

**WRITTEN TESTIMONY OF
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BEFORE THE HOUSE COMMITTEE ON NATURAL RESOURCES**

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Hafa Adai and Tiroow Waami, Chairman Grijalva, Ranking Member Westerman, Congressman Sablan, and the members of the Committee. Thank you for the opportunity to provide testimony today to provide the CNMI's views on the important role of the Department of the Interior's Office of Insular Affairs (OIA), the increase in the OIA's budget, and the priorities of the CNMI in the months and years ahead.

We are here today during a most unique position in our history. The COVID-19 pandemic has certainly reshaped our lives. We are here in the aftermath of the historic effort placed into reaching some level of normalcy two years following the outbreak of the virus. Today, masks are no longer commonplace around the nation, wide-spread vaccinations have provided much needed comfort to our population, especially those most vulnerable, and the economy has resumed greater levels of operation. Moreover, the challenges of our nation and the world around us have continued to evolve, placing necessary focus on the historic rise in inflation and the conflict in Ukraine, among many others.

As our country seeks to find resolution to the crisis caused by the pandemic, and muster its resources to respond to the new challenges of our era, I wish to provide Congress and this Committee with my gratitude on behalf of the people of CNMI for your effort to support our community during these last two years, and to bring before you the longer-term issues that have preceded, and been exacerbated by the pandemic, in the hope of ensuring the CNMI emerges from this period in our history a stronger partner to the United States, and one that is incorporated into the great narrative of American promise and success.

At the onset of the COVID-19 pandemic, the CNMI was just emerging from the impacts caused by Super Typhoon Yutu, that levied devastation on homes and businesses, and precipitated the collapse of the tourism sector. The typhoon leveled much of the island of Tinian and significantly impacted the island of Saipan, causing a dramatic reduction in tourism arrivals, government revenue, and economic growth. Just as the CNMI began to emerge from this disaster, the onset of the pandemic served an even more severe blow to our progress as a community.

It was through the actions of Congress and the federal government in this period that the CNMI was able to weather this new storm. Through the passage of the CARES Act, and the American Rescue Plan Act, the CNMI was able to respond to and mitigate the damages caused by the pandemic and the complete cessation of international flights to the economy. Federal resources came in support of businesses struggling to maintain operations, individuals whose employment was impacted by the loss of commercial activity, healthcare services to respond to a new and dangerous threat, and the government and its resource limitations preventing the support of necessary public services to our people. I thank the members of the Committee for this much needed support and relay the gratitude of the people of the CNMI for your work and the inclusion

of the territories into these national response efforts. I also wish to thank the Office of Insular Affairs for their work in coordinating federal response efforts and remaining in close communication with the CNMI to understand our needs and challenges.

It is apparent that the needs of the CNMI during this period were so great because of the targeted impact this crisis had on the international tourism market that the CNMI is reliant upon. It is for this reason that the pandemic had a disproportionate effect on the CNMI versus the more diversified economies of the U.S. mainland. As the needs of the nation progress to new and emerging challenges, it is necessary for me to state that this impact has not yet subsided. To date, despite tremendous effort and the commitment of resources toward the resumption of the tourism economy, arrivals to the CNMI have not grown to its pre-pandemic levels. As federal assistance wanes in the coming months and as the threats of the pandemic subside within the national consciousness, there is significant risk that the needs of our people will not find the support necessary to fully recover alongside other communities across the nation.

This Committee and the Biden Administration should be applauded for advancing the discussion of equity for the U.S. Territories. Given the supreme obstacles facing all the territories, and the unequal conditions of our populations versus those in the U.S. mainland, this conversation and the actions that arise from it are merited and timely. However, I wish to state that equity will not be achieved through equal access to federal programs, services, or rights. If we seek to obtain equity, we must recognize that, in order to achieve equal outcomes, proactive measures separate and above those provided to the larger American community must be advanced. This is especially so in looking to our recovery from this pandemic and in achieving whatever broader policy goal the federal government has for its territories. The only acceptable reality that can be seen in this environment is that equal outcomes – for the economy, our communities, our health, and our role in our political governance – necessitates separate and, at times, preferential treatment by the federal government to achieve.

In looking to our recovery as an example, it is critical to note that federal support does not need to come in the form of direct financial assistance. In fact, the CNMI would prefer to see the recovery of our economy come from the strength of our private sector. But in this global climate, support from the federal government, both Congress and the Administration, can aid in not just rebuilding the CNMI economy, but seeing it reach a path toward viability as a productive member of the American community.

