

# **TRANSFORMING THE ECONOMY OF AMERICAN SAMOA**

A Report to the President of the United States of America  
through the  
Secretary of the U.S. Department of the Interior

Revised July 2002

SUBMITTED BY

**American Samoa Economic Advisory Commission**



The Commission gives special thanks to  
American Samoa Community College Student

**Samantha Leaupepe**

creator of the artwork

on the front cover of this Commission report.



# **AMERICAN SAMOA ECONOMIC ADVISORY COMMISSION**

Charted By  
**United States Department of the Interior**  
Office of Insular Affairs  
Washington, D.C.

## **COMMISSION MEMBERS**

Honorable John Waihee, Chair  
Honorable Robert J. Lagomarsino, Vice Chair  
Honorable Togiola T.A. Tulafono  
Mr. Joseph M. Pereira

## **FORMER COMMISSION MEMBERS**

Honorable Arthur C. Campbell  
Honorable Chester J. Straub

## **COMMISSION STAFF**

Gail A. Mukaihata Hannemann, Project Director  
Dorri L.T. Nautu, Deputy Project Director

# AMERICAN SAMOA ECONOMIC ADVISORY COMMISSION

April 2002

Honorable Gale A. Norton  
Secretary  
U.S. Department of the Interior  
Washington, D.C. 20240

Dear Madam Secretary:

On behalf of the American Samoa Economic Advisory Commission, it is with great pleasure that I submit to the President of the United States through you the four-volume report entitled, Transforming the Economy of American Samoa.

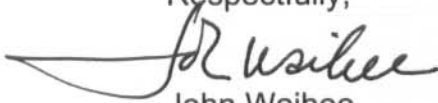
As you know, the formation of the Commission marked the first time in American Samoa's 100-year territorial history that a Secretarial Commission was established to specifically address the economic needs of American Samoa. The Commission had the broad mandate of making recommendations to the President regarding the economic future of American Samoa as well as collecting and analyzing data, information, and other relevant material.

In response to this mandate, the Commission, in conjunction with the people of American Samoa, developed an economic development plan. The plan is intended to serve as a guide by both the implementers and resource providers when deciding what policy positions, projects, activities, and requests should be advocated and supported. While the people of American Samoa are ultimately responsible for implementing the plan, they will need the direct assistance and support of the United States Government, in particular the Department of the Interior to succeed.

American Samoa continues to struggle with many of the same problems that have plagued her economy for decades. Yet, the world as we know it today is very different from the one that existed when many of the policy decisions, programs, and economic tools currently in place were formulated. These changing times require innovative, enterprising, and contemporary solutions to effect positive and sustainable economic changes.

On behalf of my colleagues, we thank you for supporting the work of the Commission. We hope that the findings, recommendations, and material contained within this report will help you and your staff in your endeavors to improve the quality of life of American Samoa.

Respectfully,

  
John Waihee  
Chair

# AMERICAN SAMOA ECONOMIC ADVISORY COMMISSION

April 2002

Honorable George W. Bush  
President of the United States of America  
The White House  
Washington, D.C. 20500

Dear Mr. President:

On behalf of the American Samoa Economic Advisory Commission, I respectfully submit to you through the Secretary of the United States Department of the Interior, the report entitled, Transforming the Economy of American Samoa.

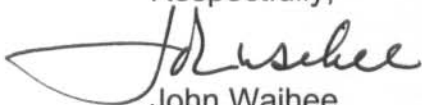
In accordance with its charter, this four-volume report contains the findings and recommendations of the Commission with regards to the economic future of American Samoa. Specifically, it includes an economic development plan that is designed to help American Samoa transform her stagnant and struggling economy into one that will be viable and thriving.

Although the economic development plan is considered part of the official work of the Commission, it in fact represents the collaborative effort of the Commission and the people of the American Samoa. Through a community-based planning process, the people articulated a clear vision of how economic growth should develop in American Samoa. In particular, they want to foster a market-based economy that is dynamic, enterprising, self-sustaining and responsive to changes and fluctuations in the global economy. This vision also presumes that the United States will continue its long-standing policy of respecting the people of American Samoa's desire to preserve and perpetuate their Samoan way of life, *fa'asamoa*. In addition, they have expressed a strong desire to enhance the relationship between the United States and American Samoa.

The Commission concurs with these expressed wishes. We further encourage the United States Government to closely work with the American Samoa Government to improve the quality of life for those living in the Territory. These extraordinary times require extraordinary solutions.

We hope that during your tenure as President you will have an opportunity to grace the shores of these islands and experiencing the beauty and warmth of the Samoan culture.

Respectfully,

  
John Waihee  
Chair

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April 8, 2002

The Honorable George W. Bush  
President of the United States  
The White House  
Washington, D.C. 20500

Dear Mr. President:

As an ex officio member of the American Samoa Economic Advisory Commission, it is a pleasure for me to express my deepest appreciation to you and your administration for your support of this historic Commission. More than 100 years ago the islands of Tutuila and Aunu'u were ceded to the United States. On April 17, 1900, the United States flag was raised at the U.S. Naval station in American Samoa. Four years later on July 16, 1904, His Majesty King Tuimanu'a Elisara and his leading chiefs also ceded the islands of Ta'u, Ofu and Olosega.

In 1951, President Harry S. Truman issued Executive Order 10264 which transferred administrative responsibility for the islands of American Samoa from the Secretary of the Navy to the U.S. Secretary of the Interior. For the past fifty years, the Department of the Interior has been the lead federal agency authorized to take appropriate action to address the concerns and needs of American Samoa. However, in the past thirty years, American Samoa has also been given greater voice in its political affairs. In 1977, American Samoa elected its first Governor and in 1980 American Samoa elected its first Delegate to the United States Congress.

Given this history and after consultation with Governor Tauese Sunia and our local Legislature, a collective understanding was reached that a review of American Samoa's political and economic relationship with the United States should be undertaken. Additionally, it was also determined that a thorough listing of reference materials, including books, periodicals, and studies regarding American Samoa's history with the United States, should be compiled. The Clinton administration supported this request and in 1998 the Honorable Bruce Babbitt, U.S. Secretary of the Interior, established a Secretarial Commission to specifically assess the economic status of American Samoa.

I am grateful for the support that Secretary Babbitt and his staff provided during the initial stages of this important undertaking. I am also deeply appreciative to Secretary Gale Norton and her staff for moving this work forward. For the first time in American Samoa's 102-year history with the United States, a Secretarial Commission was charged with the mandate of making recommendations to the President of the United States regarding the economic future of American Samoa.

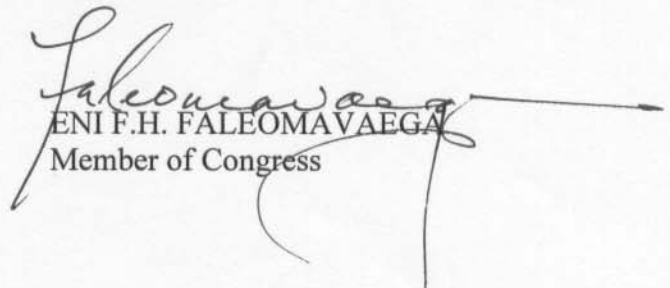
As an ex officio member of this historic Commission, I join with Chairman John D. Waihee, Vice-Chairman Robert J. Lagomarsino, Commissioners Togiola T.A. Tulafono, Joesph M. Pereira, and former Commissioner Arthur Campbell in presenting to you our findings. In so doing, I wish to thank the Chairman and Commissioners for their dedication and commitment to an undertaking that has been both challenging and complex.

I also wish to thank the local leaders of American Samoa, including the Fono, for providing critical input and support. I also wish to thank Dr. Salu Hunkin, former President of the American Samoa Community College, for her leadership in ensuring that the attitudes of the community were appropriately reflected in a comprehensive survey which serves as the basis of this report. Most importantly, I thank the people of American Samoa for sharing their views and expressing their concerns about their political and economic destiny.

Although this work is not definitive, I believe it serves as a point of reference and a basis on which to build. I believe it offers the local leadership of American Samoa new direction and insight. I also believe this report will sensitize Congress to the unique challenges that American Samoa faces 102 years after pledging its allegiance to the United States.

I am hopeful that this report will serve to strengthen and renew U.S. commitment to the Territory of American Samoa. In a time of increased instability, I am also hopeful that this report will serve as a reminder of the historic friendship we continue to share. I extend to you my sincere regards.

Sincerely,

  
ENI F.H. FALEOMAVAEGA  
Member of Congress



## EXECUTIVE SUMMARY

Long before the 1700s when the western world first came to know of the Samoan islands, the indigenous people of these lands developed, practiced, and passed down through generations a way of life that has sustained and perpetuated her people for more than two thousands years. The Samoans refer to their way of life as *fa'asamoa*, the Samoan way. This lifestyle is based on the concept of mutual respect and reciprocal sharing amongst the *aiga*<sup>1</sup> and influences every aspect of life, including the framework for the islands' economy.

Although American Samoa's economy has since evolved into a system that embraces many of the elements of a western-style market economy, for the past 50 years, the composition of the Territory's economic structure has remained virtually unchanged and her economic development persistently stagnant. Nevertheless, while most people in American Samoa agree that changes need to occur within the economy, many express concerns regarding the type of development that might transpire. They are apprehensive that the changes will ultimately be harmful to the Samoan people and her culture.

### COMMISSION MANDATE

The American Samoa Economic Advisory Commission (herein, Commission) was established "to make recommendations to the President through the Secretary of the Interior on the economic future of American Samoa; to analyze the history of, and prospects for, economic development in American Samoa."<sup>2</sup>

The Commission's Charter further required that the Commission recommend "policies, actions, and suggested time frames necessary to achieve a secure and self-sustaining economy for American Samoa and on the related appropriate role of the Federal Government." It also noted that the Commission was to:

- Solicit and analyze information on projected private sector development and shifting trends based on alternative forecasts of economic, political, and social conditions in the Pacific;
- Analyze the local government's education, health, capital infrastructure, environmental, and fiscal procedures, policies, and needs in light of these alternative forecasts;

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<sup>1</sup> An *aiga* or extended family includes people who are related by blood, marriage, or adoption with a common allegiance to a specific *matai*. The size of one's *aiga* can vary from a few to several hundred and functions as a close-knit unit.

