped countries to vie for a part of the world economy. This industry brings countries with little or no infrastructure into the world market with a capitalistic structure based on Western methods of business—profit equals development and an upward movement of social status change. The garment industry is also a form of comparative advantage that allows for economic growth which in turn prospers a country's development and

beckons to outside trading exchanges in the world marketplace. As seen in the Mauritius scenario, multiple factors such as FDI, EPZs, and REI build a more stable, expansive network where garment manufacturing can flourish and lead to new tiers of increased opportunity by developing higher skill sets, educational initiatives, and the ability to create innovative practices while having the capacity to risk undertaking them.

### **Contributions to Industry**

Little literature exists which examines the decline of the garment industry in small island regions such as the Commonwealth of the Northern Mariana Islands. Additionally, information is limited regarding the outcomes of the MFA phase-out for these same areas, where the garment industry has been incredibly vital to the development of a market economy and the globalization of the country as a whole from its colonial past to its current state. As development in the form of garment production continues to spread to underdeveloped countries, this study reveals the complications that arise when countries embark into the world marketplace.

### **Implications of Study**

The most significant implication of this study was recognizing the lack of planning executed by the USG to grow a robust and diverse economy on the CNMI. As noted by Sachs (2005), economies which manufacture and export a singular commodity do not fare well in the global marketplace and face great uncertainty and even greater dependence in times of trial. The *Dependency theory* derives from a view that the failure of development in underdeveloped countries is a result of capitalistic ventures which strip the underdeveloped country of its own natural capital while making developed countries wealthier (Peoples, 1978). The outcome of the CNMI, as taken from the *Dependency theory*, shows that technology and investment in capital

and skills given to an underdeveloped society cannot in and of themselves create economic growth. However, vital resources, human capital, labor manipulation, and exploitation are common consequences of failing development in small island nations with little economic power (Peoples, 1978). More forethought and care should be executed by governments, businesses, and investors towards a country and its people who will ultimately be most affected by change through development, growth, and/or decline. The USG on all accounts should be responsible for the state of the CNMI today and support the country with its autonomous desires of self-governance.

### **Limitations**

This research draws upon primary data that were collected by various departments of the USG. Some discrepancies were found when comparing information from the *cia.gov* website and other resources such as *census.gov*. In another case, statistics reported from OTEXA in the *U.S. Possessions Report* and the CNMI's *Economic Indicator Report* did not coincide. One explanation for this was stated by Ivan Blanco, Director of the CNMI Commerce Department's Central Statistics Division. Regarding the *Economic Indicator Report*, Mr. Blanco stated that the discrepancy in the figures for export data—apparel versus other goods—was a result of "99% of CNMI exports from the years you're looking at 1999-2009 was Garment... We do a little export in other commodities but they are not significant and are on an inconsistent basis to capture in our economic indicator reports" (personal communication, November 15, 2010). This made interpretation of the data inconsistent, and the differences had to be bridged by cross-referencing OTEXA's *U.S. Possessions Report*.

Another limitation of this study was that the *Commonwealth of the Northern Mariana Islands 2000 Census of Population and Housing* report encompassed only the *Manufacturing Sector* in regards to the *Employed Civilian Population*. These data were not further broken down into the *Apparel Manufacturing Sector*. This is unfortunate because as shown by the findings above in *Objective 1.1a*, the total *Employed Civilian Population* on the Marianas was 42,753 while the *Manufacturing Sector* was 17,398, accounting for 41% of the employed civilian population. However, based on the method that the census was collected employed apparel manufacturing personnel could not be gleaned from the data in the manner originally hoped. Fortunately, the 2002 and 2007 *Economic Census of Island Areas* reports did provide needed employee number data in *Objective 1.1b*.

Additionally, all data gathered for this study did not take into account the informal sector such as black market and home workers on the CNMI for which no documented data were available by public access through government documents. The data collected were only for established businesses as mandated in the *North American Industrial Classification System* rules for an economic census. This leaves uncertainty in the actual populations, employees, and industries that have taken place on the CNMI outside the sphere of government regulation and records. Lastly, the *Census of Population and Housing* report is conducted every 10 years with a lag time of at least two to five years for publically accessible information and publications. This complicates access for gathering data, especially for the Island Areas, which represent a minute section of the larger mainland United States Census. The *Economic Census of Island Areas* report is published every five years and it also maintains a two to three year delay for public access to the information.

## **Recommendations for Further Research**

Ongoing research is needed to examine the continued outcomes for the economy and people of the CNMI as a result of the garment industry collapse. Additionally, further research is recommended for studying the effects of the MFA phase-out on smaller regions and countries such as the CNMI where the garment industry was integral to the development of a market economy and the formation of the present-day country as a whole. An important attribute of this research was the abundance of primary data from the USCB and OTEXA which pertained to the CNMI as well as the worldwide garment industry. These data continue to be collected on a prescribed schedule. With the forthcoming publication of the 2010 U.S. Census, new information will be available for further research and comparisons on the Commonwealth of the Northern Mariana Islands and its state of development or decline.

Also, as the CTS and the CPSS safeguards, which give regimented protection from Chinese exports, comes to an end by 2013, continued research on the effects of the garment industry on developing nations will be an important topic. Given that these Chinese safeguards still exist, they provide some protection to smaller garment producing nations. The outcomes of their complete removal are unknown and a completely free quota system in the garment industry will continue to change and influence global markets and economies.

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## **Appendix A – Tables**

Table 1

## Total Textile and Apparel Imports by Value from 2000-2009 (Imported by the U.S from CNMI)

	Year	Value (in U.S. \$)	Change to Previous Year (%)
Pre-MFA Phase-out	2000	\$1,024,985,293	-2.16%
	2001	\$946,597,374	-7.65%
	2002	\$815,310,842	-13.87%
	2003	\$817,151,189	0.23%
	2004	\$807,121,607	-1.23%
Post-MFA Phase-out	2005	\$676,915,602	-16.13%
	2006	\$494,724,334	-26.92%
	2007	\$316,602,740	-36.00%
	2008	\$103,907,691	-67.18%
	2009	\$4,649,067	-95.53%

Source: OTEXA, 1995-2009.

Table 2

## Total Exports on the CNMI from 2000-2009

	Year	Export Value* (in U.S. \$)	Change to Previous Year (%)
Pre-MFA Phase-out	2000	1,017,000,000	-4.24%
	2002	831,300,000	-18.26%
	2003	792,100,000	-4.72%
	2004	826,000,000	4.28%
Post-MFA Phase-Out	2005	650,800,000	-21.21%
	2006	486,500,000	-25.23%
	2007	307,570,000	-36.78%
	2008	145,780,000	-52.60%
	2009.1	3,140,000	-97.85%
	2009.2	0	-100.00%

\*For the years 1999-2000, the *Economic Indicator Report* attributed this category to "Total Exports" only. However, the 2002-2009 reports stated "Garment Exports Value."<sup>17</sup>

Source: Department of Commerce, Commonwealth of the Northern Mariana Islands [DoC-CNMI], 2000, 2006, 2009.

<sup>17</sup> Ivan Blanco (personal communication, November 15, 2010), Director of the CNMI Commerce Department's Central Statistics Division stated this discrepancy as "99% of CNMI exports from the years you're looking at 1999-2009 was Garment... We do a little export in other commodities but they are not significant and are on an inconsistent basis to capture in our economic indicator reports."

