

# The Story of Saipan

*DeLay's Petri Dish and Another Abramoff Gold Mine*

By Naomi T. Tacuyan

NCRP's ongoing investigations into the charitable activities of powerful Beltway figureheads such as Tom DeLay, Bill Frist, and Jack Abramoff have never ceased to uncover more and more questionable financial dealings. The Senate Finance Committee investigation on uberlobbyist Jack Abramoff and his Capital Athletic Foundation this past spring, the Indian Affairs Committee hearing earlier this summer on his Indian lobbying activities, and an ongoing House Ethics Committee investigation into House Majority Leader Tom DeLay's relationship with Abramoff all bring into renewed focus a Justice Department investigation into the sweatshops of the Northern Marianas Islands and Abramoff's role in preserving the substandard labor conditions of the garment industry there. Covered before in NCRP articles on Abramoff<sup>1</sup> and Nike's sweatshops,<sup>2</sup> the Marianas represents yet another strand in Abramoff's unethical weaving of politics, business, and charity.



*A protester burns a GAP shirt in front of a GAP store on November 28, 1999, in downtown Seattle to protest alleged sweatshop conditions and low wages on the island of Saipan. Protesters from Global Trade Organization activists rallied in the downtown shopping area. (Photo: John G. Mabanglo/AFP/Getty Images)*

"Made in the U.S.A." labels are not supposed to conjure up images of migrant laborers working 90-hour weeks, living in subpar conditions, and making \$3.05 an hour. This was exactly the situation on an island that House Majority Leader Tom DeLay once laughingly referred to as his "perfect petri dish of capitalism." How did horrid labor conditions like these—in a U.S. protectorate nonetheless—flourish well into the 1990s, and what did Jack Abramoff have to do with it?

Saipan, the island capital of the U.S. Commonwealth of the Northern Marianas Islands (CNMI) in the western Pacific, and its sweatshops, were indeed the perfect petri dish in paradise. Under their 1986 charter, the CNMI mandates its own immigration and labor regulations. As a result, the CNMI had a workforce that was 91 percent migrant workers from China, the Philippines, Sri Lanka, and Bangladesh and virtually no federally mandated regulations.<sup>3</sup> Over the decades, corporations like Wal-Mart, Gap, Ralph Lauren, Levi Strauss, Tommy Hilfiger, Calvin Klein, and Liz Claiborne have all benefited handsomely from the lax regulations on labor, since clothing, technically made in the U.S.A. except without the overhead of decent and humane labor conditions, can travel tariff free to the mainland. The abuses weren't limited to the garment industry. Construction and tourism workers were also mistreated and underpaid. Even worse, female workers already exploited with long workdays were allegedly funneled into a thriving sex trade.<sup>4</sup>

The CNMI first hired Abramoff in 1994 when the threat of federal regulations from the Clinton administration caused Marianas Gov. Froilan Tenorio (D) to turn to Abramoff. Abramoff had boasted of close ties with DeLay and current Ethics Committee Chair Doc Hastings (R-Wash.), who chaired the House Subcommittee on Native American and Insular Affairs. An audit in 2001 revealed that the CNMI and various garment industry affiliated organizations (namely the Western Pacific Economic Council and the Saipan Garment Manufacturers Association) had paid a total of \$9.5 million to Abramoff and his

lobbying partners and firms—including \$6.7 million to Preston Gates & Ellis, and \$500,000 to Greenberg Traurig in 2001, after Abramoff had joined the firm. A \$1.2 million contract was awarded to David Lapin—brother of Daniel Lapin, co-founder and current Toward Tradition president who introduced DeLay and Abramoff to each other—to teach a nine-day course on “ethics in government.” Both Lapin brothers have guest appearances in the Indian Affairs investigation into Abramoff and his lobbying deals. The audit found no evidence of services performed by Lapin. The audit also revealed that the CNMI overpaid for eight years of Abramoff lobbying contracts. Some payments did not even have a contract attached. The audit found it “difficult to justify [his] hiring based on his work.”

Both lobbying firms now linked to Abramoff—Preston Gates, and Greenberg Traurig—had the CNMI on the books as a “gold mine account.” In December 1997, Abramoff paid for DeLay, his wife and daughter, and 14 staffers (including Abramoff sidekick, former DeLay spokesman, and Preston Gates associate Mike Scanlon) to visit Saipan. (Airfare was at least \$75,000; he billed the CNMI for the time spent arranging the trip.) At a banquet speech in honor of venture capitalist Willie Tan (a Republican National Committee bankroller who had allegedly volunteered to bankroll a public relations counteroffensive against the media outrage about the sweatshops), DeLay praised the CNMI for its free markets and promised to defend it. At the very same speech in which he claims Abramoff as one of his “closest and dearest friends,” he also praised Saipan for wanting to be “self-sustaining and self-sufficient.” Not surprisingly, DeLay’s celebrity visit was not a rarity for such a remote island location. Over the years, Saipan has footed the bill for 85 congressmen, their spouses, and aides to travel to the island.