<sup>2</sup> Charter, American Samoa Economic Advisory Commission; United States Department of the Interior, Office of Insular Affairs; September 15, 1998.

## Executive Summary

- Assemble relevant demographic, economic, and revenue and expenditure data, together with an overview of the history of American Samoa dating from 1872, with an emphasis on events or actions that affect future economic development; and
- Review the application of local and Federal laws and programs and the effect of Federal trade and other international agreements on the local economy.

The formation of the Commission marked the first time in American Samoa's 100-year territorial history that a Secretarial Commission was established to specifically address the economic needs of American Samoa. The Commission was originally created by the former Secretary of the U.S. Department of the Interior, Bruce Babbitt, at the urging of the American Samoa Delegate to the U.S. Congress, Eni F. H. Faleomavaega. Even with a change in Administrations, the Commission was able to complete its work because of the support it received from the new Interior Secretary, Gale A. Norton.

## THE COMMISSION REPORT

The report is designed to address the Commission's broad mandate. It includes specific economic policy recommendations to the President that were formulated with the goal of transforming American Samoa's stagnant and struggling economy into one that is viable, diverse, and self-sustaining. Moreover, the report includes an economic development plan that provides a strategy for not only achieving the goal but most importantly, realizing the Territory's economic vision. The vast body of the report provides the contextual information and data used to devise the plan.

The report is organized into four volumes.

- Volume One contains the Commission's economic development plan.
- Volume Two is organized into four parts. Part I focuses on the work of the Commission as it specifically relates to its purpose of making recommendations to the President. Part II provides a more in depth view of American Samoa's economy. Part III consists of background material with detailed subject specific data and information regarding American Samoa. Part IV contains relevant Commission documents and the bibliography.
- Volume Three includes the full text of the American Samoa Community College's task force report, *Economic Development Survey*, transcripts from the Commission's public meetings in American Samoa, *Governor's Task Force on Population Growth*, general information on minimum wage rates, and several bibliographies.

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- Volume Four focuses on key historical documents. It includes facsimiles as well as a list compiled by the American Samoa Delegate to U.S. Congress.

## THE ECONOMIC DEVELOPMENT PLAN

The economic development plan, entitled, *Transforming the Economy of American Samoa, An Economic Development Plan* (herein, The Plan) is in part a narrative summary of the Commission's findings and recommendations. And while the Plan is presented as the official work of the Commission, it really represents the collaborative efforts of the Commission and the people of American Samoa.

The Plan is simplistic in its presentation but comprehensive in its assessment. It names the industries that have the greatest potential to succeed, and prioritizes the concepts, ideas, and plans that are most workable. It identifies needed resources and discusses how they should be allocated. It advocates objectives and strategies that best achieve the stated goal and other desired outcomes. It provides the rationale and justification for these decisions. Moreover, it adds perspective to the discussion and encourages new thinking.

Furthermore, The Plan was designed to serve as a guide for both the implementers and resource providers as they decide what policy positions, projects, activities, and requests should be supported. The strategies and actions that best contribute to achieving the stated vision, goal, and objectives should take precedent.

## SYNOPOSIS OF THE PLAN

### The Plan incorporates two guiding principles -

- The United States should continue its long-standing policy of respecting the people of American Samoa's desires to preserve and perpetuate her *fa'asamoa*, the Samoan way of life; and
- The relationship between the United States and American Samoa should continue to be nurtured and enhanced.

### The Plan's vision -

American Samoa will improve the quality of life of her people by realizing a market driven economy that is dynamic, enterprising, self-sustaining, and responsive to changes and fluctuations in the global economy. Moreover, any economic development must transpire in a manner that is respectful of the explicit desire of her citizenry and the United States Government to protect the culture of the Samoan people and the basic tenets of *fa'asamoa*, the Samoan way of life.

## Executive Summary

### **The Plan's goal -**

To transform the composition of American Samoa's economy so that a more diverse private sector becomes the driving force of a self-sustaining market economy.

### **The Plan focuses attention on -**

- Changing the role of the public sector so it primarily serves as a conduit for economic change; and
- Diversifying the private sector by developing entrepreneurial activities and targeting four industries for growth.

### **The Plan establishes decision-making criteria -**

The following criteria were established to determine whether an industry should be targeted for growth:

- The industry supports the common vision and does not work counterproductive to cultural considerations;
- The industry yields the greatest desired economic benefits to the greatest number of people;
- The industry attracts new sources of income into the economy and/or curtails the out flow of capital from the economy;
- The industry takes advantage of shared resources, existing infrastructure, and functioning entities; and
- The industry helps to diversify the private sector by providing spin-off opportunities as industries mature.

### **The Plan's targets four growth industries -**

- Fisheries and Agriculture;
- Telecommunication and Technology Information;
- Manufacturing; and
- Visitor.

Within each industry, the Plan calls for the development of various enterprises that are classified into three tiers. Assigning tier levels recognizes that industries and enterprises mature at different rates due to varying conditions, circumstances, and resources. It also presumes that the various developmental



## Executive Summary

stages can occur concurrently, consecutively, and at times on entirely different schedules. It also assumes all industries may not contribute equally.

Tier One enterprises have the greatest potential to take root, flourish, and attract new enterprises and industries that promise higher added value and greater productivity. Tier Two enterprises have immense possibilities but will require more time and resources to develop. Tier Three enterprises represent ‘spin-off’ industries and enterprises that will naturally evolve as the core industries mature.

**Summary Table of Growth Industry Development**

<b>Growth Industry</b>	<b>Tier One</b>	<b>Tier Two</b>	<b>Tier Three</b>
Fisheries and Agriculture	- Canneries	- Other Fisheries - Agriculture and Aquaculture	- Other Small Businesses
Telecommunication and Information Technology	- e-Commerce Development Center	- LBJ Tropical Medical Center - ASCC Education and Training Center	- Other Small Businesses
Manufacturing	- Garment Manufacturer	- Component Assembly	- Other Small Businesses
Visitor	- Niche Markets - Eco-Tourism - Cultural Tourism - Handicrafts	- Support Services (i.e. Food, Lodging, Telecommunication) - Conference Center - Harbor Activity	- Other Small Businesses

## CONCLUSION

Because the Commission was determined to make recommendations that truly met its mandate, it took the unprecedented step of devising an economic development plan that could be embraced by the people of American Samoa. The Commission believes that measurable and sustainable economic growth can be realized if its plan is based on accurate information and realistic assumptions, reflects the community’s will, respects the cultural values of the Samoan people, and is implemented through local leadership with the support of the United States Government. Consequently, the Commission made a concerted effort to engage The Plan’s intended beneficiaries, the people, in a community-based planning process. It also synthesized the many views and perspectives of organizations, institutions, and other concerned individuals situated elsewhere who took the time to express their concerns and ideas about the Territory’s economic future.

The Plan is simplistic in its presentation but comprehensive in its assessment. In fact, many aspects of The Plan are not necessarily new to the longstanding discussions regarding American Samoa’s economic development. The Plan incorporates many of the concepts, ideas, and efforts independently advanced by

## Executive Summary

others who have been working to develop the economy. The reason being, if the truth be told, American Samoa has relatively few options to realistically pursue when considers the Territory's economic structure, market conditions, existing resources, geographic location, physical constraints, economic data, demographic information, cultural and political considerations, and global trends.

The Plan is intended to cover a five to ten year period. Those responsible for implementing it will work out the specific details of the timetable and tactics. In particular, the people of American Samoa, their chosen leaders, and government and business decision-makers must come to terms with the challenge of identifying and embracing economic development that is compatible with their culture, and U.S. business and accounting practices. It is their future, they must decide. Yet, a protracted debate will most likely result in lost opportunities.

While the overall success of The Plan will depend on American Samoa's ability to secure needed resources and execute The Plan, she can not succeed without the support from policymakers, grantors, benefactors, and other resource providers. In particular, the United States Government must lead the way since it not only has a legal and moral obligation to assist the Territory but also possesses the power to create economic opportunities in ways American Samoa can not do for herself. The world as we know it today is very different from the one that existed when many of policies, programs, and economic tools currently in place were formulated. These changing times require innovative, enterprising, and contemporary solutions to effect positive and sustainable changes. The report provides decision-makers with a wealth of information to begin their work.

While the Commission and the people of American Samoa know that no one action will 'fix' the economy, collectively each effort can contribute to a synergy that will ultimately transform the Territory's economy in a manner that allows her to successfully compete in the markets she so chooses. When this occurs, American Samoa will not only find her rightful place in this 21<sup>st</sup> century global economy but will be assured that her way of life, *fa'asamoa*, can be practiced and perpetuated for generations to come.

# **TRANSFORMING THE ECONOMY OF AMERICAN SAMOA**

Volume One –

## **THE PLAN**

A Report to the President of the United States of America  
through the  
Secretary of the U.S. Department of the Interior

Submitted by

**American Samoa Economic Advisory Commission**  
Honolulu, Hawaii

Charted By

**United States Department of the Interior**  
Office of Insular Affairs  
Washington, D.C.  
Project GEN-143  
Revised July 2002

# **AMERICAN SAMOA ECONOMIC ADVISORY COMMISSION**

Charted By  
**United States Department of the Interior**  
Office of Insular Affairs  
Washington, D.C.

## **COMMISSION MEMBERS**

Honorable John Waihee, Chair  
Honorable Robert J. Lagomarsino, Vice Chair  
Honorable Togiola T.A. Tulafono  
Mr. Joseph M. Pereira

## **FORMER COMMISSION MEMBERS**

Honorable Arthur C. Campbell  
Honorable Chester J. Straub

## **COMMISSION STAFF**

Gail A. Mukaihata Hannemann, Project Director  
Dorri L.T. Nautu, Deputy Project Director



## ACKNOWLEDGEMENTS

The American Samoa Economic Advisory Commission was given the responsibility of making recommendations to the President of the United States of America through the Secretary of the U.S. Department of the Interior on the economic future of American Samoa. This directive provided the Commission with an extraordinary opportunity to meet, work, and interface with countless of individuals. As a result, the Commission was able to meet its mandate because of the cooperation of many people from many places that offered their assistance, advice, and insights throughout the Commission's tenure.