Table 3

Economic Factors in 2002 and 2007 for Apparel Manufacturing, the Manufacturing Sector, and Total Sectors of the CNMI Economy

	Year	Establishment #	Sales/Revenues (in U.S. \$)	Annual Payroll (in U.S. \$)	Employee #
Apparel Manufacturing	2002	42	\$639,357,000	\$177,781,000	16,351
	2007	25	\$160,032,000	\$47,852,000	6,374
Manufacturing Sector	2002	78	\$665,774,000	\$184,706,000	16,941
	2007	59	\$189,715,000	\$56,565,000	7,094
Total Sectors	2002	1,276	\$1,832,130,000	\$381,575,000	32,790
	2007	1,191	\$1,284,188,000	\$246,133,000	22,622

Source: United States Census Bureau, Department of Commerce [USCB, DoC], 2004, 2010.



Table 4

Demographic Indicators for the CNMI in 2005, 2010, 2015, and 2025

	2005	2010	2015	2025
Mid-year Population	71,000	48,000	44,000	53,000
Growth Rate (%)	-26.6	-5.6	2.2	1.2
Life Expectancy at Birth	76	77	78	79
Net Migration Rate (by % of 1,000 population)	-28.2	-7.4	0.7	0.7
Net Number of Migrants	-20,000	-4,000	0	0

Source: USCB, DoC, 2010b.

Table 5

Minimum Wage Adjustments on the CNMI

Year	Minimum Wage (in US\$)
May 2006	3.05
May 2007	3.55
May 2008	4.05
May 2009	4.55
May 2010	5.05
May 2011	5.55
May 2012	6.05
May 2013	6.55
May 2014	7.05
May 2015	7.25

Source: McPhee & Conway, 2008.

Table 6

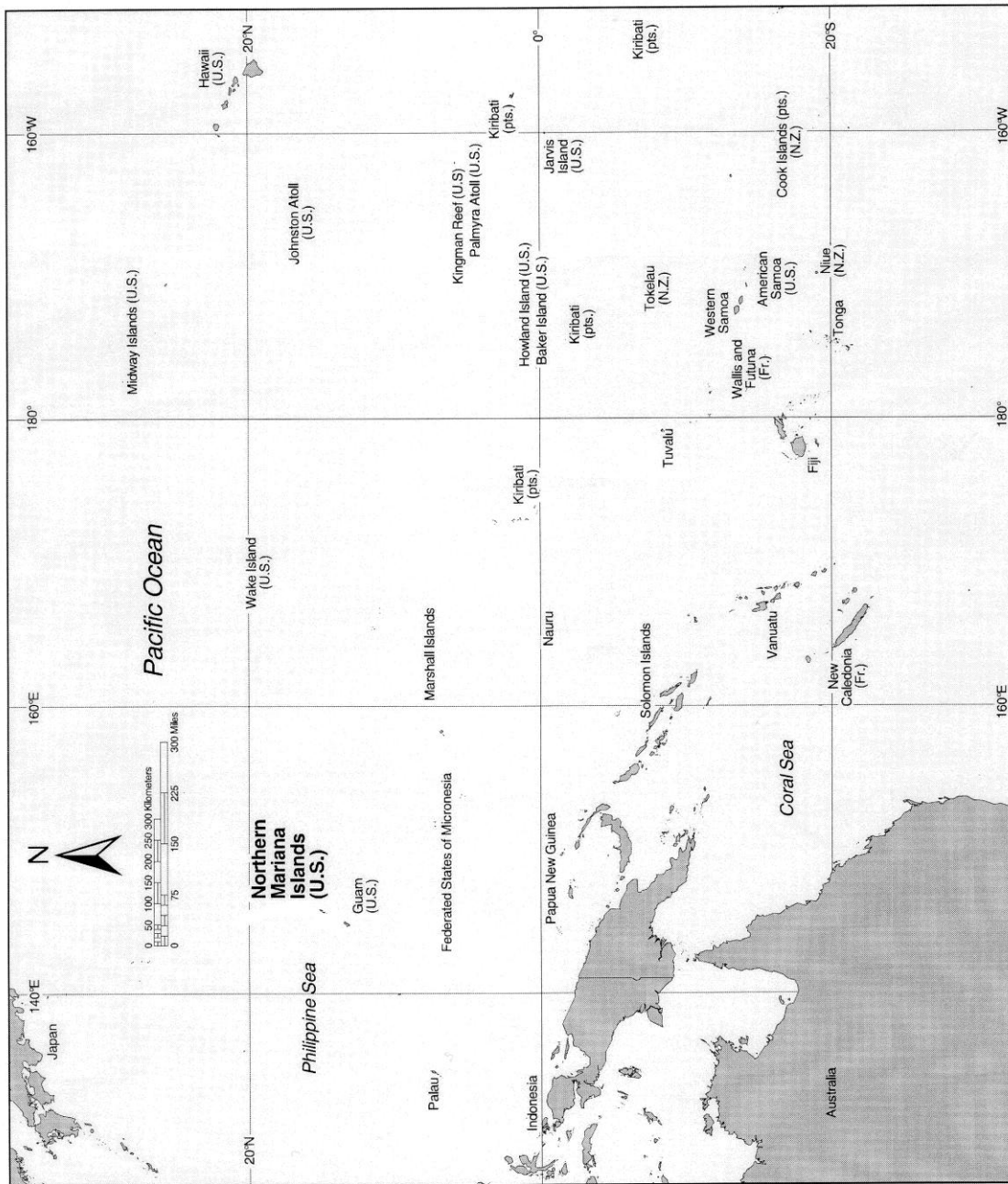
## Fluctuations of the Tourism Industry from 2005-2009, Post-MFA, by Percent Change

	Visitor Arrival	Percent Change (%)	Average Hotel Daily Rate (in US\$)	Percent Change (%)	Average Hotel Occupancy Rate (by %)	Percent Change (%)	Business Gross Revenue (in US\$ Millions)	Percent Change (%)
2005	491,701	-16.6	83.00	3.8	70.0	-3.0	2,020	-0.7
2006	435,494	-11.4	90.00	8.4	62.0	-11.0	1,829	-9.5
2007	389,261	-10.6	92.12	2.4	58.9	-5.0	1,672	-8.6
2008	396,410	1.8	97.74	6.1	60.7	3.1 <sup>18</sup>	1,668	-8.8
2009	353,956	-10.7	95.22	-2.6	58.3	-4.0	1,552	-6.9

Source: Department of Commerce, Commonwealth of the Northern Mariana Islands, 2010.

<sup>18</sup> This is an instance of poor mathematics which were evident in the CNMI's Department of Commerce *Economic Indicator Reports*. 3.1% was altered from the original -2.0% as recorded in the report.