This neat little corporate utopia had not gone unchecked. The conditions were brought to light by Reagan administration officials, and underscored by an official of the first Bush administration in a congressional hearing in 1992.<sup>5</sup> A Native American and Insular Affairs Committee hearing in 1996 bore no results after then-Chairman Hastings declared the CNMI an “economic success story,” and called Clinton administration interference a threat to workers’ jobs and livelihood. He “urged Congress to continue a hands-off approach, in part by rejecting imposition of a minimum wage.”<sup>6</sup> Afterward, Hastings received almost \$10,000 from Preston Gates and Greenberg Traurig employees. While

the amount is considered inconsequential, it is still important to note that Abramoff personally contributed \$1,000 to Hastings’ campaign chest between September 1996 and November 1997.

In June 1997, then Majority Whip DeLay and Majority Leader Dick Armey wrote a letter to the Marianas government promising to block any legislation attempting to regulate the garment industry. Rep. George Miller (D-Calif.)—then-chairman of the House Resources Committee—toured Saipan, met secretly with the island’s migrant workforce, and in 1997 and 1998 submitted reports<sup>7</sup> to the House and requested a hearing on his findings, but was rejected by Rep. Don Young, an Alaska Republican. “The whip [DeLay] has said he’s not going to let that happen,” Young told Miller.<sup>8</sup> In 1997, Miller also introduced a bill that would extend federal labor and immigration regulations to the CNMI. Only the immigration legislation was passed in 2000.<sup>9</sup> Subsequently, former Sen. Frank Murkowski—current governor of Alaska, who isn’t exactly labor-friendly (he flunked every liberal and labor organization’s score card and aced conservative organizations’ score cards when he was in office)—was outraged after hearing testimony about the sweatshops on Saipan. In early 2000, Murkowski introduced a reform bill to extend federal labor regulations to the CNMI. It passed the Senate unanimously. The bill never got past the House, thanks to Abramoff’s work, DeLay’s influence, and Hastings’ committee chairmanship.

In December 1999, Scanlon, along with another former DeLay aide, Edwin Buckham, visited the CNMI to influence two legislators’ votes for the territory’s House of Representatives speaker. The result of their success? Newly elected Speaker Ben Fitial pushed through a renewed \$100,000 per month Abramoff contract, and the legislators—Alejo Mendiola and Norman Palacios—who had switched sides found themselves the winners of federal budget appropriations, “apparently supported by DeLay.”<sup>10</sup>

Another Abramoff venture almost made its way onto Saipan in the form of SunCruz Casinos, a Florida-based fleet of floating casinos belonging to Gus Boulis, a Greek entrepreneur. Federal investigators had found Boulis in violation of the Shipping Act (he had purchased vessels without being a U.S. citizen). Boulis had to sell SunCruz and turned to his law firm—Preston Gates Ellis & Rouvelas Meeds LLP—to help him find buyers. Abramoff stepped up with a name—Adam Kidan, a former Georgetown Law classmate and New York businessman with alleged family mafia ties. Unbeknownst to Preston Gates, Abramoff had

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joined Kidan in a 50-50 partnership of the SunCruz venture. Kidan would put up the money, and Abramoff, according to his lawyers, “would use his lobbying expertise and network to help expand the new company’s markets both in the U.S. and abroad.” Lo and behold, part of Abramoff’s plans as new CEO to step up SunCruz’s operations was to place a casino in Saipan’s port. Preston Gates learned of the potential conflict of interest and informed Boulis, who knew of it already and did not seem to mind. As revealed in a May 2005 *Washington Post* story, when negotiations went awry and Boulis demanded more, Scanlon turned to Rep. Bob Ney (R-Ohio), who officially denounced Boulis and his business practices in the Congressional Record. With \$60 million in financing secured, the Boulis-Preston Gates-Abramoff-Kidan deal went through smoothly on official paper, but under the surface were two promissory notes in lieu of actual payments to Boulis. Sparks flew as Kidan revamped SunCruz and fired Boulis-loyal employees. Abramoff and Kidan paid themselves hefty \$500,000 salaries. Boulis clamored for his payments, physically brawling with Kidan in a meeting, and in February 2001 was killed. Four years later, his murder is yet to be solved. Kidan’s mismanagement threw SunCruz into a bankruptcy auction. Saipan’s port never saw a floating casino. By 2001, Abramoff had moved on to Greenberg Traurig. By 2002, Abramoff’s schemes were focused on lobbying money from Indian tribes, what is revealed now as a whopping \$82 million. Abramoff, Kidan, and the SunCruz venture underwent a federal bank fraud investigation.