The Commission would like to thank both Secretary Gale A. Norton and former Secretary Bruce Babbitt of the U.S. Department of the Interior, as well as the staff of the Office of Insular Affairs. Similarly, the Commission would like to acknowledge its ex-officio member, the American Samoa Delegate to the U.S. Congress, Congressman Eni F.H. Faleomavaega. Without his urging and insistence, this Commission would not have come into existence. In addition, the Commission would also like to acknowledge the contributions of our two former colleagues, Arthur C. Campbell and Chester J. Straub.

The Commission also received great support from various departments and agencies in the Federal Government based both in Washington, D.C. and Hawaii. In particular, the U.S. Department of Agriculture, U.S. Department of Commerce, U.S. Department of Labor, Small Business Administration, and U.S. Army Corps of Engineers, as well as the Western Pacific Regional Fishery Management Council.

Likewise, the Commission's work was made possible because of the technical assistance of the Social Science Research Institute of Hawai'i at Manoa who oversees the operations of PEACESAT, as well as the Hamilton Library of the University of Hawaii at Manoa and Brigham Young University at Hawaii. Also, the Commission acknowledges the work of the Pacific Basin Development Council who served as the Commission's administrator of funds.

Most importantly are the people of American Samoa. Many who took the time to share their views, thoughts, and concerns with the Commission. In particular, the Governor and the Executive Branch; the Speaker of the House, President of the Senate, and Members of the *Fono*; the Chief and Associate Justices and Judges of the High Court, Lower Court, and Administrative Law Judge; and the traditional leaders. In addition, the Commission would like to commend the work and support of the American Samoa Community College, as well as the business leaders and local entrepreneurs, and members of the community for their able assistance.

While it is not possible to individually thank and acknowledge each person, organization, or entity that supported the Commission's efforts, the Commission extends its warmest *fa'afetai* or thank you for their many contributions.

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## BACKGROUND

### CHANGING TIMES

Long before the 1700s when the western world first came to know of the Samoan islands, the indigenous people of these lands developed, practiced, and passed down through generations a way of life that has sustained and perpetuated her people for more than two thousands years. The Samoans refer to their way of life as *fa`asamoa*, the Samoan way of life. This lifestyle is based on the concept of mutual respect and reciprocal sharing amongst the *aiga*<sup>1</sup> and influences every aspect of life, including the framework for the islands' economy. For by definition an economy is a system that organizes the production, distribution, and consumption of all things a society uses to achieve a certain standard of living.<sup>2</sup>

Although American Samoa's economy has since evolved into a system that embraces many of the elements of a western-style market economy, for the past 50 years the Territory's economic composition has remained virtually unchanged and her development persistently stagnant. Nevertheless, while most people in American Samoa agree that changes need to occur within the economy, many express concerns about the type of development that might transpire. Understandably, they are apprehensive that their ways as Samoan people will ultimately be harmed by economic policies and growth that run counter to the tenets of their culture. In acknowledgement of this quandary, a relatively new saying in American Samoa has emerged, '*Ua sui le olaga*', meaning 'Life has changed'. This adage reflects the challenges American Samoa is facing today.

### THE COMMISSION

In recognition of these trends and the enormity of American Samoa's economic situation, the former Secretary of the U.S. Department of the Interior, Bruce Babbitt created the American Samoa Economic Advisory Commission at the urging of the American Samoa Delegate to the U.S. Congress, Eni F. H. Faleomavaega. The Commission was able to continue its work under the succeeding Administration because of the support it received from the new Interior Secretary, Gale A. Norton.

The formation of the Commission marked the first time in American Samoa's 100-year territorial history that a Secretarial Commission was established to specifically address the economic needs of American Samoa. The originating charter document states that the Commission was established "to make

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<sup>1</sup> An *aiga* or extended family includes people who are related by blood, marriage, or adoption with a common allegiance to a specific '*matai*' or chief. The size of one's *aiga* can vary from a few to several hundred and it functions as a close-knit unit.

<sup>2</sup> Shim, Jae K. and Joel G. Siegel; *Dictionary of Economics*; John Wiley & Sons, Inc., New York: 1995.



recommendations to the President through the Secretary of the Interior on the economic future of American Samoa; to analyze the history of, and prospects for, economic development in American Samoa.”<sup>3</sup> The Charter further required that the Commission recommend “policies, actions, and suggested time frames necessary to achieve a secure and self-sustaining economy for American Samoa and on the related appropriate role of the Federal Government.”

From the beginning, the Commission embraced its mandate and was determined to produce a body of work that could serve as a catalyst to real and sustainable economic growth in American Samoa. It also acknowledged that meaningful economic growth would only be realized if it was market driven and that a society could only experience true economic prosperity when all its citizens were able to enjoy the benefits of sustained economic growth.

To effect such a change, the Commission knew it had to actively seek the input and participation of the people who were the intended beneficiaries of the development process. It clearly understood that measurable success could only come to pass if its work reflected the will of the community, respected the cultural values of the Samoan people, and was implemented through local leadership with the support of the United States Government.

Consequently, the Commission worked with the people of American Samoa to develop an economic development plan. It also synthesized the many views and perspectives of organizations, institutions, and other concerned individuals residing elsewhere who took the time to express their beliefs and concerns about the Territory’s past and current state of affairs, as well as their ideas about her future economic development. It also researched and analyzed relevant data and information. The result is an economic development plan that reflects the expressed aspirations of the people of American Samoa and is based on accurate information and realistic assumptions.

## **THE PLAN**

The Economic Development Plan, herein referred to as ‘The Plan,’ is a blueprint for change. It is designed to help transform American Samoa’s stagnant and struggling economy into one that is viable and thriving. It is simplistic in its presentation but comprehensive in its assessment. It serves as a narrative summary of the Commission’s findings and recommendations and is part of a larger four-volume report that contains detailed information that supports the Commission’s findings and recommendations. It should be noted, that throughout the text of the report, Samoan words are used because at times a word or concept cannot be easily conveyed in a English word or term. Such Samoan words appear in *italic*.

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<sup>3</sup> American Samoa Economic Advisory Commission; Charter; United States Department of the Interior, Office of Insular Affairs: September 15, 1998.

## The Plan

The Plan has been segmented into six sections: 1) Background; 2) Findings; 3) Economic Policy Recommendations; 4) The Diversification of the Private Sector; 5) The Framework; and 6) Conclusion.

Broad contextual information is provided in the first section. In the second section, the Commission summarizes its findings. Based on the Commission's findings, the third section presents the vision and goal as well as discusses the Commission's recommendations. Generally, The Plan advocates the development of a self-sustaining economy that is driven by the private sector and is respectful of the culture. Specifically, it identifies four growth industries of the private sector.

The fourth section, The Diversification of the Private Sector, provides greater detail regarding why each industry was targeted and how it should be developed. By advocating such an approach, The Plan acknowledges that American Samoa's scarce and limited resources must be appropriately allocated and shared in order to achieve the desired outcome.

The fifth section, The Framework, restates the vision and goal as well as outlines the objectives and strategies of The Plan. The six and last section reaffirms the Commission's belief in the process, The Plan, and most importantly, the people of American Samoa.

The industries and strategies identified in The Plan are not necessarily new to the longstanding discussions regarding American Samoa's economic development. The Plan incorporates many of the concepts, ideas, and efforts independently advanced by others who have been working to develop the economy. The reason being, if the truth be told, American Samoa has relatively few options to realistically pursue when one factors in such considerations as the Territory's current economic structure, market conditions, existing resources, geographic location, physical constraints, statistical and economic data, demographics information, cultural and political considerations, and global trends.

What The Plan does do is name the industries that have the greatest potential to succeed, and prioritizes the concepts, ideas, and plans that are most workable. It also identifies needed resources and tools, and discusses how they are to be allocated. In addition, it supports objectives, and advocates strategies and tactics that will best achieve the stated goal and other desired outcomes. It also provides the rationale and justification for these decisions. Moreover, it adds perspective to the discussion and encourages new thinking.

The Plan is intended to cover a five to ten year period. Those responsible for implementing The Plan will work out the specific details of the timetable and tactics. The Plan should be used as a guide by both the implementers and resource providers when deciding what policy positions, projects, activities, and

## The Plan

requests should be advocated and supported. The strategies and actions that best contribute to achieving the stated vision and goal should take precedent. However, the overall success of The Plan will depend on American Samoa's ability to secure the needed resources, her ability to execute The Plan, and the support she receives from the Federal Government, in particular the Secretary of the U.S. Department of the Interior.

## COMMISSION FINDINGS

The Samoans refer to their way of life as *fa'asamoa*, the Samoan way of life. To the western world, *fa'asamoa* has often been a source of fascination as well as frustration, for *fa'asamoa* can not easily be described in a western context. Yet, its ways are manifested in every aspect of the Samoan lifestyle and in many ways are compatible with western thought.<sup>4</sup> However, at times western-style economic models can run counter to the tenets of their culture. For example, while *fa'asamoa* is based on mutual respect and reciprocal sharing amongst extended family members, democratic societies that embrace market-based economies tend to value the notions of individualism, especially as it relates to land ownership and its usage. To Samoans, this is particularly troubling since preserving their communal land system is tantamount to preserving their culture. Other cultural practices of *fa'asamoa* have also created situations in which economic development has been both aided and impeded.

## AMERICAN SAMOA AND THE UNITED STATES

### POLITICAL AND CULTURAL IMPLICATIONS

American Samoa has a unique and long-standing political relationship with the United States. She formally became part of the U.S. political family with the signing of the cession treaties in 1900 and 1904, with the island chiefs of Tutuila and Aunu'u, and Manu'a Islands, respectively. Since that time, the United States Government has actively fostered the political development of the islands, yet historically has taken a more 'laissez-faire' attitude towards the South Pacific region compared to other areas of the world. In fact, in the United States Government tends to defer to the leadership of Australia and New Zealand unless national security, trade issues, or regional and international agreements are at stake.

Technically, American Samoa is an unincorporated and unorganized territory and is the only unorganized territory with a substantial permanent population in the United States. Those born in American Samoa are considered U.S. Nationalist by the Federal Government<sup>5</sup> The Territory is considered 'unorganized' because she lacks an organic act authorized by the U.S. Congress that would formally establish a government structure. Nonetheless, American Samoa has her own local government and a locally drafted Constitution that was approved by the Secretary of the U.S. Department of the Interior.