## **Appendix B – Figures**



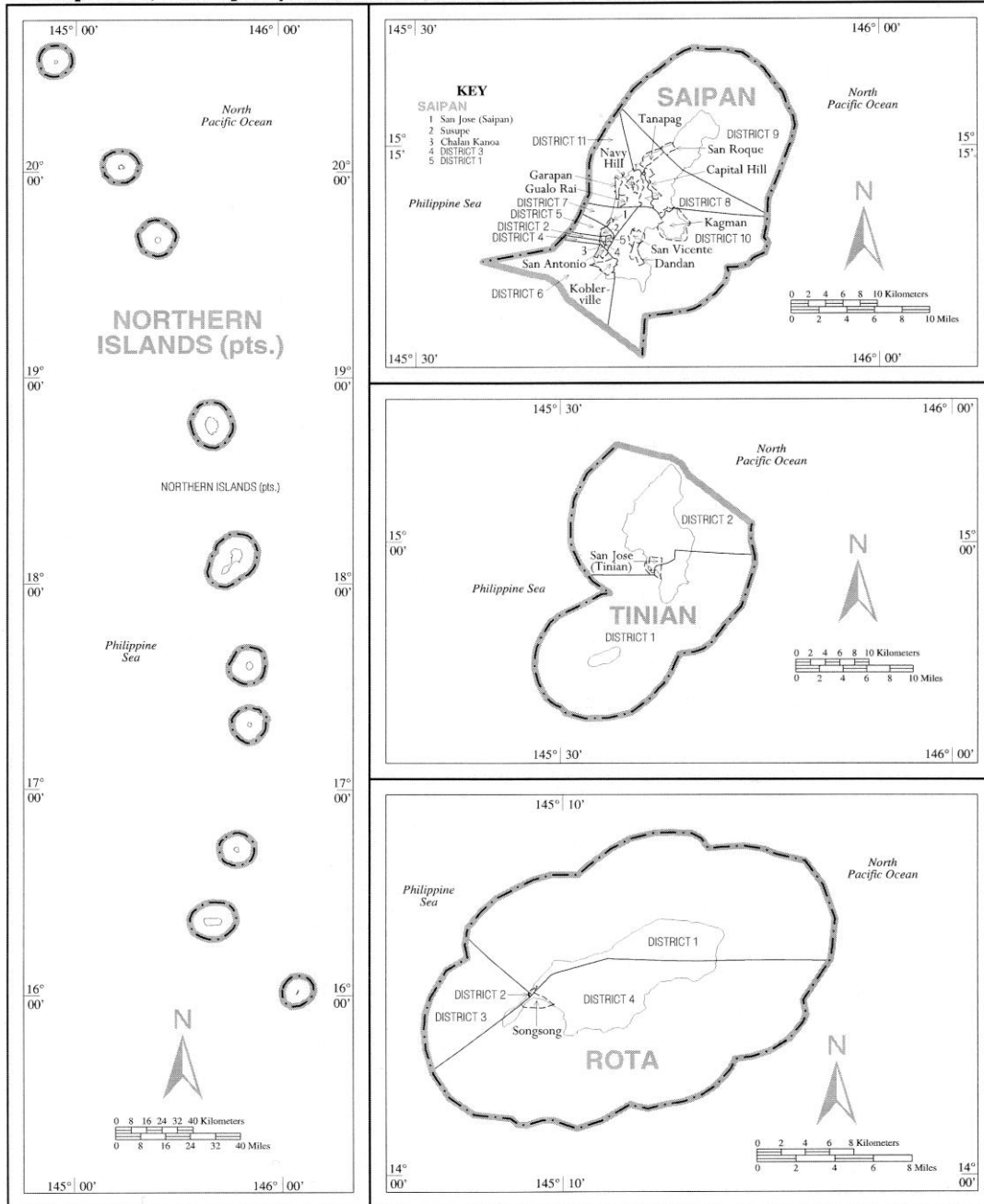
Maps  
U.S. Census Bureau, Census 2000

Northern Mariana Islands F-1

Figure 1. Northern Mariana Islands and the Pacific area.

Source: United States Census Bureau [USCB], 2003a, Appendix F-1.

**Municipalities, Municipality Subdivisions, and Places – Section 1**

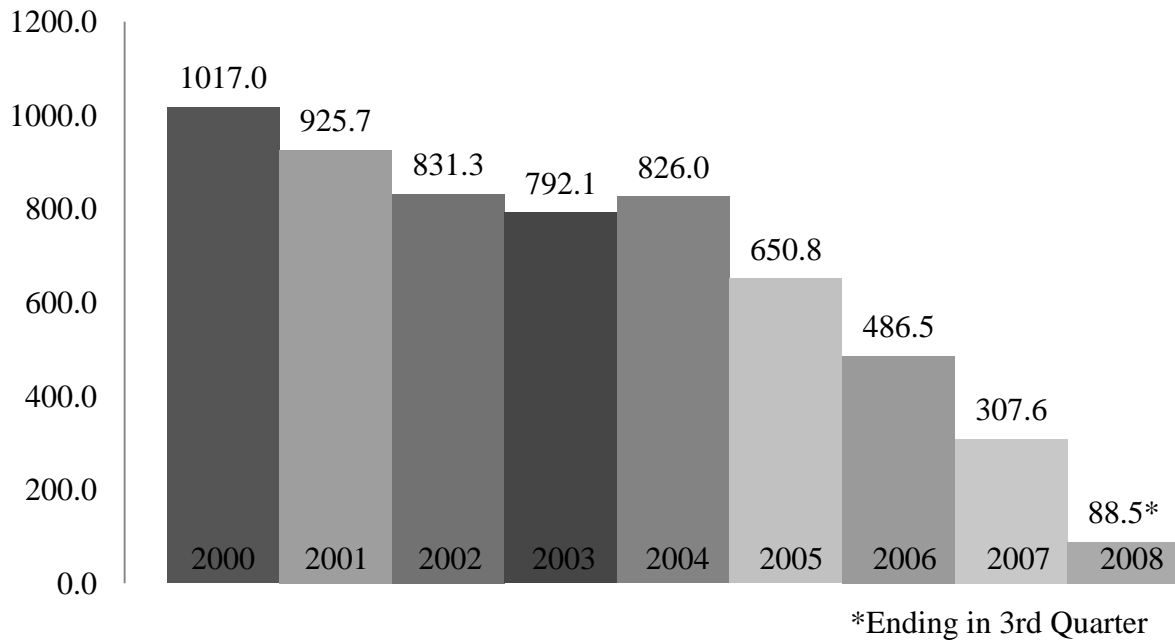


F-4 Northern Mariana Islands

Maps  
U.S. Census Bureau, Census 2000

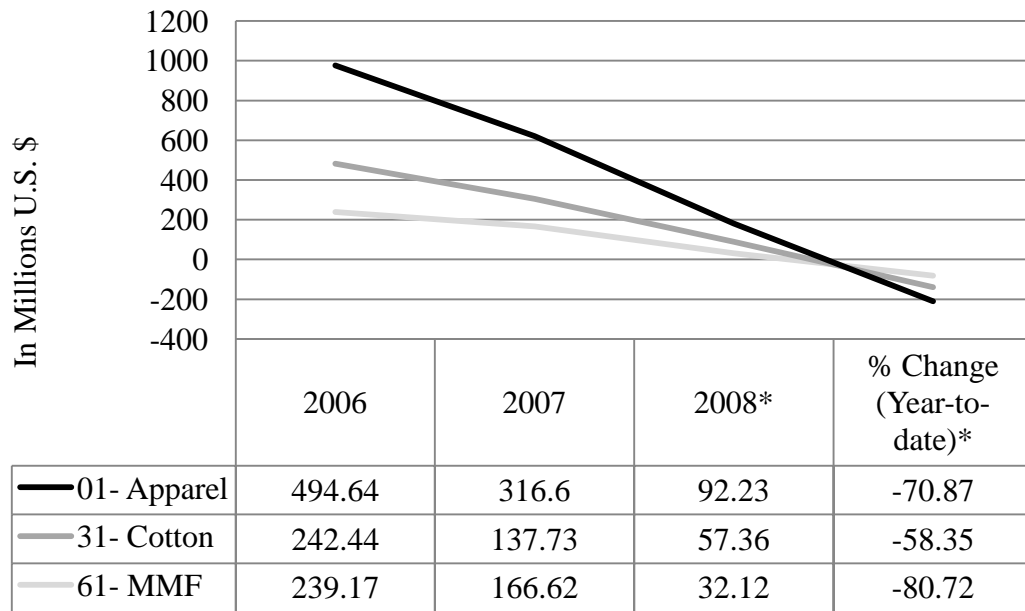
Figure 2. Municipalities, municipality subdivisions, and places- Section 1.