Abramoff lost his Marianas gold mine in 2002 when Juan Babauta won the gubernatorial elections, beating out, among others, Ben Fitial, to whom Abramoff donated \$5,000. Fitial, still speaker, laments the loss of Abramoff’s assistance, and asserts, “Tom DeLay, he’s the one who can help us.”

The pro-garment factory CNMI leaders and elected officials, with only corporate interests in mind, still hail Abramoff as being their defender of freedom. *The Saipan Tribune*—the CNMI’s only newspaper, which is owned by the proprietor of the largest garment company in the CNMI—hailed Abramoff as their “freedom fighter” in Congress.

“It is probably no exaggeration to suggest that Jack Abramoff is a kind of hero to the indigenous people of the CNMI. Through his work at Preston Gates, our commissioned advocate, he has kept our islands free. He has upheld the principles of liberty, autonomy, and maximum local self-government in the Northern Marianas. He has protected us from unwarranted federal encroachments upon our relatively free markets.”

“But Mr. Abramoff is not a mere lobbyist. He is a dedicated champion of free markets and individual liberty. He is ideologically committed to supporting organizations that actively support and promote ideas on liberty—organizations such as the Cato Institute and Citizens Against Government Waste.”

“Mr. Abramoff, in a very real sense, is an ardent champion of the little guy—of the much maligned Northern Marianas as well as the Choctaw Indian tribe of Mississippi. He does us a valuable service, demonstrating once again that the true champions of the little guy cannot be found in the US Democratic Party, which promotes a victim mentality that expects solutions from the Federal Government. On the contrary, men like Abramoff support our own self-reliance.”

Even now, Governor Babauta (a Democrat in name only, it seems) refers to any U.S. attempt at regulation as a pseudo-dictatorial “federal takeover” that keeps investors away.

In 2002, Rep. Miller lamented, “Sadly, the Congress has refused year after year to respond to the disgraceful conditions in the Marianas, not only in the garment industry but in the construction and hotel industry as well. All of our efforts to correct these abuses have met with stonewalled indifference from the leadership of

Congress.<sup>11</sup> This year, Rep. Miller reiterates his concern for the Pacific Islands by calling for a House Resources Committee investigation into Abramoff's CNMI activities.<sup>12</sup>

Good investigative work on potential political and philanthropic misdeeds starts with the edict "follow the money," but it is not so simple when it comes to chronicling Abramoff's complex and arcane corporate, political, and philanthropic dealings. Abramoff's initial nonprofit venture was the International Freedom Foundation, which he helped found in 1985 and was receiving \$1.2 million a year from South Africa's apartheid regime. It was disbanded in 1992. The Marianas labor fight occurred side by side with Abramoff's questionable financial transactions with the National Council for Public Policy Research (NCPFR) and his very own Capital Athletic Foundation (CAF). For example, as revealed in June's Indian Affairs hearing, Abramoff, as a board member of the NCPFR, instructed Amy Ridenour, the center's president, to pay out \$1 million in Choctaw contributions. Some \$450,000 was to go to the CAF, and \$500,000 was to go to the Capitol Campaign Strategies, a Mike Scanlon-founded political consulting firm.<sup>13</sup> Abramoff appears to have drawn just about no lines between business and charity, often soliciting consulting associates for charitable donations, and using their names to legitimize his 990 filings. According to Guidestar.org, three of four CAF board members worked under Abramoff at Greenberg Taurig. It seems that one of them, Todd Boulanger, was not even aware of the foundation's existence.<sup>14</sup> In early August of this year, Abramoff and Kidan were indicted by a federal grand jury in Florida on SunCruz-related fraud and conspiracy charges. Abramoff surrendered to FBI agents in Los Angeles the same day.<sup>15</sup>

DeLay continues to defend his opposition of CNMI labor reform. In May of this year, a DeLay spokesman said that the legislation "would have strangled the Marianas' burgeoning economy," and praised the CNMI's commitment "to implement free-market reforms that would dramatically increase employment opportunities and living standards."

For a majority leader whose party touts "moral values" and the high ground, it is sad to be caught, yet again, flaunting a lack of value or respect for human decency. Abramoff, with the powerful assistance of the likes of Tom DeLay, Doc Hastings, and Bob Ney, had for almost a decade enabled the CNMI to circumvent federal labor laws, turned a blind eye to sex traffick-

ing, and funneled money to his pockets using his charity CAF and shaky business ventures like SunCruz Casinos. The only real value evident is the value of the dollar—certainly not one we can attribute as being "moral." ☹

#### Notes

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