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<sup>4</sup> Shim, Jae K. and Joel G. Siegel; *Dictionary of Economics*; John Wiley & Sons, Inc.: 1995.

<sup>5</sup> "A U.S. National has the right of ingress to the States and a right to immediate citizenship after establishing domicile in one."

Laughline Jr., Stanley, K.; *The Law of the United States Territories and Affiliated Jurisdiction*; Lawyers Cooperative Publishing, MA: 1995, p. 294.

Equally significant is the fact that American Samoa is an 'unincorporated' territory. She has not fully been made part of the United States in such a way that the entire United States Constitution applies in the same manner as it does with a state. For example, U.S. laws regarding hospital care fully apply in the Territory, yet minimum wage rates do not fully apply, and still others do not apply at all such as immigration. In all cases, regardless of whether U.S. law partially or fully applies to American Samoa, Federal law supersedes any American Samoa law that is in conflict. Thus, legal discord exists in certain circumstances.

While this 'unincorporated' political status invites a whole host of other issues that impacts economic development, the most noteworthy is its relationship to land. As noted, land is essential to any economic development. Without it, office buildings, factories, stores, schools, farms, roads, airports, etc. cannot be built. Without physical infrastructure, people cannot easily go to and from work, goods can not be efficiently transported to and from their markets, and consumers can not readily travel to and from stores and offices to purchase goods and services. Similarly, land is vital to improving a community's quality of life, a desired outcome of any economic development. People would not have a place to live, worship, and play.

While all these factors are important to the people of American Samoa, they attach an even stronger affinity to their land. Land is considered essential to the preservation of their culture. So much so, that it is the underlining reason why the Territory has chosen to remain 'unincorporated'. Historically, traditional leaders have understood that a change in political status could ultimately threaten the Samoan time-honored way of life that includes the ability to protect the ownership and stewardship of their communal land system. If the Territory were to incorporate, it would be subject to the full application of the U.S. Constitution and laws that would include the right of an individual to own land and property.

The economic implication of this important cultural consideration is that land can not be 'freely' exchanged for a price like in other market economies. The situation is further complicated by the fact that the Territory's physical conditions place additional constraints on land usage. Nearly two-thirds of the land is steep mountains, covered with rich tropical forest that make it virtually inaccessible and uninhabitable. In addition, on Tutuila where nearly all people live, relatively few areas are flat and fertile. These factors create a situation in which there are conflicting land use issues.

### **COMMERCE BETWEEN UNITED STATES & AMERICAN SAMOA**

Even before a formal political alliance between the United States Government and the eastern Samoan islands, later known as American Samoa, Americans sailing through the region traded with the people of these lands. Although barter was the common means of acquiring imported goods, as early as 1839, the

## The Plan

Commander of the United States Navy named money as the medium of exchange in Samoa.<sup>6</sup> Additionally, the United States and various chiefs of the Samoan Islands agreed to engage in activities that promoted commercial relations by signing the Treaty of Friendship and Commerce of 1878 and The General Act of 1880.

With the establishment of the U.S. Naval Station on Tutuila in 1900, the United States not only became the islands' strongest advocate for protecting the cultural practices of the Samoan people but her primary trading partner. This still remains the case even today. In fact, the United States continues to be the one nation that has the greatest influence on American Samoa's economy even though this small, insular area remains half-a-globe away from the U.S. continent.

For the most part, this relationship positively impacts the Territory. The Federal Government continues to be profoundly involved in the development of the Territory's economy, acting as a major employer, tenant, grantor, and consumer and producer of goods and services. It also plays a crucial role in creating incentives and economic opportunities for companies who want to do business in American Samoa. Similarly, U.S.-based companies that operate or conduct business in the Territory also favorably contribute to the economy. In fact, American Samoa almost exclusively conducts her commerce with U.S.-based companies.

Yet, there are times when the relationship negatively impacts the Territory. The United States Government has adopted policies that adversely effect the Territory. At first glance, the Federal Government might be considered the sole culprit for these distressing changes. But more often its actions speak to the larger issue of an integrated and interdependent world economy. Generally, American Samoa is not the intended target of these Federal policies and political concessions. Rather these decisions were made in the context of trying to achieve the broader goals of free trade and solidifying relationships with neighboring economic trading partners. Such actions remind us that while the United States is considered the only 'superpower' in the world, it too must operate in the same global economy as American Samoa.

## **COMMUNITY BASED PLANNING**

### **SHAPING AND INFLUENCING ECONOMIC DEVELOPMENT**

The World Bank identifies 'globalization' and 'localization' as "two of the most important forces shaping development as we enter the 21<sup>st</sup> century."<sup>7</sup>

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<sup>6</sup> Shaffer, J. Robert; *American Sāmoa – 100 Years Under the United States Flag*; Island Heritage, Hawaii: 2000.

<sup>7</sup> *Entering the 21<sup>st</sup> Century – World Development Report 1999/2000*; The International Bank for Reconstruction and Development / World Bank; Oxford University Press: 2000.

Globalization refers to the integration of the world economy whereas localization makes reference to the increasing demand for local autonomy. These two factors are considered forces because both afford new opportunities as well as raise new or greater challenges in the economic and political arena.<sup>8</sup>

On a positive note, globalization brings the promise of greater productivity and a higher standard of living because it affords new opportunities to expand into markets, and access technology and management capabilities. Yet, globalization also elicits negative reactions because local economies can be overwhelmed by global trends and societies tend to lose their unique identities.

To counter the negative effects of globalization, development practitioners emphasize the importance of localization. In particular, practitioners advocate raising the level of citizenry participation and involvement in the development process so they are better able to shape and influence the type of economic development that occurs within their community.

### **COMMUNITY SENTIMENT**

Because the efforts of prior study groups and consultants proved to be inconsequential, the announcement of the Commission's formation was understandably greeted with widespread skepticism and cynicism in American Samoa. Furthermore, while many in the community understood the importance of changing the economic status quo, many questioned whether the people of the Territory possessed the will and desire to implement needed economic reform. They recognized that change always brought challenges and wondered if the community shared a common commitment to transforming the economy.

The situation was further complicated by long-standing and persistent problems related to the management of public and private funds and the on-going territorial deficit. This engendered strong feelings of mistrust among the Federal and American Samoa government officials, members of the business community and the public-at-large. Many conjectured whether meaningful economic development would always remain elusive given the Territory's grave state of its public and private financial affairs.

Concerns were also raised when discussing how best to achieve broad-based community participation while remaining respectful of cultural practices. Additionally, although most people argued for change, many are apprehensive that the wrong type of economic growth will ultimately be harmful to the Samoan people and her culture. Many pointed out that in the last hundred years, economic development efforts in American Samoa were structured and implemented according to western-style models that did not take into account the

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<sup>8</sup> *Entering the 21<sup>st</sup> Century – World Development Report 1999/2000*; The International Bank for Reconstruction and Development / World Bank; Oxford University Press: 2000.

tenets of *fa'asamoa*, the Samoan way of life, and did not result in any permanent and positive changes.

## **ACHIEVING SUSTAINABLE GROWTH**

As one community leader in American Samoa explained, “Past experience has seen the infusion of short term Federally supplied and paid consultants whose responsibility has been to provide assistance in the accomplishment of short term goals. This assistance has lasted from six months to a couple of years and has usually accomplished the discrete goals that have been identified. The problem is that when their jobs were completed and these individuals left, they left behind a vacuum that has plagued this small island nation for the past one hundred years. The basic reality is that unless and until we are able to provide a cadre of local personnel that are qualified to meet the diverse needs of our Territory, we will not experience long term success.”<sup>9</sup>

The scenario described not only reflects the thinking of many in American Samoa but also underscores an important point. Meaningful and sustainable economic growth can only be realized if the people who are the intended beneficiaries are active participants in the development process. In addition, it serves, as a poignant reminder that economic development is a long-term proposition, therefore, requires long-term solutions based on realistic assumptions.

## **QUALITY OF LIFE**

The Samoan language does not have a comparable word or simple phrase for the term economic development. However, it is clear that the general population inherently understands its meaning. In fact, when given the opportunity to share their ideas, they speak of issues beyond their personal needs of food, work, and family income and wealth. They also speak about policy related issues such finding the means to improve the physical infrastructure of the islands, enhance the educational system, develop the skills and training of the workforce, control immigration, identify and exploit new revenue sources, and access financial capital.

They further talk about the need to continue to preserve and practice *fa`asamoa* which includes protecting the natural environment and its resources, maintaining their communal land system, and augmenting and fairly distributing family resources. Additionally, the people of American Samoa make clear they will not support any economic development that ultimately undermines the tenets of *fa'asamoa*, the Samoan way of life. Also, they desire a continued and enhanced relationship with the United States. Intuitively, they understand that both conditions directly effect their quality of life.

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<sup>9</sup> Transcript from official meeting of American Samoa Economic Commission: March 28, 2000, p. 68.



## **COMMUNITY PARTICIPATION**

The Commission recognized that while American Samoa's options are somewhat limited, it is still plausible to create a favorable economic environment. Therefore, early on, the Commission decided to pursue a strategy to engage the community in a discussion about the Territory's economic future.

The Commissioners committed resources and much of its efforts to formulate and implement a community-based planning approach because it felt that many aspects of the process would be compatible with the culture. However, the Commissioners also recognized that the process would need to be modified out of respect to cultural considerations in order to achieve broad-based participation and support. Consequently, the Commission initiated a series of activities using a modified community-based planning model that engaged the people. What emerged was a vision, a stated goal, and an economic development plan designed to improve the quality of life of the people.

## **MARKET CONSIDERATIONS**

### **GEOGRAPHY AND PHYSICAL CONDITIONS**

American Samoa is located in the South Pacific Ocean, situated between the Tropic of Capricorn and the equator, 160-173 degrees west longitude. American Samoa is part of a 300 mile-long archipelago that is known as the Samoan Islands. She consists of five volcanic islands, Tutuila, Ofu, Olosega, Ta'u, Aunu'u and two atolls, Rose Atoll and Swain's Islands. Southeast trade winds moderate her tropical climate and bring frequent rains to the islands.

American Samoa is situated in a relatively isolated part of the world. Due to the vastness of the Pacific Ocean, she is physically distant from other populated areas and economic hubs even within the South Pacific region. However, as the global economy becomes more integrated and interdependent, this situation is changing.