Source: USCB, 2003a, Appendix F-4.



*Figure 3.* Garment export value (U.S. \$ millions).

Source: OTEXA, 2008, September.

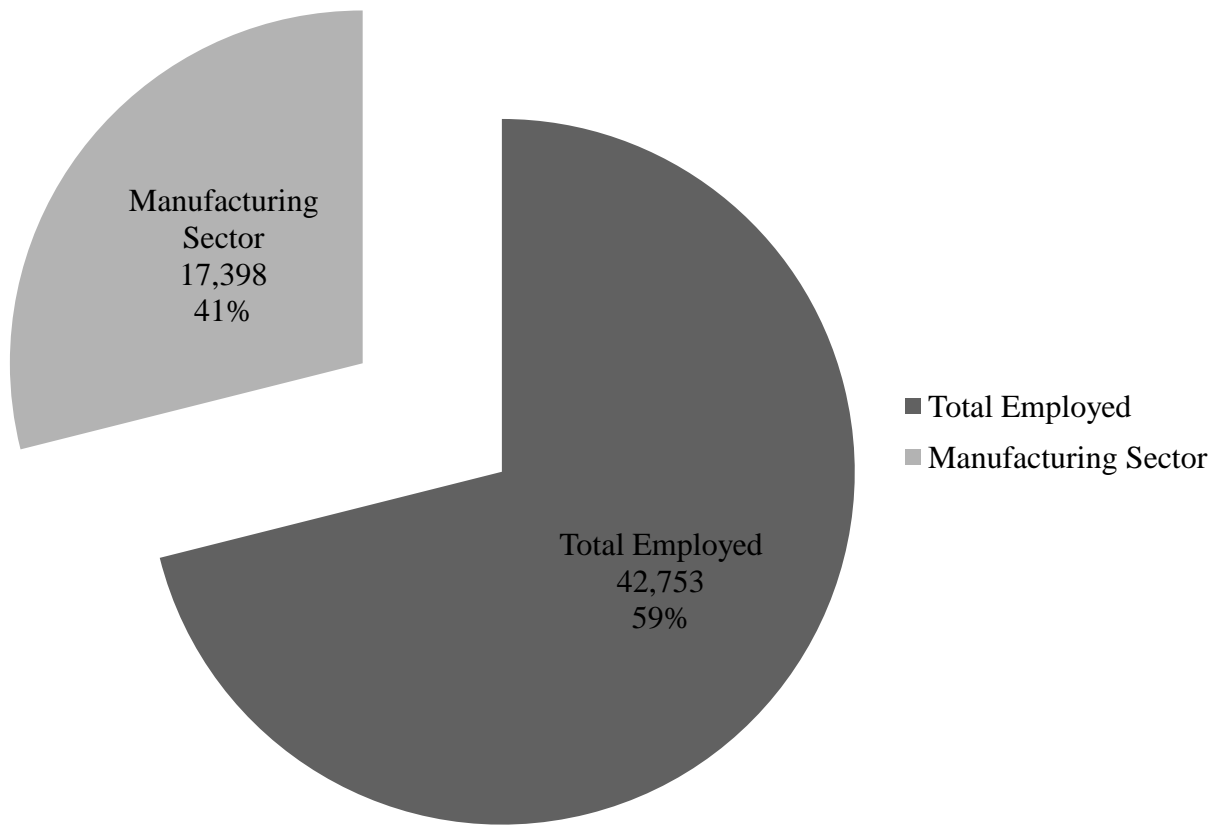


\*Year-to-Date through September

Figure 4. Major Shippers Report: CNMI (U.S. \$ millions).

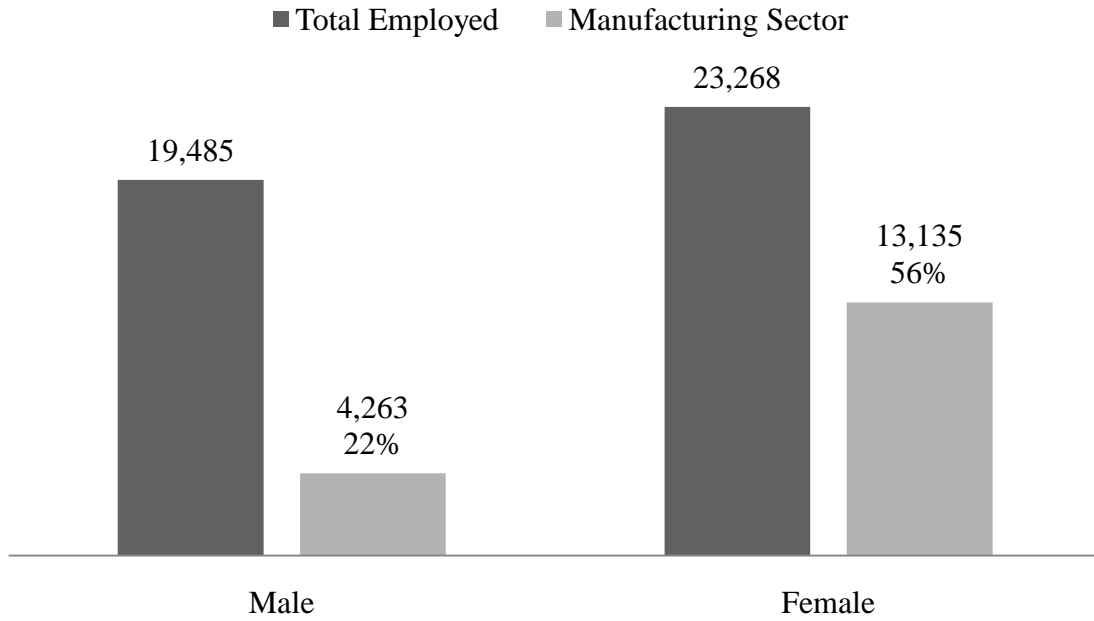
Source: OTEXA, 2008, September.





*Figure 5.* Comparison of total employed civilian population 16 years and over on the CNMI by employed civilian population 16 years and over in the manufacturing sector.

Source: USCB, DoC, 2003a.



*Figure 6.* Employed civilian population 16 years and over by male and female (total employed versus manufacturing sector).

Source: USCB, DoC, 2003a.

