



Highlights of [GAO-08-791](#), a report to congressional committees

## Why GAO Did This Study

The United States enacted legislation in May 2008 applying federal immigration law to the Commonwealth of the Northern Mariana Islands (CNMI) subject to a transition period. The CNMI is subject to most U.S. laws but has administered its own immigration system, including admitting foreign workers, tourists, and foreign investors. The Secretary of Homeland Security, in consultation with the Secretaries of the Interior, Labor, and State, and the Attorney General, has the responsibility to establish a transition program. GAO was asked to review how the legislation's implementation may affect the CNMI economy, in particular the CNMI's (1) labor market, including foreign workers; (2) tourism sector; and (3) foreign investment. This report is based on GAO's March 2008 report (GAO-08-466) and analysis of data on the CNMI's labor market, tourism sector, and foreign investment.

## What GAO Recommends

GAO recommends that the Secretary of Homeland Security lead other relevant federal agencies in identifying an interagency process to jointly implement the legislation and that the Secretaries of Homeland Security and Labor jointly develop strategies to obtain critical data on the CNMI labor market and foreign investment. DHS agreed with the findings and recommendations, Interior agreed with the findings, and Labor had no comments. In response to the CNMI government's concerns about the methodology and analysis, GAO clarified the report as appropriate.

To view the full product, including the scope and methodology, click on [GAO-08-791](#). For more information, contact David Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Managing Potential Economic Impact of Applying U.S. Immigration Law Requires Coordinated Federal Decisions and Additional Data

### What GAO Found

**Labor market.** The potential impact on the CNMI's labor market of the recent legislation applying U.S. immigration law will largely depend on decisions that the U.S. Departments of Homeland Security (DHS) and Labor (DOL) make in implementing a required permit program for foreign workers. The interaction of DHS and DOL decisions about, respectively, the number of permits to allocate annually and whether and when to extend the permit program past 2014 will significantly affect employers' access to foreign workers. However, federal agencies have not yet identified an interagency process to coordinate such decisions. Further, the agencies may have difficulty obtaining relevant data on the CNMI labor market. Given foreign workers' prominence in key CNMI industries, any substantial and rapid decline in permits for foreign workers would have a negative effect on the CNMI economy. However, federal agencies may reduce permits more modestly, resulting in minimal effects on the economy. At the same time, continuing declines in the garment industry, challenges to the tourism industry, and the scheduled increases in the minimum wage may reduce demand for foreign workers, lessening any potential adverse impact of the legislation on the economy. Although the legislation and the CNMI government have stated goals of preparing CNMI residents to replace foreign workers, factors such as the limited number of available CNMI residents may impede these efforts' effectiveness.

**Tourism.** Any impact of the recent legislation on the CNMI's tourism sector will depend largely on federal regulations specifying the countries to be included in a joint CNMI-Guam visa waiver program required by the legislation. For countries likely to be included in this program, such as Japan and South Korea, the impact is likely to be minimal. For countries that may not be part of the joint visa waiver program, possibly including China and Russia, applying for a visa from U.S. embassies or consulates will likely be more costly and more time-consuming than obtaining a visitor entry permit under CNMI immigration law. To the extent that any increase in the cost and time required to obtain a visa discourages tourists from visiting the CNMI, the legislation could negatively affect CNMI tourism.

**Foreign investment.** The recent legislation's impact on CNMI foreign investment will depend in part on DHS decisions regarding the application of U.S. nonimmigrant treaty investor status—"grandfathering"—for investors with CNMI foreign investor entry permits. However, lack of data on foreign investment in the CNMI makes it difficult to assess the likely impact of these decisions and may hamper DHS's ability to make informed decisions. Because long-term business entry permits account for a large proportion of CNMI foreign investor entry permits, more CNMI foreign investors will be grandfathered if DHS applies the status to these permit holders. Any impact on foreign investment in the CNMI will likely affect the labor market and tourism sector, and any impact on the labor market or tourism sector may also affect foreign investment.