Additionally, American Samoa remains the only U.S. soil situated south of the equator and is literally thousands of miles away from the closest U.S. entity. Ironically, her government and economic structures are more analogous to the United States, yet her culture and way of life are more akin to her neighboring island cousins in the South Pacific Ocean. In part this is true, because they share a common lineage. But also, they share the common experience of being small island communities surrounded by great bodies of water with few natural resources. They are occasionally subjected to devastating hurricanes and their fragile eco-system can be easily overwhelmed by 'alien' species and microorganisms. Additionally, weather and ocean conditions exert undue stress on modern western conveniences such as infrastructure and equipment.

Furthermore, an island economy faces additional challenges because of its geographic and physical constraints. Often the most basic necessities such as food, produce, clothing, and household provisions are imported. People, goods, and services must be transported by air or ship when moving amongst the various islands or outside geographic boundaries. Consequently, the supply and demand of products, goods, and services is often skewed.

### **SCARCE RESOURCES**

Economists generally agree that resources such as land, labor, and capital are considered necessary elements of economic development and growth. Land is required because there must be some place to work. Labor is needed because people perform the work. Capital can include a wide range of tangible and intangible resources such as natural resources, raw materials, physical infrastructure of buildings, machinery, tools, equipment, improvements on the land, and training and education of labor. Regardless of the wealth or size of a nation, societies never have a full complement of these 'scarce' resources. In fact, economics is the study of how and why societies make choices in allocating their scarce resources as they strive to improve the quality of life of their people.

In the case of American Samoa, useable and available land is at a premium, the supply of skilled labor varies depending on the industry, and capital remains inadequate. The situation is further complicated by the fact that Samoans consider preserving their communal land system tantamount to the perpetuating their culture.

In addition, matters related to improving the quality of life that go beyond the usual scope of issues are often raised in American Samoa. The vast majority of people are not only concerned with usual quality of life issues but also with preserving and perpetuating their culture and remaining a loyal member of the American political family. Thus, the allocation of resources is often more complex and personal in nature.

The economic implication of this important cultural matter is that land cannot be 'freely' exchanged for a price like other free market economies. Useable land becomes even scarcer when one considers that nearly two-thirds of the land is inaccessible and uninhabitable due to mountainous terrain and rich vegetation. Even the remaining land poses challenges since relatively few areas on the island are flat and fertile.

### **POPULATION GROWTH**

Amongst economists and policymakers, there are varying views as to the effects that rapid population growth has on economic performance. Some argue that a large population means a larger potential market size or labor pool. Others underscore the negative effects. They contend that a growing population

demands substantially more government expenditures to maintain physical and social infrastructure. Also, rapid growth implies a growing percentage of very young children heavily dependent on a shrinking percentage of working-age people. In addition, the greater the growth, the greater the impact on the environment.<sup>10</sup> Those jurisdictions that agree with the later point of view tend to have economies that have limited land and natural resources.

Case in point, at the beginning of the twentieth century, American Samoa's population was reported to be 5,679 people. A hundred years later, the population was estimated to be 57,291<sup>11</sup> people. Although the population growth rate has declined since its peak in 1990, the population continues to steadily grow. The population continues to increase because of live births and an influx of people migrating to the Territory. Yet, through the years, American Samoa's useable land has remained relatively the same. Of her 76 square miles, only 19 square miles have land with slopes of less than 30 degrees.<sup>12</sup> Thus, people and infrastructure are densely situated.

A task force convened by the current Governor of American Samoa to study the impact of the Territory's rapid population growth recently issued a report recommending that "the matter receive the highest priority from Territorial leaders, and all reasonable measures should be expended to reduce [the] rapid growth."<sup>13</sup> The report correctly notes that the primary responsibility falls to Territorial leaders, however, certain issues will require the assistance of the United States Government in matters such as those related to the definition of U.S. Nationals.

## **INFRASTRUCTURE**

### **Physical Infrastructure**

Economists will insist that there is a direct correlation between the level of economic activity within a geographic location and the quality of its physical infrastructure. An integrated infrastructure system provides the means to import and export cargo and people as well as services, and data and information, thus, facilitating commerce. In today's global economy, the meaning of infrastructure has expanded beyond airports, harbors, and highways and roads, to include the information (internet) superhighway.

This relationship between economic growth and physical infrastructure is even more apparent in an island economy. Island economies are traditionally

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<sup>10</sup> Kotler, Philip, Somkid Jatusrititak, and Suvit Maesince; *The Marketing of Nations*; The Free Press, New York: 1997.

<sup>11</sup> 2000 American Samoa Census.

<sup>12</sup> Governor's Task Force on Population Growth.

<sup>13</sup> Governor's Task Force on Population Growth.

dependent on the two most costly means of transporting people, goods and services in terms of dollars and time – airplane and ship.

Fortunately for American Samoa, the key components of such an infrastructure system are in place. With assistance of the United States Government, American Samoa's transportation, water and power, and telecommunications systems are considered the envy of most South Pacific island nations. However, the on-going challenge for the Territory is to maintain, augment, and improve her systems so they keep par with growth.

### **Financial Infrastructure**

Meaningful economic development can only occur if an economy experiences a real and constant infusion of financial capital. Likewise, it is imperative that the economy does not hemorrhage due to an outflow of capital. Yet, in American Samoa, the ability to access, raise, or generate financial capital is problematic at best. It remains one of the Territory's greatest challenges to developing a self-sustaining economy.

In part this is due to a limited number of financial and lending institutions on island. Moreover, few off-island financial institutions will lend capital to people living in the Territory. When capital is available, it is often cost-prohibited due to high interest rates or unfavorable lending terms. The situation is further complicated because in some cases, the tenets of traditional cultural practices differ with acceptable western-style financial practices. Consequently, many American Samoans often do not qualify for loans because of insufficient collateral or unfavorable credit histories. However, the situation is improving as more people become familiar with the terms, conditions, and penalties imposed by western-style financial and lending institutions.

### **Human Infrastructure**

The strength of any economy is directly tied to the quality of the educational system that instructs and trains the work force. Similarly, the health of employees also impacts the economy. Yet, it can be argued that true economic success can only be measured against the hopes and expectations of the workforce and those who create employment. It is not enough to say that every man and woman that wants to work has a job. The jobs should be desirable, and offer fair and equitable pay. Likewise, employers need ready access to a productive and reliable labor pool that is well-trained and appropriately skilled so they can conduct their businesses and execute plans for continued growth and expansion.

For the many who choose to work, they help stimulate the economy by producing, distributing, and acquiring products, goods, and services, and earning and spending wages. However, their efforts are sometimes diminished because

## The Plan

many of the workers are often unprepared to make meaningful contributions when they first enter the workplace. Many have never received the proper training or appropriate quality of education. Many more suffer from and are not adequately treated for western and tropical illnesses and diseases. Nearly all observe cultural practices and attitudes that effect their work performance. Such factors often result in outcomes such as losses in production, increases in training costs, problematic customer service, and higher unemployment.

In the case of American Samoa, the Territory maintains an educational system that offers a K-12 education delivered by public and private schools. The American Samoa Community College offers educational opportunities to high school graduates and the adult population. In addition, the Territory offers universal health care primarily through its medical center and satellite clinics. These institutions are known to be inadequately funded, yet, have the broad public mandate to serve those who walk through their doors.

## ECONOMIC POLICY RECOMMENDATIONS

Economic policies are the compilation of ideas and activities that a government formulates and undertakes in order to achieve certain economic objectives for the society it governs. The need to develop government policies recognizes that free market forces do not always extract the outcomes a society desires. Economic policies help to ‘rearrange’ the way an economy might operate if market forces were left unchecked.<sup>14</sup> Sound economic policies are formulated after considering factual information and data, and are guided by fundamental principles that shape the operative parameters. They are designed to achieve specific outcomes within the context of a larger purpose.

In keeping with its mandate, the Commission developed economic policy recommendations for American Samoa. In some cases, the Commission advocates the continuation of existing policies, in other circumstances it suggests that certain policies should be modified and at times it recommends that new policies be formulated.

It should be noted, that most of the economic policy recommendations contained within The Plan are directed towards the United States Government since the Commission was given the mission of making recommendations to the President of the United States. However, this is in no way meant to imply that the responsibility of transforming American Samoa’s economy falls solely or primarily on the Federal Government. In fact, the overall success of implementing the economic development plan will depend on American Samoa’s ability to stay committed to the process, and to secure and allocate the needed resources appropriately. However, the Territory can not be expected to succeed without the support from individuals, organizations, and institutions that are in the position and have the means to help.

The Commission’s economic policy recommendations were developed based on two guiding principles, and within the broader context of a vision and an explicit goal. The recommendations are intended to promote commerce and economic development in a manner that is consistent with the Samoan culture.

### THE GUIDING PRINCIPLES

The two principles that shaped the Commission’s recommendations focus on the most fundamental cultural and political considerations of the American Samoa people. The principles are as follows:

- The United States should continue its long-standing policy of respecting the people of American Samoa’s desires to preserve and perpetuate her *fa’asamoa*, Samoan way of life; and

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<sup>14</sup> Lindeman, J. B.; *Microeconomics*; Barron’s Educational Series, Inc.: 1992.

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- The relationship between the United States and American Samoa should continue to be nurtured and enhanced.

Respecting the ideals embodied in these principles is crucial to the success of implementing The Plan. The people of American Samoa made clear that while they understand the need and welcome the opportunity to develop and diversify the Territory's present economic structure, they will not support development that ultimately undermines the tenets of *fa'asamoa*.

Similarly, the extraordinary relationship between the United States and American Samoa is one that all interested parties have voiced support in perpetuating and enhancing even though the dynamics of this association presents both opportunities and challenges to both political entities.

## THE VISION

The vision statement not only underscores the value system of American Samoa as it relates to her economy but describes the type of economic development the people desire. The vision is as follows:

American Samoa will improve the quality of life of her people by realizing a market driven economy that is dynamic, enterprising, self-sustaining, and responsive to changes and fluctuations in the global economy. Moreover, any economic development must transpire in a manner that is respectful of the explicit desire of her citizenry and the United States Government to protect the culture of the Samoan people and the basic tenets of *fa'asamoa*, the Samoan way of life.