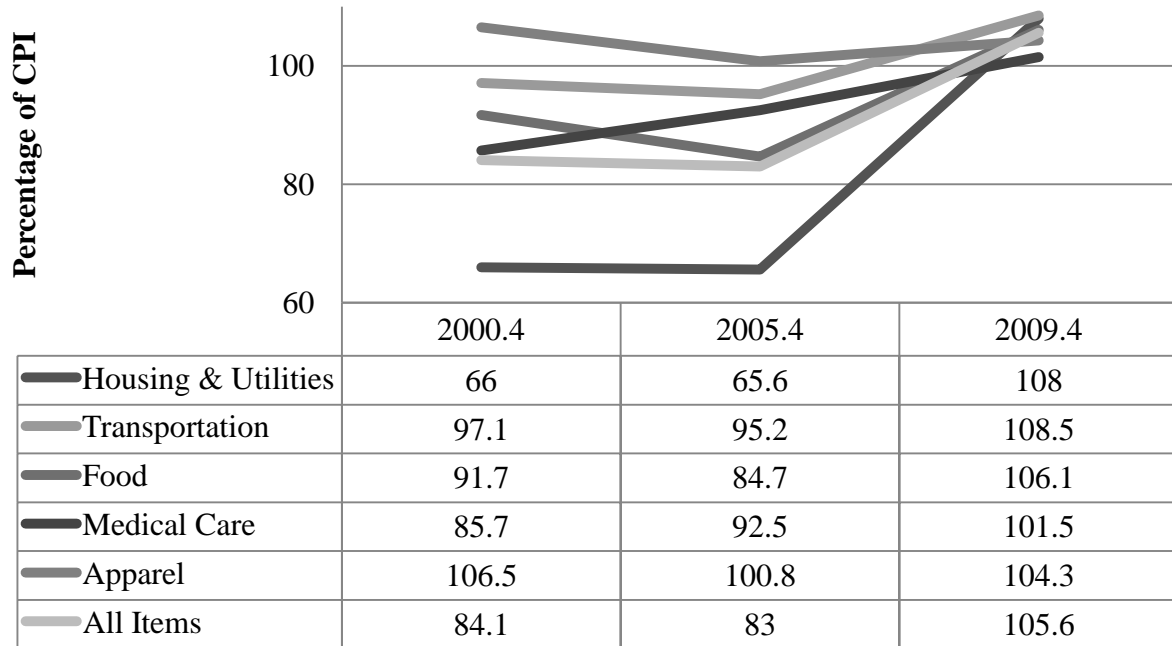


Figure 7. CNMI Consumer Price Index comparison for 2000, 2005, and 2009 in the 4th quarter.

Source: Department of Commerce, Commonwealth of the Northern Mariana Islands, 2009.

## **Appendix C – Questionnaire**

# Appendix D. Questionnaire

**Census  
2000**  
Commonwealth of the  
Northern Mariana Islands

U.S. Department of Commerce  
Bureau of the Census



This is the official form for all the people at this address. It is quick and easy, and your answers are protected by law. Complete the Census and help your community get what it needs today and in the future!

**Start Here**  Please use a black or blue pen. Do NOT mail this form, your completed form will be picked up by a census worker.

**1** How many people were living or staying in this house, apartment, or mobile home on April 1, 2000?

Number of people

**INCLUDE** in this number:

- foster children, roomers, or housemates
- people staying here on April 1, 2000 who have no other permanent place to stay
- people living here most of the time while working, even if they have another place to live

**DO NOT INCLUDE** in this number:

- college students living away while attending college
- people in a correctional facility, nursing home, or mental hospital on April 1, 2000
- Armed Forces personnel living somewhere else
- people who live or stay at another place most of the time

**→** Please turn the page and print the names of all the people living or staying here on April 1, 2000.

**Please fill out your form promptly. A census worker will visit your you have questions.**

**home to pick up your completed questionnaire or assist you if you have questions.** The Census Bureau estimates that, for the average household, this form will take about 45 minutes to complete, including the time for reviewing the instructions and answers. Comments about the estimate should be directed to the Associate Director for Finance and Administration, Attn: Paperwork Reduction Project 0607-0860, Room 3104, Federal Building 3, Bureau of the Census, Washington, DC 20233. Respondents are not required to respond to any information collection unless it displays a valid approval number from the Office of Management and Budget.

Form **D-13 CNMI**

OMB No. 0607-0860: Approval Expires 12/31/2000

Questionnaire D-1

U.S. Census Bureau, Census 2000

# List of Persons

➔ Please be sure you answered question 1 on the front page before continuing.

**2** Please print the names of all the people who you indicated in question 1 were living or staying here on April 1, 2000.

**Example** — Last Name

JOHNSTON | | | | | | | | | |  
 First Name MI  
 ROBIN | | | | | | | | | | J

Start with the person, or one of the people living here who owns, is buying, or rents this house, apartment, or mobile home. If there is no such person, start with any adult living or staying here.

**Person 1** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 2** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 3** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 4** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 5** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 6** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 7** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 8** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 9** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 10** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 11** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

**Person 12** — Last Name

| | | | | | | | | | | | | | | | | |  
 First Name MI  
 | | | | | | | | | | | | | | | | |

➔ Next, answer questions about Person 1. If you didn't have room to list everyone who lives in this house or apartment, please tell this to the census worker when you are visited. The census worker will complete a census form for the additional people.

# Person

# 1



Your answers are important! Every person in the Census counts.

**1** What is this person's name? Print the name of Person 1 from page 2.

Last Name

First Name

MI

**2** What is this person's telephone number? We may contact this person if we don't understand an answer.

Area Code + Number

**3** What is this person's sex? Mark  ONE box.

- Male
- Female

**4** What is this person's age and what is this person's date of birth?

Age on April 1, 2000

Print numbers in boxes.

Month Day Year of birth

**5** What is this person's ethnic origin or race?

(For example: Chamorro, Samoan, White, Black, Carolinian, Filipino, Japanese, Korean, Palauan, Tongan, and so on.)

FOR OFFICE USE ONLY

**6** What is this person's marital status?

- Now married
- Widowed
- Divorced
- Separated
- Never married

**7** a. At any time since February 1, 2000, has this person attended regular school or college? Include only pre-kindergarten, kindergarten, elementary school, and schooling which leads to a high school diploma or a college degree.

- No, has not attended since February 1 → Skip to 8a
- Yes, public school, public college
- Yes, private school, private college

b. What grade or level was this person attending?

Mark  ONE box.

- Pre-kindergarten
- Kindergarten
- Grade 1 to grade 4
- Grade 5 to grade 8
- Grade 9 to grade 12
- College undergraduate years (freshman to senior)
- Graduate or professional school (for example: medical, dental, or law school)

**8** a. What is the highest degree or level of school this person has COMPLETED? Mark  ONE box. If currently enrolled, mark the previous grade or highest degree received.