Our recovery and the recovery of our economy will require partnership throughout a range of interconnected issues. Our recovery efforts rely on the support of the federal government and of Congress to achieve lasting success toward advancing the cause of equity among the citizens that call the CNMI home.

The FY2023 budget increase requested by President Biden will greatly assist the CNMI as we are hopefully navigated through the post-pandemic period of our islands. This increased funding, and flexibility that we are hopeful will come with it, will allow the CNMI to shore up our current program shortfalls, while also allowing us to expand opportunities for our people. We are actively working toward a more sustainable and reliable energy source and at the same time expanding

educational and workforce training opportunities on island. The OIA plays an important role as not only our chief advocate within the Executive Branch, but also in supporting our efforts to becoming more self-sufficient in the long term.

For this, we are extremely grateful for the work of the OIA, and I would be remiss in not extending my heartfelt thanks to Nik Pula. Nik has been a dear friend to the Northern Mariana Islands since before the signing of our Covenant with the United States. His tenacity and historical knowledge of the issues facing not only the CNMI, but the Insular Areas will be sorely missed. Words cannot describe how much we will miss him, and we wish him the best in his future endeavors.

Tourism Resumption

Over the last several months, my administration and the CNMI government have made significant strides toward establishing international partnerships that would see the resumption of tourism activities in the islands. Most prominent of these accomplishments has been the successful negotiation and implementation of the region's first travel bubble agreement with South Korea, that spurred travel and fostered a visitor product that was modified to ensure the safety of our visitors and residents alike. South Korea has been and will continue to be an important travel partner, but we seek to establish resiliency in our market and see great opportunity in reviving the Japanese market as a component of this recovery. For this reason, we have sought the use of our foundational agreement with the United States, specifically Section 603(d) of the Covenant agreement, which states:

“The Government of the United States will seek to obtain from foreign countries favorable treatment for exports from the Northern Mariana Islands and will encourage other countries to consider the Northern Mariana Islands a developing territory.”

It is the interest of the CNMI government to utilize this previously unused provision of the Covenant to gain support for the redevelopment and recovery of the tourism market and the expansion of the CNMI's exports of tourism products to Japan.

Support for discussions related to the reestablishment of commercial ties with the Government of Japan by the U.S. Embassy Tokyo would be an excellent demonstration of the use of Section 603(d) and would demonstrate the federal government's support in obtaining favorable treatment of the CNMI's sole export. The CNMI has asked for an initiation of dialogue between the CNMI government and the U.S. Embassy Tokyo to discuss pathways for engaging the Government of Japan to establish a Travel Bubble agreement with the country that would see the resumption of arrivals from Japan to the CNMI. These initial conversations have been promising, and we are hopeful a partnership can be achieved that will see a beneficial use of this critical provision of our Covenant agreement.

We feel that a strong tourism market from Japan in the CNMI would build upon the historic ties we have shared with the country and its people and help craft a more resilient tourism and investment climate against future risks and threats in the region. As a long-term strategic goal for the Commonwealth, and one that helps to build upon the relationship between our country and

Japan, I am grateful for the partnership with OIA and the Administration on this effort and ask for the support of this Committee as we continue this engagement.

Infrastructure

Due in large part to federal legislation enacted in response to the COVID-19 pandemic and recovery aid provided in response to Super Typhoon Yutu, the CNMI has an unprecedented number of resources to provide for improvements to our aged infrastructure. This period in our history is not one that we will take for granted, however, there are several constraints that will prevent our ability to fully realize the potential benefits of these funds.

I wish to recognize and thank OIA for hosting the Territorial Climate and Infrastructure Workshop in March 2022, which brought the islands together alongside our federal counterparts to discuss infrastructure priorities and the challenges we face in mobilizing the available resources.

The CNMI's top priorities brought to this session included, but were not limited to, providing adequate and modern power generation, 24/7 palatable drinking water services to every tap, implementing a comprehensive waste management system, and making public transportation more accessible in every island.

The airports and seaports support the most crucial port of entry for trade and tourism. The CNMI's ports are outdated and require rehabilitation, improvement, and expansion to regain competitiveness in the regional tourism market. Significant investments are necessary to ensure safe, timely, and reliable transportation of residents and cargo between the islands that comprise the Commonwealth.

In utilizing the available resources to meet these objectives, CNMI experiences challenges such as limitations in land mass, separation of lands by ocean, limited workforce, labor issues, modernization of the permitting processes, and addressing climate change issues. These conditions of our geography and location lead to supreme obstacles within the supply chain, resulting in high costs of materials, and labor. Under the Made in America requirements, specialized equipment such as controls, generators, heavy equipment, etc. have a longer than usual lead time, and due to present local and national labor constraints, the CNMI lacks the specialized skilled labor force needed for the designing and construction of utility infrastructure projects.

