

Presentation

by
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To the Interagency Group on Insular Areas

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I would like to begin by suggesting that this might be the appropriate time to re-examine the objectives, programs and operations of the Interagency Group on Insular Areas. I don't want to sound ungrateful for the work and contributions of the IGIA. It is only that experience and changing conditions often warrant such examinations.

Just ten years ago President Clinton created the Interagency Group on Insular Areas. An interagency group of this kind had long been recommended to deal with issues relating to American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the United States Virgin Islands. Such issues frequently cut across agency lines. Since the insular jurisdictions lacked the representation that a State has in the Federal process, the Federal Government has a special responsibility to consider these issues. Among the purposes originally posed for the IGIA were:

1. Guidance on Federal policies affecting insular areas;
2. Identification of such policies and the formulation of recommendations to the Federal Government;
3. Continuing consultations with the Governors, Delegates to the U.S. House of Representatives, other elected representatives of the insular areas, and members of Congress as appropriate; and
4. Executive department coordination of significant decisions or activities relating to the insular areas with the IGIA.

To do all of this the IGIA and the Insular Areas agreed to establish a Federal-Insular Partnership to conduct a series of further interagency and intergovernmental discussions, with the goal of obtaining as much progress as possible and as quickly as possible technical assistance for planning, participation in Federal trade missions, job training, fiscal responsibility, U.S. statistical programs, education, transportation, environmental preservation, and Federal grant programs. In addition each insular area identified issues with the Federal Government that were especially important or unique to them.

In the case of American Samoa, we registered concerns related to Federal corporate tax incentives, local involvement in the negotiation of trade agreements with other countries, SBA presence in the territory, and several others.

At our meeting last year, I suggested that the Interagency Group on Insular Areas (IGIA) has been a helpful institution for the Insular Areas and Federal agencies. However, I suggested that it needed to be reevaluated because (a) there are long-standing recommendations on the need for Federal-Insular Area cooperation and coordination and (b) the potential devastating effects of recent federal actions concerning the Insular Areas.

Consider, for example, the application of the US minimum wage to American Samoa and the CNMI. In this case, the action was taken before any in-depth consideration of the possible economic consequences on those territories by the US Congress or anyone else. Let me just say that I am not going to argue the merits of the minimum wage case today. Congress, although belatedly, continues to provide for analyses of the economic impacts of this rising minimum wage on our territories.

Furthermore, I am not an opponent of the minimum wage or a living wage. What I do oppose is applying federal laws to territories that have vastly different conditions among them and the states could cause economic disaster for their already vulnerable economies.

In this case there are economic differences between some territories and the US states that warrant careful treading in the application of the US minimum wage to those territories.

In American Samoa, the per capita income is only 20 percent of the US average. That means that the impact of raising the minimum wage to US levels could have broader effects on our economy. Let me put this matter another way. The US Department of Labor performed a study of the impact of the new US minimum wage on the CNMI and American Samoa. It estimated that a much higher proportion of the work force is subject to the minimum wage in American Samoa than in the US. In order to cover the same proportion of the work force in the US as in American Samoa, the US minimum wage would have to be raised to \$17.00 per hour. Anyone care to suggest to Congress that the US minimum wage be raised to \$17.00 per hour? In effect that is what Congress did to American Samoa and the CNMI.

Ironically, ten years ago the IGIA recommended that the Federal government provide economic and demographic data for the territories as they do for the states. It did not happen, and the most damaging deficiency in measuring the impacts of the US minimum wage on American Samoa and the CNMI was the lack of such data.

In addition, we now have the onset of US and global recession, the final depth of which is presently unknown. This recession and ultimate recovery could leave the territories further behind the states than they are now.

Thankfully, our Congressional delegate and others in Congress have been working tirelessly to provide in recent legislation language to study the economic effects of those recent and future minimum wage increases. *In fact they were successful in including language studying the effects of this increase in the minimum wage in HR 1 (American Recovery and Reinvestment Act of 2009 or Stimulus Act). It is important to recall, however, that there was no early warning or analysis of the effects of this bill on the territories before it became law.* Nevertheless we remain at the mercy of Congress and the US Executive Office regarding Federal laws and policies that can have very severe effects upon us.

Consider another more immediate example. The US economy is entering uncharted waters. We have had serious economic recessions or depressions in the past; however, each has its own set of conditions regarding finance, regulation, technology, and others. The territories will enter those uncharted waters with the US economy. The economic recovery or stimulus legislation recently signed by the President will be a highly competitive process in which small US territories with very limited grant expertise and capacity compared with the states may be at a serious disadvantage. It is mainly a matter of scale or size in which states have grant specialists for the states, cities, counties and even special government districts. Sometimes they have grant specialists for particular types of grant each of which is an area of expertise in itself. We do provide for specific areas in these federal programs (States, Native Americans, rural areas, low income areas, veterans, small business, etc.) The question is this. Are not US territories sufficiently separate from the main stream US (in history, culture, physical distance and economically) that they should be specifically referenced in federal legislation and programs? Is this an issue for IGIA?

How can we get ahead of the curve on Federal issues that can have grave economic consequences for the territories? The IGIA was a good start, but we are not there yet. We don't have it right yet. The Government Accountability Office, the Insular Areas themselves, the US Congress and others have all expressed concern, sometimes frustration, at development trends and the lack of fully developed Federal objectives, policies and programs for the territories by which to guide or evaluate Federal actions.

Is the IGIA itself the right vehicle for this function? Is it the role of the IGIA do this? If it is, how can we improve it to achieve our objectives? If the IGIA is not the organization to do this, what kind of an organization is needed? Is this something the IGIA itself could investigate? Should the IGIA deal only with the large issues, or should it take on all of the issues large or small? If its mission is modified to deal mainly with the major issues, should it have the authority to require, for example, economic impact analyses of those issues (e.g., minimum wage, international trade policy, federal development programs and policies for the territories, education, health care, etc.)?

I would like to propose that we consider a recommendation that would allow the IGIA to examine these questions. How well has IGIA met its original objectives? Are the original objectives, scope of work and operations still valid or are modifications necessary? What modifications might be necessary to achieve better Federal-Territorial cooperation and coordination?

As much as has been done over the years, I do not think we have scratched the surface in establishing the role and responsibilities of the Federal government with respect to US territories in the US system. I do not presently have all of the answers, but I am confident that we could come up with a body of law, policies, and respective responsibilities that would serve territorial development far better in the future than the random and reactive process that has characterized territorial development for decades.

There is certainly no doubt in my mind that a more action oriented Federal-Insular Area Group is essential. We have a good start with IGIA. We need to consider if we can do better under the difficult economic circumstances we now face. I would like to recommend that we establish a sub-committee to explore this issue and report back to us at a special in a few months time.

Finally, I want to apologize for not having discussed this earlier with members of the Group, but I do hope that we will have an opportunity to discuss this recommendation at this meeting of the IGIA.