- No schooling completed
- Pre-kindergarten to 4th grade
- 5th grade or 6th grade
- 7th grade or 8th grade
- 9th grade
- 10th grade
- 11th grade
- 12th grade, **NO DIPLOMA**
- HIGH SCHOOL GRADUATE** — high school DIPLOMA or the equivalent (for example: GED)
- Some college credit, but less than 1 year
- 1 or more years of college, no degree
- Associate degree (for example: AA, AS)
- Bachelor's degree (for example: BA, AB, BS)
- Master's degree (for example: MA, MS, MEng, MEd, MSW, MBA)
- Professional degree (for example: MD, DDS, DVM, LLB, JD)
- Doctorate degree (for example: PhD, EdD)

b. Has this person completed the requirements for a vocational training program at a trade school, business school, hospital, some other kind of school for occupational training, or place of work? Do not include academic college courses.

- No
- Yes, in this Area
- Yes, not in this Area

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Form D-13 CNMI  
Form D-13 CNMI

**Person 1 (continued)**

- 9 a. Does this person speak a language other than English at home?**  
 Yes  
 No → *Skip to 10*
- b. What is this language?**  
 \_\_\_\_\_  
*(For example: Chamorro, Samoan, Carolinian, Tongan)*  
 FOR OFFICE USE ONLY
- c. Does this person speak this language at home more frequently than English?**  
 Yes, more frequently than English  
 Both equally often  
 No, less frequently than English  
 Does not speak English
- 10 Where was this person born? Print the name of the island (village in American Samoa), U.S. state, commonwealth, territory, or foreign country.**  
 \_\_\_\_\_  
 FOR OFFICE USE ONLY
- 11 Is this person a CITIZEN or NATIONAL of the United States?**  
 Yes, born in this Area → *Skip to 14a*  
 Yes, born in the United States or another U.S. territory or commonwealth  
 Yes, born elsewhere of U.S. parent or parents  
 Yes, a U.S. citizen by naturalization  
 No, not a U.S. citizen or national (permanent resident)  
 No, not a U.S. citizen or national (temporary resident)
- 12 When did this person come to this Area to stay? If this person has entered the Area more than once, what is the latest year? Print numbers in boxes.**  
 Year  
 \_\_\_\_\_
- 13 What was this person's main reason for moving to this Area?**  
 Employment  
 Military  
 Subsistence activities  
 Missionary activities  
 Moved with spouse or parent  
 To attend school  
 Medical  
 Housing  
 Other

- 14 a. Where was this person's mother born? Print the name of the island (village in American Samoa), U.S. state, commonwealth, territory, or foreign country.**  
 \_\_\_\_\_  
 FOR OFFICE USE ONLY
- b. Where was this person's father born? Print the name of the island (village in American Samoa), U.S. state, commonwealth, territory, or foreign country.**  
 \_\_\_\_\_  
 FOR OFFICE USE ONLY
- 15 Is this person a dependent of an active-duty or retired member of the Armed Forces of the United States or of the full-time military Reserves or National Guard? "Active duty" does NOT include training for the military Reserves or National Guard.**  
 Yes, dependent of an active-duty member of the Armed Forces  
 Yes, dependent of retired member of the Armed Forces, or dependent of an active-duty or retired member of full-time National Guard or Armed Forces Reserve  
 No
- 16 a. Did this person live in this house or apartment 5 years ago (on April 1, 1995)?**  
 Person is under 5 years old → *Skip to 35*  
 Yes, this house → *Skip to 17*  
 No, different house
- b. Where did this person live 5 years ago?**  
**Name of the island, U.S. state, commonwealth, territory, or foreign country. If outside this Area, print the answer below and skip to 17.**  
 \_\_\_\_\_  
 FOR OFFICE USE ONLY
- c. Name of city, town, or village**  
 \_\_\_\_\_  
 FOR OFFICE USE ONLY
- 17 Does this person have any of the following long-lasting conditions:**
- |  |                          |                          |
|--|--------------------------|--------------------------|
|  | Yes                      | No                       |
| a. Blindness, deafness, or a severe vision or hearing impairment?  | <input type="checkbox"/> | <input type="checkbox"/> |
| b. A condition that substantially limits one or more basic physical activities such as walking, climbing stairs, reaching, lifting, or carrying? | <input type="checkbox"/> | <input type="checkbox"/> |



**Person 1 (continued)**

**18** Because of a physical, mental, or emotional condition lasting 6 months or more, does this person have any difficulty in doing any of the following activities:

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| a. Learning, remembering, or concentrating?  | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Dressing, bathing, or getting around inside the home?   | <input type="checkbox"/> | <input type="checkbox"/> |
| c. (Answer if this person is 16 YEARS OLD OR OVER.) Going outside the home alone to shop or visit a doctor's office? | <input type="checkbox"/> | <input type="checkbox"/> |
| d. (Answer if this person is 16 YEARS OLD OR OVER.) Working at a job or business?                                    | <input type="checkbox"/> | <input type="checkbox"/> |

**19** Was this person under 15 years of age on April 1, 2000?

- Yes → Skip to 35  
 No

**20** a. If this person is female, how many babies has she ever had, not counting stillbirths? Do not count stepchildren or children she has adopted.

- None → Skip to 21a  
 1     6     11  
 2     7     12  
 3     8     13  
 4     9     14  
 5     10     15 or more

**b.** What was the date of birth of the last child born to this person? Print numbers in boxes.

Month	Day	Year of birth

**21** a. Does this person have any of his/her own grandchildren under the age of 18 living in this house or apartment?

- Yes  
 No → Skip to 22a

**b.** Is this grandparent currently responsible for most of the basic needs of any grandchild(ren) under the age of 18 who live(s) in this house or apartment?

- Yes  
 No → Skip to 22a

**c.** How long has this grandparent been responsible for the(se) grandchild(ren)? If the grandparent is financially responsible for more than one grandchild, answer the question for the grandchild for whom the grandparent has been responsible for the longest period of time.

- Less than 6 months  
 6 to 11 months  
 1 or 2 years  
 3 or 4 years  
 5 years or more

**22** a. Has this person ever served on active duty in the U.S. Armed Forces, military Reserves, or National Guard? Active duty does not include training for the Reserves or National Guard, but DOES include activation, for example, for the Persian Gulf War.

- Yes, now on active duty  
 Yes, on active duty in past, but not now  
 No, training for Reserves or National Guard only → Skip to 23  
 No, never served in the military → Skip to 23

**b.** When did this person serve on active duty in the U.S. Armed Forces? Mark  a box for EACH period in which this person served.

- April 1995 or later  
 August 1990 to March 1995 (including Persian Gulf War)  
 September 1980 to July 1990  
 May 1975 to August 1980  
 Vietnam era (August 1964—April 1975)  
 February 1955 to July 1964  
 Korean conflict (June 1950—January 1955)  
 World War II (September 1940—July 1947)  
 Some other time

**c.** In total, how many years of active-duty military service has this person had?

- Less than 2 years  
 2 years or more

**23** LAST WEEK, did this person do ANY work for either pay or profit? Answer "Yes" even if the person worked only 1 hour, or helped without pay in a family business or farm for 15 hours or more, or was on active duty in the Armed Forces. Also indicate whether the person did subsistence activity last week, such as fishing, growing crops, etc., NOT primarily for commercial purposes. Mark  ONE box.

- Yes, worked for pay or profit; did NO subsistence activity  
 Yes, worked for pay or profit AND did subsistence activity  
 No, did NOT work for pay or profit; did subsistence activity → Skip to 27a  
 No, did NOT work for pay or profit; did NO subsistence activity → Skip to 27a

**24** At what location did this person work LAST WEEK? Do not include subsistence activity. If this person worked at more than one location, print where he or she worked most last week.