Many of these issues are present in communities across the United States, but in the CNMI, the extent and costs associated with navigating through them are far more severe. In pursuit of equity, there must be a realization that one dollar of infrastructure aid goes much shorter in the territories than it does in the mainland. Still, the Congress and the Administration must continue to recognize, as they have done since the origins of the Commonwealth government, that a modern, functional infrastructure is an absolute prerequisite to economic development.

Building sustainable and resilient infrastructure in the CNMI will require more than additional funding. It needs federal guidelines that conform to the unique conditions of operating in small island contexts, assistance in reducing transportation costs to our population both internationally and within the islands of the Commonwealth, and a necessary and critical need to revisit the federal policies regarding labor access in the CNMI.

Labor and Immigration

In the discussion of our recovery and the rebuilding of our private sector, our tourism industry, and our infrastructure, a path forward cannot be disentangled from the perpetual shortage of skilled workers within the CNMI's labor force. The issues of the CNMI's labor force are well-known by this Committee, and I once more thank you for your willingness to assist in fostering a strong U.S. workforce in the CNMI. Despite the severe impacts to the economy and the labor force caused by the pandemic, the present data showcases that U.S. workers today play a more significant role in the economy than ever before, representing 59% of the total workforce according to recent data from the U.S. Government Accountability Office.

The challenges the CNMI faces in securing the necessary construction manpower under the immigration transition program highlights the fact that the current system sees an insufficient number of available workers available to support the needs of the Commonwealth. This is further a concern throughout the economy as we seek to recover throughout all industries.

I thank Congressman Sablan for the introduction of HR 560, the Northern Mariana Islands Legal Residents Relief Act of 2021, which provides remedy for a number of the long-standing concerns that have arisen following the passage of the Northern Mariana Islands U.S. Workforce Act (U.S. Public Law 115-218). These include obtaining parity of the Prevailing Wage Survey requirement with existing immigration programs, providing for additional time for the receipt of a visa prior to permit revocation, adjustments to the "touch back" provisions, and, importantly, expanding the eligibility for qualification for CNMI Resident Status.

These are worthwhile measures to ensure the transition program works toward its intended outcomes of supporting U.S. workers in the labor force, and the needs of the economy in this important period in our history. However, I wish to take a broader viewpoint of this issue in light of the renewed pursuit toward equity and the experience we have derived from our years in transition.

As the CNMI seeks to recover from the pandemic, we foresee a critical role of the CW-1 program in permitting the rapid resumption to economic activity that we will need to ensure employment and the delivery of public services when relief funds expire. Hotels, restaurants, and service providers critical to the operation of a tourism industry will require potentially greater numbers of workers to meet the requirements of our visitors and to resume commercial activity.

Due to the impacts of the pandemic, our efforts to spur economic development to the levels that will permit greater sustainability and training opportunities for U.S. workers have been delayed. Further, funds provided through the CW-1 permitting process for the purposes of training U.S. workers have diminished significantly since 2019. Based on GAO data, at a per permit training fee of \$200.00, the resources available to the CNMI for training U.S. workers to supplant foreign workers has fallen from \$2.3 million in 2019 to \$1.5 million in 2020 and reaching \$1.07 million in 2021 – a 54% decline in funding due to the pandemic induced economic collapse.

This loss of opportunity to fund training programs is compounded by the mandated annual reductions that persisted despite the economic conditions. Under the current transition program,

available permits under the Commonwealth-only transitional worker visa for Fiscal Year 2023 will have permits reduced to 11,500. This will set the total cap of available permits below the pre-pandemic workforce demand for foreign labor of 11,611 in 2019. The following year is set to begin its first year of accelerated declines in Fiscal Year 2024, reducing the total number of visas to 11,000. Each subsequent year will witness a reduction by 1,000 available permits until the expiration of the transition program in 2029. This upcoming reduction will reduce the potential revenue for training by \$100,000 and the subsequent years will see a reduction in potential workforce training funds by \$200,000 per year.

It is the impacts to our progress within the job market and the impacts to the resources available to train U.S. workers because of the pandemic that leads us to believe there is justification for a revision to the annual reduction schedule for CW-1 permits and an increase to the numerical limit. This would support the needs within the economy toward economic recovery and aid in supporting the financial needs of the Commonwealth's continuing training efforts.