The vision assumes there is a need for economic development in American Samoa and that the purpose for undertaking such actions is to improve the quality of life of the people of American Samoa. It also makes clear that a market-based economy is the economic system that would best serve the Territory.

## ECONOMIC DEVELOPMENT

While the study of economics has a long and rich history, the academic discipline of economic development began to evolve just after World War Two.<sup>15</sup> By definition, economic development focuses on long-term development plans that

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<sup>15</sup> Eatwell, John, Murray Milgate, and Peter Newman; *Economic Development*; W.W. Norton & Company; London, England: 1989.

## The Plan

are based on a depiction of an economy's structure and its probable evolution under the influence of different types of government intervention.<sup>16</sup>

As theories and studies related to economic development have advanced, so have tools to measure economic growth such as gross domestic product (GDP). Although GDP does not measure quality of life issues, most economists generally agree that GDP is the single most important measurement used to determine whether an economy is contracting or expanding, thus, providing the best overview of the state of an economy.

The Plan advocates measuring real economic growth.<sup>17</sup> However, currently this is problematic because American Samoa lacks the necessary economic and statistical data needed to measure economic activity or to do comparative studies. Thus, making it difficult to assess the real impact of The Plan as it is being implemented. Additionally, this means that since American Samoa is not able to calculate her GDP, she lacks the ability to understand the true state of her economy. This situation needs to be immediately remedied.

The Commission recommends the United States Government and American Samoa Government allocate and maintain the necessary resources to develop a systematic method to record, track, and analyze data related to GDP and other economic indicators in order to properly measure and guide the Territory's economic growth.

In addition, many public and private funding sources now require reliable and current information and data as a way of supporting funding requests or to evaluate the effectiveness of programs and projects. A lack of information and data has also inhibited off-island investments. Many investors who support new business ventures require market studies, cost-benefit and risk analysis reports, and business plans. All require reliable information and data. Very little reliable information is readily available for these potential investors or funders who often reside outside of American Samoa.

## QUALITY OF LIFE

Although discussions related to quality of life issues are considered relatively new to the debate of economic development, many societies with strong cultural ties have intuitively understood the importance of considering such matters. For Samoans, *fa'asamoa* insures that no individual is left destitute. *Fa'asamoa* also imparts the passing of knowledge and traditions that are intended to enrich the lives of the people who practice its tenets.

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<sup>16</sup> Bagchi, Amiya K.; "Development Planning"; and Eatwell, John, Murray Milgate, and Peter Newman; *Economic Development*; W.W. Norton & Company; London, England: 1989.

<sup>17</sup> 'Real Economic Growth' is the percentage change in real GDP from one year to the next. It shows how much progress the economy made in creating goods and services for end users. De Rooy, Jacob; *Economic Literacy*; Three River Press, New York: 1995.



While the Commission understands that it is impossible to satisfy the needs and aspirations of every individual, it believes that economic growth must be inclusive. The people of American Samoa can only experience true economic prosperity when all her citizens are able to enjoy the benefits of sustained economic growth. Likewise, because only those living in American Samoa can determine what factors or actions truly enhance their quality of life, they must be prepared to clearly articulate in a collective voice their view on this matter.

### **DEVELOPING A MARKET ECONOMY**

In the United States and in most democratic countries, the market solves the majority of economic questions, therefore, their economic systems are described as market economies. A market economy is one in which individuals who represent private firms and household consumers make the major decisions about production, distribution, and consumption.

As the global economy becomes more and more integrated and interdependent, economies around the globe find themselves subject to the economic fluctuations and changes in other economies, and events and circumstances that occur elsewhere in the world. At times, these outside forces can dominate or manipulate market conditions that are beyond the effected economy's power and ability to control or influence.

Consequently, for a society to develop a market economy that is viable and sustainable, the private sector must be the driving force behind its economic development. Economic development that is dictated by market forces has a better chance of succeeding in the long-term because it is more closely linked to the real demand and supply of consumers and producers and allows an economy to evolve in a manner that accommodates economic and societal changes.

Furthermore, in a market economy, the public sector or government has a role in economic development. Under the best of circumstances, the public sector serves as a facilitator of development. However, at times it is appropriate for the public sector to provide products, goods, or services to meet a broad public need or demand.

Therefore, in keeping with the stated vision and goal, the Commission advocates the development of a diverse market-driven economy whose industries are responsive and adaptive to changes within the markets they choose to compete in. What markets an industry decides to compete in will vary, depending on the activities of the enterprises that operate within that industry. The Commission suggests four major markets that the Territory can be competitive in: Local (within American Samoa); U.S. (any market within the U.S.); Pacific (any Pacific

rim, non-U.S. market); and Global (any market other than Local, U.S., or Pacific markets).

## **THE GOAL**

The goal statement speaks of a specific outcome and the manner in which economic development is to be achieved. The goal statement is as follows:

To transform the composition of American Samoa's economy so that a more diverse private sector becomes the driving force of a self-sustaining market economy.

The goal is to develop a market economy that is self-sustaining. To accomplish this task, the goal advocates changing the composition of the economy by encouraging the development of a stronger and more diverse private sector. It also supports redirecting the role of the public sector.

## **BECOMING SELF-SUSTAINING**

For the past 50 years, the two industries that have sustained American Samoa's economy have been her government and the tuna cannery. Although the organizations that operate within these industries function as independent entities, all benefit from their association with the United States. For example, the United States Government annually appropriates \$23 million to the American Samoa Government for her operating budget. Additionally, the United States Government spends hundreds of millions of dollars in American Samoa in the form of grants, loans, programs, products, services, employment, leases, and commercial transactions. While the tuna canneries do not receive direct financial assistance, they enjoy special tax and tariff treatments from the Federal Government. Without the assistance of the Federal Government, American Samoa's economy would be severely impacted.

Consequently, the goal describes the type of market economy the Territory wants to realize as 'self-sustaining'. The term self-sustaining acknowledges the continued economic and political relationship between the United States and American Samoa while conveying the Territory's desire to develop and generate additional sources of income and properly manage her outlay costs.

## **THE COMPOSITION OF THE ECONOMY**

Traditionally, American Samoa's economy has been described as having three sectors: Primary; Secondary; and Other. The two industries that fall within the primary sector are the American Samoa Government and the tuna cannery because they are the 'primary' force that drives the economy. They are the largest employers and have the greatest revenue bases. Industries that fall within the second sector have been designated as 'secondary' because most of

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their commerce is dependent on the primary sector. Businesses that fall within the third sector have been categorized as 'other' because they tend to operate independent of the other two sectors, cater to individual household consumers rather than business entities, and/or represent industries that traditionally have not been part of the American Samoa's economy.

Yet, most economists analyze western-style economies by segmenting them into two major sectors: Public and Private. In American Samoa, the public sector is comprised of the United States Government and the American Samoa Government. The private sector is namely business firms and household consumers.

Diagrams 1 and 2 illustrate the type of transformation The Plan advocates. The diagram on the left represents the current composition of American Samoa's economy while the diagram on the right depicts the transformed economy. As the goal states, the private sector shows significant growth while public sector growth has relatively contracted.

Diagram 1

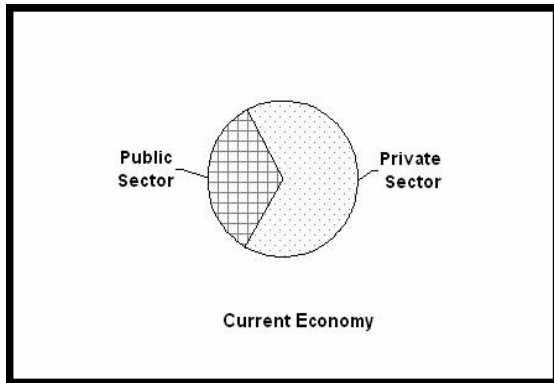
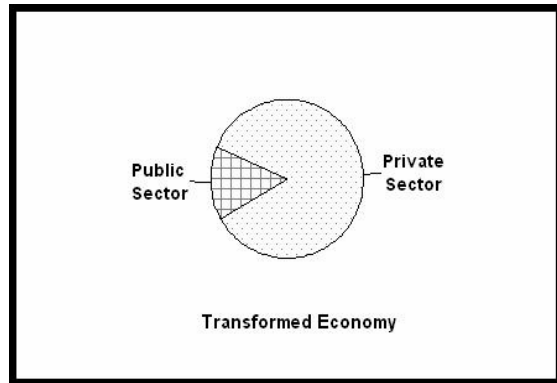


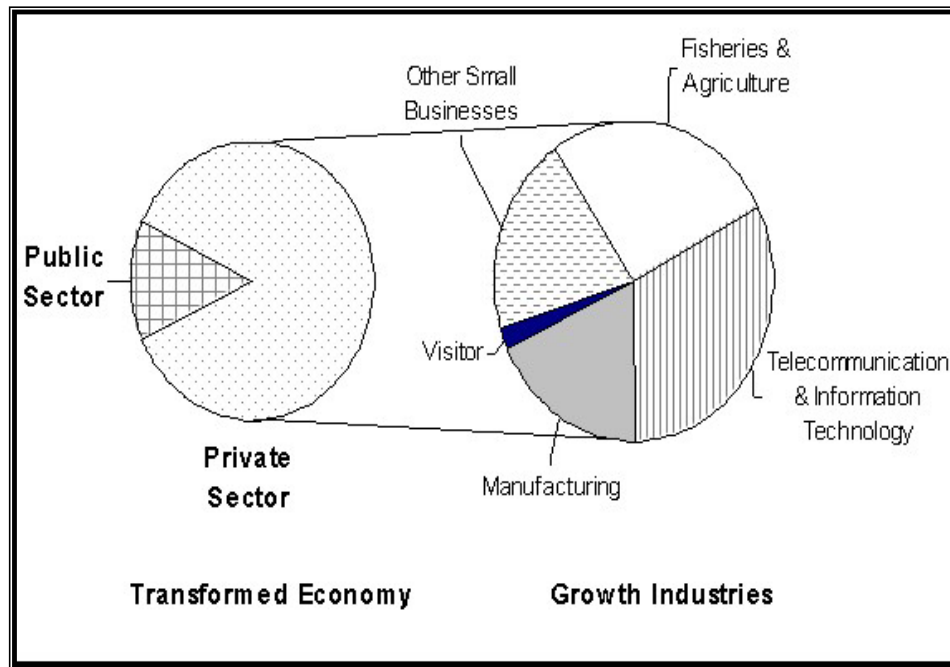
Diagram 2



The Commission advocates changes in the composition of Territory's economy so that the private sector is proportionally larger than the public sector and the industries within the private sector are diversified. Specifically, within the private sector, the Commission identifies and supports the development of four targeted growth industries: Fisheries and Agriculture; Telecommunication and Information Technology; Manufacturing; and Visitor (See section, The Diversification of the Private Sector).