**a.** Name of island, U.S. state, commonwealth, territory, or foreign country

--

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**b.** Name of city, town, or village

--

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**Person 1 (continued)**

**25 a.** How did this person usually get to work LAST WEEK? Do not include transportation to subsistence activity. If this person usually used more than one method of transportation during the trip, mark  the box of the one used for most of the distance.

- Car, truck, or private van/bus
- Public van/bus
- Boat
- Taxicab
- Motorcycle
- Bicycle
- Walked
- Worked at home → Skip to 29
- Other method

→ If "Car, truck, or private van/bus" is marked in 25a, go to 25b. Otherwise, skip to 26a.

**25 b.** How many people, including this person, usually rode to work in the car, truck, or private van/bus LAST WEEK?

- Drove alone
- 2 people
- 3 people
- 4 people
- 5 or 6 people
- 7 or more people

**26 a.** What time did this person usually leave home to go to work LAST WEEK?

| : |     a.m.     p.m.

**b.** How many minutes did it usually take this person to get from home to work LAST WEEK?

Minutes

| |

→ Answer questions 27–28 for persons who did not work for pay or profit last week. Others skip to 29.

**27 a.** LAST WEEK, was this person on layoff from a job?

- Yes → Skip to 27c
- No

**b.** LAST WEEK, was this person TEMPORARILY absent from a job or business?

- Yes, on vacation, temporary illness, labor dispute, etc. → Skip to 28
- No → Skip to 27d

**c.** Has this person been informed that he or she will be recalled to work within the next 6 months OR been given a date to return to work?

- Yes → Skip to 27e
- No

**27 d.** Has this person been looking for work during the last 4 weeks?

- Yes
- No → Skip to 28

**e.** LAST WEEK, could this person have started a job if offered one, or returned to work if recalled?

- Yes, could have gone to work
- No, because of own temporary illness
- No, because of all other reasons (in school, etc.)

**28** When did this person last work, even for a few days? Do not include subsistence activity.

- 2000
- 1999
- 1998
- 1995 to 1997
- 1990 to 1994 → Skip to 33
- 1989 or earlier → Skip to 33
- Never worked; or did subsistence only → Skip to 33

**29 Industry or Employer** — Describe clearly this person's chief job activity or business last week. If this person had more than one job, describe the one at which this person worked the most hours. If this person had no job or business last week, give the information for his/her last job or business since 1995.

**a.** For whom did this person work? If now on active duty in the Armed Forces, mark  this box →  and print the branch of the Armed Forces.

Name of company, business, or other employer


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**b.** What kind of business or industry was this? Describe the activity at location where employed. (For example: hospital, fish cannery, watchmaker, auto repair shop, bank)


**c.** Is this mainly — Mark  ONE box.

- Manufacturing?
- Wholesale trade?
- Retail trade?
- Other (agriculture, construction, service, government, etc.)?

**Person 1 (continued)**

**30 Occupation**

**a. What kind of work was this person doing?**  
(For example: registered nurse, machine repairer, watchmaker, auto mechanic, accountant)


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**b. What were this person's most important activities or duties?** (For example: patient care, repairing machinery, making watches, repairing automobiles, reconciling financial records)


**31 Was this person — Mark  ONE box.**

- Employee of a PRIVATE-FOR-PROFIT company or business or of an individual, for wages, salary, or commissions
- Employee of a PRIVATE NOT-FOR-PROFIT, tax-exempt, or charitable organization
- Local or territorial GOVERNMENT employee (territorial/commonwealth, etc.)
- Federal GOVERNMENT employee
- SELF-EMPLOYED in own NOT INCORPORATED business, professional practice, or farm
- SELF-EMPLOYED in own INCORPORATED business, professional practice, or farm
- Working WITHOUT PAY in family business or farm

**32 a. LAST YEAR, 1999, did this person work at a job or business at any time? Do not include subsistence activity.**

- Yes
- No → Skip to 33

**b. How many weeks did this person work in 1999?**  
Count paid vacation, paid sick leave, and military service; do not count subsistence activity.

Weeks 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

**c. During the weeks WORKED in 1999, how many hours did this person usually work each WEEK? Do not include subsistence activity.**

Usual hours worked each WEEK 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

**33 INCOME IN 1999 — Mark  the "Yes" box for each income source received during 1999 and enter the total amount received during 1999 to a maximum of \$999,999. Mark  the "No" box if the income source was not received.**

If net income was a loss, enter the amount and mark  the "Loss" box next to the dollar amount.

For income received jointly, report, if possible, the appropriate share for each person; otherwise, report the whole amount for only one person and mark  the "No" box for the other person. If exact amount is not known, please give best estimate.

**a. Wages, salary, commissions, bonuses, or tips from all jobs — Report amount before deductions for taxes, bonds, dues, or other items.**

Yes Annual amount — Dollars  
\$ | | | , | | | .00

No

**b. Self-employment income from own nonfarm businesses or farm businesses, including proprietorships and partnerships — Report NET income after business expenses.**

Yes Annual amount — Dollars  
\$ | | | , | | | .00  Loss

No

**c. Interest, dividends, net rental income, royalty income, or income from estates and trusts — Report even small amounts credited to an account.**

Yes Annual amount — Dollars  
\$ | | | , | | | .00  Loss

No

**d. Social Security or Railroad Retirement**

Yes Annual amount — Dollars  
\$ | | , | | | .00

No

**e. Supplemental Security Income (SSI)**

Yes Annual amount — Dollars  
\$ | | , | | | .00

No

**f. Any public assistance or welfare payments from the state or local welfare office**

Yes Annual amount — Dollars  
\$ | | , | | | .00

No



**Person 1 (continued)**

**33 g. Retirement, survivor, or disability pensions —**  
Do NOT include Social Security.

- Yes Annual amount — Dollars  
\$ | | | , | | .00
- No

**h. Any remittances —** Include money from relatives outside the household or in the military.

- Yes Annual amount — Dollars  
\$ | | | , | | .00
- No

**i. Any other sources of income received regularly such as Veterans' (VA) payments, unemployment compensation, child support, or alimony —** Do NOT include lump-sum payments such as money from an inheritance or sale of a home.

- Yes Annual amount — Dollars  
\$ | | | , | | .00
- No

**34 What was this person's total income in 1999?** Add entries in questions 33a—33i; subtract any losses. If net income was a loss, enter the amount and mark  the "Loss" box next to the dollar amount.

- Annual amount — Dollars  
 None OR \$ | | | , | | .00  Loss

→ **Now, please answer questions 35—61 about your household.**

**35 Is this living quarters —**

- Owned by you or someone in this household with a mortgage or loan?
- Owned by you or someone in this household free and clear (without a mortgage or loan)?
- Rented for cash rent?
- Occupied without payment of cash rent?

**36 Which best describes this building?** Include all apartments, flats, etc., even if vacant.

- A mobile home
- A one-family house detached from any other house
- A one-family house attached to one or more houses
- Two houses — *Applies only in American Samoa*
- Three or more houses — *Applies only in American Samoa*
- A building with 2 apartments
- A building with 3 or 4 apartments
- A building with 5 to 9 apartments
- A building with 10 to 19 apartments
- A building with 20 to 49 apartments
- A building with 50 or more apartments
- A container
- Boat, RV, van, etc.