Without recognition of these circumstances, the CNMI will have to engage in the monumental effort of quickly jumpstarting an economy to meet the needs of our population following the expiration of federal assistance, allocating the limited construction workforce to support the deployment of infrastructure funding to critical sectors, and training U.S. workers with ever diminishing funding during the worst economic collapse of our age. This all with the recent confirmation from the decennial Census that the CNMI's population has once more shrunk, this time by 12.2% from the 2010 Census.

Under the transition program, the flow of individuals required for a flourishing tourism economy comes at increased difficulty in the CNMI as well. If the primary market for the CNMI's tourism product were visitors from the mainland United States, the free flow of visitors into the economy would be unimpeded by processing lines and the litany of visa restrictions and protocols. This is not the reality of the CNMI's present market, however. One primary example of this is the upcoming Pacific Mini Games set to take place in the CNMI this June, in which the CNMI has been in constant communication with the Department of Homeland Security (DHS) and the Department of State to ensure the ability for the 20 participating island nations across the Pacific to enter into the CNMI to compete across nine sporting events. This event is a critical gathering of Pacific Island communities and the CNMI is proud to play host to our Pacific brothers and sisters as a territory of the United States to showcase American leadership in the post-pandemic era in the Pacific.

DHS and the State Department have been tremendous partners in this effort, and I thank them for their willingness to advance our country's position among our neighbors in the region through this event, but as we look to resuming our tourism industry, the challenges highlighted by the current system. In the coming years of tourism to the CNMI, we must recognize that the processing of visitors to the CNMI through the U.S. Customs and Border Protection (CBP) system requires additional support to manage the influx of a predominantly foreign visitor base. The CBP officers in the CNMI should be commended for their diligent efforts in supporting our nation's borders, but they require additional personnel and support to ensure they remain efficient and that the

critical first impression our visitors have when arriving in the CNMI is not impacted by constraints outside of the local CBP's control.

While the transition program provides a specific set of concerns and requests on behalf of the CNMI, the reality remains that immigration and access to labor for all the insular areas is a significant challenge toward development and the achievement of equity. There are realities of attempting to operate a sustainable economy in small, geographically dispersed islands – realities different than that of the larger and more integrated states. Should the goal remain that the CNMI must transition fully into the national immigration system (itself replete with challenges of its own), it would not do justice toward the principles of equity and will surely result in outcomes far worse than our counterparts in the larger American family.

Advancement of American Economic Power in the Region

I fully recognize that the Western Pacific is a critical strategic location for the United States and the projection of American ideals of democracy and freedom that we cherish in the region. I am proud of the progress we have made to support our nation's security through the development of the Tinian Divert Airfield and the productive dialogues we have shared with the Department of Defense toward future developments of our military capacity in the CNMI. We are proud Americans and wish to do our part in support of our nation's objectives around the world. Yet, while the CNMI is an important asset that demonstrates the strength of our nation's armed forces, we have little evidence of the tremendous economic power of American enterprise or economy.

I firmly believe that American investment has potential in the CNMI but recognize that there are difficulties in making the choice to invest in our islands. Geography, labor, and the cost of transportation all impede progress toward advancing American investment in the region. The United States has aided in the development of its infrastructure, only for it to be used to facilitate investment from outside of the country. More can certainly be done to bolster the projection of America's economic might in the region as we continue to work collaboratively to ensure our national safety.

There are many examples of the Congress advancing the economic conditions of underserved areas. Programs like the New Markets Tax Credits, Opportunity Zones, and Empowerment Zones all have track records of directing private capital to distressed areas; however, even in these programs, the territories often compete with other locations in far more advantageous positions. In order for American investment to find promise in our region and to support the advancement of the territories in line with the progress of our national economy, proactive measures that target and incentivize American investment in territories like the CNMI is needed.

In these issues, I believe the federal government can play an active role in securing economic recovery of the CNMI continue along the needed path toward recognizing the unique constraints facing our island economies. I would like to believe that the policy of the federal government is to finally witness equity in the territories, but it will not be achieved if we fail to acknowledge the challenges and present disparities that exist under the current system.

I ask for your consideration of these circumstances, and your willingness to support our efforts to achieve prosperity in our region of the world. I firmly believe that we are partners in the quest to make good on the promise enshrined in our shared Covenant, that we would work together to achieve a “progressively higher standard of living” for our people as a part of this great American community.

As we emerge from this pandemic, I hope that this partnership will see even greater outcomes than those we have achieved thus far. We are proud to be Americans and it is my goal for us all to share pride in a successful, viable, and sustainable CNMI in the years ahead.