Diagram 3 depicts the composition of the industries within the private sector in a transformed economy.

Diagram 3



The diagram also underscores the point that the anticipated development amongst the various industries will vary, with the greatest growth occurring in the Telecommunication and Information; and Other Small Businesses. However, this would change if the Federal Government adopts policies that negatively effect the business incentives for firms currently operating in the Territory. Industries such as the Fisheries and Agriculture, and Manufacturing will not realize their full potential growth. The net impact not only effects these two industries but the entire economy.

It should be noted that while Diagrams 2 and 3 represent suggested outcomes, many factors could cause different results. Thus, the diagrams are only meant to illustrate a point and no specific dollar amounts or percentages have been assigned to each sector. Also, by advocating a change in the composition of the economy, the Commission is not necessarily advocating the elimination or downsizing of a particular sector or industry. Rather the exercise makes reference to the relationship of one sector to another sector. Just because a sector becomes comparatively smaller or larger does not mean that real growth has actually occurred within that sector. The proportional size of a sector can increase or decrease depending on the activity of the other sector within a given economy and what measurement is being used.

## **ROLES OF ECONOMIC SECTORS AND PARTNERSHIPS**

As noted, generally economists segment western-style economies into two major sectors: Public and Private. By doing so, they recognize that while both governments and businesses act as producers, distributors, and consumers of

goods and services in an economy, their contributions and impacts on the economy differ due to the nature of their existence. It further underscores the fact that in a market economy, the role of the public sector differs from that of the private sector.

In American Samoa, the public sector is comprised of the United States Government and the American Samoa Government. The private sector is namely business firms and household consumers.

## **THE PUBLIC SECTOR**

While the role of the private sector is clearly stated in the goal statement, the role of the public sector is less explicit, yet, just as significant. The Commission believes that governments can and should do their share to enable real economic growth. In fact, it recommends that both the United States Government and American Samoa Government assume the role of facilitating and promoting economic development by creating a favorable economic environment that encourages entrepreneurial activities in the Territory.

Similarly, particular attention is needed in the area of capital investments and other monetary assistance because the Territory seriously lacks access to financial resources. Diagnostic tools also need to be in place in order to properly measure economic growth and to evaluate whether the economy is developing in manner that is consistent with the vision and goal.

There is a need for the United States Government and American Samoa Government to pursue a multi-track approach of developing the Territory's physical, human, and financial infrastructures. It further underscores the point that while the people of American Samoa are ultimately responsible for implementing and overseeing their own economic destiny, they can not succeed without the direct assistance and full support of the United States Government.

Concurrently, many of the policy decisions, programs, and economic tools presently in place were formulated at a time when the world was different. Therefore, the solutions of yesterday and even today may not be applicable or appropriate to the challenges confronting American Samoa now and in the future. These changing times require innovative, enterprising, and contemporary solutions to effect positive and sustainable economic viability for the 21<sup>st</sup> century. The Commission believes that both the United States Government and American Samoa Government should lead the charge for change.

### **United States Government**

The Secretary of the U.S. Department of the Interior (herein, Interior Department) delegates her day-to-day responsibilities of the U.S. insular areas to the Office of Insular Affairs (herein, OIA). While the Commission believes OIA has done a

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reasonable job in light of the various reorganizations the office has undergone during the past several decades, the Commission urges the Interior Department to be more resourceful and to devote more resources to coordinating Federal policy for American Samoa. At a minimum OIA could add perspective to the discussions and debate. But it can do more by becoming an advocate for American Samoa within the Federal Government.

Likewise, as the global economy becomes more and more integrated and interdependent, it becomes increasingly more important that the Interior Department assist the Territory in keeping track of, and finding applications for technological advances. In addition, it can also help to monitor global trends that greatly impact the Territory such as transportation, telecommunication, and trade.

The Federal Government not only has a legal and moral obligation to assist the Territory but also possesses the power to create economic opportunities for American Samoa in ways she can not do on her own. Many of the economic challenges the Territory continues to struggle with are situations that the Federal Government either created or influenced. Similarly, because American Samoa is part of the American political family, at a minimum she should be afforded better economic treatment and opportunities than the most favored trading and political partners of the United States.

Currently, there are a number of pending and pressing Federal issues and policies that need immediate remedy. This includes, but is not limited to, the elimination of certain tax and tariff benefits, on-going international trade agreements, the application of minimum wage rates, air service restrictions, harbor maintenance costs, and matching funds for capital improvement projects. By not resolving or finding solutions to these and other matters, the Territory's economy will continue to struggle and remain stagnant.

### **American Samoa Government**

In part, the stated vision and goal will be achieved when the American Samoa Government modifies the way she manages her affairs. The overall state of the economy will be positively effected by: reversing the long-standing trend of budget deficits; improving her overall fiscal standing through the refinement of her accounting, auditing, enforcement, and disclosure practices; strengthening commercial laws; refusing to accept unfunded mandates; and reducing discretionary spending.

Also, it is important that the American Samoa Government intensify her revenue generating efforts, attentively enforce existing policies, and elevate the quality of the products and services offered to the public. At the same time, many argue that the American Samoa Government must restructure her work force. While the expectation may be reasonable, it is more difficult to execute. Because many

positions are funded to meet specific Federal mandates or program requirements, these jobs cannot be automatically trimmed or eliminated.

Nevertheless, measures such as eliminating duplicate and redundant tasks and functions, and reforming civil service laws are needed. While such actions do not necessarily result in loss of jobs, there is that possibility. Therefore, the American Samoa Government must work in tandem with the private sector to create an economic environment so workers leaving the public sector can find meaningful work in the private sector. Without creating new employment opportunities, any substantial changes in the public sector will not be realized because the demand for government social services will escalate if unemployment rises.

In addition, the Commission encourages the American Samoa Government to continue to exercise its authority and enforce Territorial and Federal laws that have direct impact on American Samoa's economy. The government also needs to re-examine Territorial laws that impact economic development such as immigration, employment practices, and tax treatment and enforcement. Also, the American Samoa Government should work to define by statute, criteria for business development, and streamline the process of obtaining the necessary approvals, permits, and licenses to conduct business or build infrastructure that support the stated vision and goal.

However, it should be made clear that none of these recommendations are meant to suggest in any way that the American Samoa Government forego her responsibilities to protect the general well-being of her people.

### **THE PRIVATE SECTOR**

In a market economy, there is a direct correlation between the level of private sector entrepreneurial activity and the health of an economy. An increase in suitable entrepreneurial activity contributes to a more robust economy. As noted, the private sector is comprised of two entities: Business Firms; and Household Consumers.

#### **Diversifying the Economy**

Specifically, the Commission calls for the private sector, in particular entrepreneurs, to assume a leadership role in building the economy. In fact, the Commission identifies and supports the development of four growth industries: (See section, The Diversification of the Private Sector)

- Fisheries and Agriculture;
- Telecommunication and Information Technology;
- Manufacturing; and
- Visitor.

Advocating the development of these four industries not only supports the goal of allowing the private sector to become the driving force of the economy but also addresses the issue of diversifying the economy.

Likewise, the Commission assumes that other enterprises not specifically mentioned will develop. It encourages the continuation and establishment of other small businesses that produce or provide goods, products, and services that household consumers demand. In the United States, small businesses are considered the backbone of the economy. This should be the case for American Samoa.

Further, the Commission encourages the development of enterprises owned and operated by American Samoans but does not preclude foreign-owned businesses from existing or setting up operations in the Territory as long as they conduct themselves in a manner consistent with the vision.

### **Business Firms**

Businesses in American Samoa can be segmented by their size and by examining how a company utilizes its profits. However, to better evaluate this sector there needs to be better collection of economic data and information on the private sector.

#### Large and Small Businesses

Generally, businesses in American Samoa can be classified as large or small businesses. Most business firms currently operating in the Territory are considered small businesses. The Commission notes that the Territory must go beyond the task of augmenting the number of small businesses. Proper attention must be paid as to the type of industries and enterprises that develop and grow.

#### Profit and Non-Profit Businesses

All commercial enterprises are concerned with realizing a profit because at a minimum they must generate enough income to meet, if not exceed expenses to stay in business. However, the difference between a profit and non-profit business is that non-profits must reinvest their profits back into their organizations in order to fulfill their legal obligations. In a healthy market economy, both types of businesses are considered vital because they help address the diverse needs and demands of Household Consumers. The Commission supports the development of both profit and non-profit businesses.



## **Household Consumers**

Market demand is determined by quantifying and totaling the demand of each consumer. Tracking the economic decisions and activities of Household Consumers allows economists to better understand their impact on a market economy. In addition, Household Consumers also accumulate household wealth<sup>18</sup> or net worth. Not surprisingly, accurately tracking information related to the economic impact of Household Consumers in American Samoa is a challenge. And while it may never be possible to capture all information needed to portray the true behavior of Household Consumers, a reasonable effort should be made to take into consideration such factors when collecting and analyzing statistical data and information. To do otherwise would lead to a less than truthful understanding of American Samoa's economy.

## **PARTNERSHIPS**

Meaningful economic development requires partnerships amongst various levels and types of government, the private sector, donor groups, and the general public. It requires collaborative and coordinate efforts of effective organizations and enabling institutions, as well individuals who possess vision, leadership, and the discipline to remain committed to the process.

## **Community-Based Planning**

Early on the Commission agreed that the community-based planning process approach could work in American Samoa because the process puts into practice actions that are compatible with the culture. At the same time, the Commission recognized that modifications to an appropriate community-based model were needed so as not to conflict with certain aspects of the culture. Accordingly, the Commission initiated a modified community-based planning process as it worked to develop The Plan. The Commission strongly encourages the United States Government and American Samoa Government to support a community-based approach as the Territory works to implement The Plan.