**37 About when was this building first built?**

- 1999 or 2000  1960 to 1969
- 1995 to 1998  1950 to 1959
- 1990 to 1994  1940 to 1949
- 1980 to 1989  1939 or earlier
- 1970 to 1979

**38 When did this person move into this living quarters?**

- 1999 or 2000
- 1995 to 1998
- 1990 to 1994
- 1980 to 1989
- 1970 to 1979
- 1969 or earlier

**39 How many rooms do you have in this living quarters?** Do NOT count bathrooms, porches, balconies, foyers, halls, or half-rooms.

- 1 room  6 rooms
- 2 rooms  7 rooms
- 3 rooms  8 rooms
- 4 rooms  9 or more rooms
- 5 rooms

**40 How many bedrooms do you have; that is, how many bedrooms would you list if this living quarters were on the market for sale or rent?**

- No bedroom
- 1 bedroom
- 2 bedrooms
- 3 bedrooms
- 4 bedrooms
- 5 or more bedrooms

**41 a. Do you have hot and cold piped water?**

- Yes, in this unit
- Yes, in this building, not in unit
- No, only cold piped water in this unit
- No, only cold piped water in this building
- No, only cold piped water outside this building
- No piped water

**b. Do you have a bathtub or shower?**

- Yes, in this unit
- Yes, in this building, not in unit
- Yes, outside this building
- No

**Person 1 (continued)**

- 41 c. Do you have a flush toilet?**
- Yes, in this unit → *Skip to 42a*
  - Yes, in this building, not in unit → *Skip to 42a*
  - Yes, outside this building → *Skip to 42a*
  - No

- d. What type of toilet facilities do you have?**
- Outhouse or privy
  - Other or none

- 42 a. Are your MAIN cooking facilities located inside or outside this building?**
- Inside this building
  - Outside this building
  - No cooking facilities → *Skip to 42c*

- b. What type of cooking facilities are these?**
- Electric stove
  - Kerosene stove
  - Gas stove
  - Microwave oven and non-portable burners
  - Microwave oven only
  - Other (fireplace, hotplate, etc.)

- c. Do you have a refrigerator in this building?**
- Yes
  - No

- d. Do you have a sink with piped water in this building?**
- Yes
  - No

- 43 Is there telephone service available in this living quarters from which you can both make and receive calls?**
- Yes
  - No

- 44 Do you have air conditioning?**
- Yes, a central air-conditioning system (includes split-type)
  - Yes, 1 individual room unit
  - Yes, 2 or more individual room units
  - No

- 45 How many automobiles, vans, and trucks of one-ton capacity or less are kept at home for use by members of your household?**
- |                               |                                    |
|-------------------------------|------------------------------------|
| <input type="checkbox"/> None | <input type="checkbox"/> 4         |
| <input type="checkbox"/> 1    | <input type="checkbox"/> 5         |
| <input type="checkbox"/> 2    | <input type="checkbox"/> 6 or more |
| <input type="checkbox"/> 3    |                                    |

- 46 Do you have a battery operated radio? Count car radios, transistors, and other battery operated sets in working order or needing only a new battery for operation.**
- Yes, 1 or more
  - No

- 47 Do you get water from —**
- A public system only?
  - A public system and catchment?
  - A village water system only? — *Applies only in American Samoa*
  - An individual well?
  - A catchment, tanks, or drums only?
  - Some other source such as a standpipe, spring, river, creek, etc.?

- 48 Is this building connected to a public sewer?**
- Yes, connected to public sewer
  - No, connected to septic tank or cesspool
  - No, use other means

- 49 Is this living quarters part of a condominium?**
- Yes
  - No

- 50 What is the MAIN type of material used for the outside walls of this building?**
- Poured concrete
  - Concrete blocks
  - Metal
  - Wood
  - Other

- 51 What is the MAIN type of material used for the roof of this building?**
- Poured concrete
  - Metal
  - Wood
  - Other

- 52 What is the MAIN type of material used for the foundation of this building?**
- Concrete
  - Wood pier or pilings
  - Other

- 53 Answer ONLY if this is a ONE-FAMILY HOUSE OR MOBILE HOME — All others skip to 54a.**
- Is there a business (such as a store or shop) or a medical office on THIS property?**
- Yes
  - No

- 54 a. What is the average monthly cost for electricity for this living quarters?**
- Average monthly cost — *Dollars*
- \$ | | | | .00
- OR
- Included in rent or in condominium fee
  - No charge or electricity not used

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**Person 1 (continued)**

**54** b. What is the average monthly cost for gas for this living quarters?

Average monthly cost — Dollars

\$ | | , | | | .00

OR

- Included in rent or in condominium fee.
- No charge or gas not used

c. What is the average monthly cost for water and sewer for this living quarters?

Average monthly cost — Dollars

\$ | | , | | | .00

OR

- Included in rent or in condominium fee.
- No charge

d. What is the average monthly cost for oil, coal, kerosene, wood, etc. for this living quarters?

Average monthly cost — Dollars

\$ | | , | | | .00

OR

- Included in rent or in condominium fee.
- No charge or these fuels not used

**55** a. Answer 55b ONLY if RENT IS PAID for this living quarters — All others skip to 56.

b. What is the monthly rent?

Monthly amount — Dollars

\$ | | , | | | .00

**56** Answer questions 56a—61 if you or someone in this household owns or is buying this living quarters; otherwise, skip to questions for Person 2.

a. Do you have a mortgage, deed of trust, contract to purchase, or similar debt on THIS property?

- Yes, mortgage, deed of trust, or similar debt
- Yes, contract to purchase
- No → Skip to 57a

b. How much is your regular monthly mortgage payment on THIS property? Include payment only on first mortgage or contract to purchase.

Monthly amount — Dollars

\$ | | , | | | .00

OR

- No regular payment required → Skip to 57a

c. Does your regular monthly mortgage payment include payments for real estate taxes on THIS property?

- Yes, taxes included in mortgage payment
- No, taxes paid separately or taxes not required

**56** d. Does your regular monthly mortgage payment include payments for fire, hazard, typhoon, or flood insurance on THIS property?

- Yes, insurance included in mortgage payment
- No, insurance paid separately or no insurance

**57** a. Do you have a second mortgage or a home equity loan on THIS property? Mark  all boxes that apply.

- Yes, a second mortgage
- Yes, a home equity loan
- No → Skip to 58

b. How much is your regular monthly payment on all second or junior mortgages and all home equity loans on THIS property?

Monthly amount — Dollars

\$ | | , | | | .00

OR

- No regular payment required

**58** What were the real estate taxes on THIS property last year?

Yearly amount — Dollars

\$ | | , | | | .00

OR

- None

**59** What was the annual payment for fire, hazard, typhoon, and flood insurance on THIS property?

Annual amount — Dollars

\$ | | , | | | .00

OR

- None

**60** What is the value of this property; that is, how much do you think this house and lot, apartment, or mobile home and lot would sell for if it were for sale?

Value of property — Dollars

\$ | | , | | , | | | .00

**61** Answer ONLY if this is a CONDOMINIUM — What is the monthly condominium fee?

Monthly amount — Dollars

\$ | | , | | | .00

→ Are there more people living here? If yes, continue with Person 2.