## **Public-Private Working Group in American Samoa**

The Commission recommends that American Samoa continues a participatory and collaborative approach to planning by establishing a Public-Private Working Group. Following such a course of action helps to insure greater success in achieving and sustaining development because the process is designed to provide structure while remaining responsive to community dynamics. By establishing such an entity, economic development activities such as securing

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<sup>18</sup> 'Wealth' is the net value of tangible and financial items owned by a person at a point in times. It equals all assets less liabilities.  
Samuelson, Paul A. and William D. Nordhaus; *Economics – Seventeenth Edition*; McGraw-Hill Irwin, New York: 2001.

financial capital and building infrastructure can be coordinated, responsibilities delegated, a time line agreed to, the allocation of resources prioritized, problems and conflicts deliberated and resolved, and solutions found. The Commission recommends that the United States Government and American Samoa Government organize and fund such an entity.

### **Federal-Territorial Task Force**

The Commission recommends that a Federal-Territorial Task Force consisting of the United States Government, American Samoa Government, and members of the American Samoa business community be established and funded. By linking the review efforts to the community-based planning process, the Federal-Territorial Task Force could direct its work in a contemplative manner that would be comprehensive in nature. As issues, concerns, and ideas are raised in the community discussions, a review of applicable legal mandates and policies can help clarify or resolve matters in question.

### **Regional Partners**

Ironically, American Samoa's greatest trading partner is not a foreign entity, but the United States. It is a relationship that American Samoa enjoys and wants to continue to develop further. Yet, at the same time, because the Territory is situated in the southern hemisphere and the dynamics of today's global economy, the Commission believes that the United States Government should support American Samoa's efforts to forge and/or strengthen strategic economic alliances with her Pacific island neighbors.

Developing regional alliances and partnerships with her Pacific-rim neighbors are consistent with the United States' own effort to develop similar types of relationships with her own neighbors of the Americas. In particular, the Territory should continue to take advantage of or create opportunities to partner with the independent country of Samoa. At a minimum, the U.S. Department of State should regularly consult with the American Samoa Government when international policies, treaties, and agreements effecting the Territory are being developed and negotiated.

## **GROWTH FACTORS FOR ECONOMIC DEVELOPMENT**

Economists have learned that while economic development can occur in various ways, all economic growth requires at least 3 factors: natural resources; capital formation; and human resources. A fourth factor, technology and innovation, is considered a vital ingredient for rapid growth in living standards<sup>19</sup> since its applications usually result in exponential improvements.

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<sup>19</sup> Samuelson, Paul A. and William D. Nordhaus; *Economics, Seventeenth Edition*; McGraw-Hill Irwin, New York: 2001.

## NATURAL RESOURCES

Natural resource inputs consist of such factors as water, land, fuel, minerals, forests, and environmental quality. In today's world, while the possession of natural resources is considered advantageous, it is not imperative for economic success. Geographical regions lacking natural resources can experience real economic growth by developing industries that depend more on labor and capital than on these indigenous resources.

### Ocean

In the case of American Samoa, the Territory lacks an abundance of natural resources with the exception of the ocean. Traditionally, the ocean and her land have always provided for her people. Like other island communities, these resources are considered the people's traditional lifelines because they provide the basis for food, water, and shelter. Therefore, the United States Government and American Samoa Government should work together to address such issues as extending the Territory's exclusive fishing rights for '*alia*'<sup>20</sup> boats owned by local fishermen and favorable terms in the various international fishing agreements that are being negotiated.

### Land

American Samoa consists of five volcanic islands. Combined, her total landmass is 77.4 square miles or 49,536 acres, an area slightly larger than Washington, D.C.. However, two-thirds of the land is steep mountains covered with rich tropical forest that is virtually inaccessible and uninhabitable. Because only some 26 square miles or 16,630 acres can be considered usable land, land is a scarce commodity.

The Territory's situation is further complicated by the fact that most lands are communal, thus, not readily available to be 'freely' exchanged in a market economy. Thus, economic development can become problematic due to the competing interests of such undertakings as commercial ventures, housing, open space, and agriculture and aquaculture production. At a minimum, the Commission strongly recommends that the American Samoa Government works with the business community and the public-at-large to develop a land use master plan that takes into account the development of the four targeted growth areas and their cultural implications.

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<sup>20</sup> '*Alia* translates to mean 'double canoe' which refers to the traditional-style boat used by Polynesian people to travel the ocean. In the context of this section, the word is used to denote 'local' owned boats that are motorized.

## **CAPITAL FORMATION**

Economists recognize there are two types of capital: physical and human. Physical capital is an asset that can actually create a product or service, whereas human capital is the capability a person has to produce goods and services that have value.<sup>21</sup> It refers to the stock of useful and valuable skills and knowledge accumulated by people in the process of their education and training.<sup>22</sup> However, economists do not consider money capital because money can not produce tangible goods or products that can be used to meet a physical or human need although it can acquire products and services that meet human needs.

Yet, there is a close link between the acquisition of money and growth of capital. Therefore, although the economic term capital technically does not include the concept of money, for the purposes of this report, money will be discussed as financial capital and will be included in this section. Because like other emerging economies, American Samoa faces considerable challenges when it comes to securing needed capital.

### **Physical Capital and Infrastructure**

Regardless of how intricate and well thought out an economic development plan might be, if the Territory does not possess a seamless, integrated, efficient physical infrastructure system, then development will be stymied or impeded. In fact, the benefits of developing such a system not only foster economic development but improve the overall quality of life for residents and citizens alike.

By building an integrated network of the Territory's physical capital and infrastructure, American Samoa will be able to move her people, products, services, information, data, and images in a more efficient manner. This large-scale movement will help facilitate commerce because the overall cost of 'transshipping' will be reduced due to economies of scale. The benefits of developing such an integrated system will not only foster economic development but also improve the overall quality of life of her people.

The Territory can begin to move in this direction by developing a comprehensive master plan that integrates the various master plans that separately exist for each physical infrastructure system. The Commission encourages this be done within the community-based planning process but recognizes the importance of continuing with enhancements as a master plan is finalized. The Territory must continue her efforts to complete the current expansion plans for the airport while

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<sup>21</sup> DeRooy, Jacob; *Economic Literacy, What Everyone Needs to Know About Money and Markets*; Three River Press, New York: 1995.

<sup>22</sup> Samuelson, Paul A. and William D. Nordhaus; *Economics, Seventeenth Edition*; McGraw-Hill Irwin, New York: 2001.

improving its security and infrastructure. The enhancement of American Samoa's harbors remains essential to economic development.

Particular attention should be given to the telecommunication infrastructure. American Samoa currently possesses one of most sophisticated systems in the region. In addition, the growth of Telecommunication and Information Technology and its related fields is one that the youth and young adults fully support because they can effortlessly visualize a future for themselves. This is an important consideration for Territory's decision-makers to bear in mind as they work to transform the economy and plan for the future.

### **Financial Capital and Infrastructure**

The Commission fully appreciates that for American Samoa to successfully transform her economy, she must be able to acquire the necessary capital to underwrite the direct and indirect costs associated with her economic development pursuits. Accessing, raising, or generating financial capital in American Samoa remains one of the Territory's greatest obstacles to economic development.

This will take great cooperation and commitment from both the public and private sectors because many undertakings associated with economic development require large aggregates of capital. Not only is it difficult to acquire such sums of capital but it is often problematic to do it in a timely fashion. Funding usually comes in increments, making it difficult to complete projects in a timely and efficient manner. In fact, often by the time projects are actually funded and completed, the improvements are already considered 'dated' because the finished product no longer accommodates future anticipated needs.

The Commission encourages the United States Government to take a more active role in assisting the Territory with identifying and securing financial capital.

### **HUMAN RESOURCES**

Currently, American Samoa is lacking a well-trained and skilled work force that can meet the challenges of a developing market economy. In addition, the overall health of her people is of concern. There is a great need to improve and augment the services of the institutions created to address the Territory's educational and healthcare needs. Additionally, providing such services have real costs associated with them. The ability to cover the costs of these heavily subsidized systems is a challenge the Territory continues to struggle with.

Yet, The Plan recognizes that these institutions are essential to the Territory's economic success. As noted, the strength of any economy is directly tied to an educational system that produces skilled workers and medical services that keep them fit and healthy. Therefore, proper attention and adequate resources must

be realized to improve the quality of educational and medical services and infrastructure that supports them.

Likewise, another significant contribution these institutions make to the economy is they are an integral part of the developing targeted industries. Not only do they provide part of the basic physical infrastructure of these industries but are also being positioned to become part of the enterprising activities of the Telecommunication and Information Technology Industry.

## **TECHNOLOGY AND INNOVATION**

As noted, traditionally, economists have commonly identified 3 factors that impact the growth of an economy: natural resources; capital formation; and human resources. However, many economists today consider 'technology and innovation' the essential 4<sup>th</sup> growth factor for economic development because they have come to better understand the role of technology. "Technology has played a decisive role in changing the nature of the most basic of all human activities, work. It did so by breaking down the complicated tasks of productive activity into much smaller subtasks, many of which could then be duplicated, or at least greatly assisted by mechanical contrivances."<sup>23</sup>

In addition, economists have also come to realize that technology and innovation does more than impact processes and help to raise living standards but can also foster an entrepreneurial spirit.<sup>24</sup> The importance of creating an economic environment that promotes the entrepreneurial spirit and encourages enterprising behavior can not be under estimated. Likewise, either can the integration of technology. As the Commission's Vice-Chair stated, "Ironically, the survival of traditional Samoan culture will depend on ultra-high technology."<sup>25</sup>

Thus, the Commission applauds American Samoa's willingness to embrace technology and recommends that the United States Government and American Samoa Government support her efforts to make technology and innovation a central component of her economic development and success. Technology driven enterprises could help American Samoa overcome her physical challenges imposed by the Territory's remote geographic location and limited available land.

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<sup>23</sup> Heilbroner, Robert and Thurow, Lester; *Economics Explained*; A Touchstone Book, Simon & Schuster, New York: 1998.

<sup>24</sup> Samuelson, Paul A. and Nordhaus, William D.; *Economics, Seventeenth Edition*; McGraw-Hill Irwin, New York: 2001.

<sup>25</sup> Lagomarsino, Robert J.; Vice Chair; American Samoa Economic Advisory Commission; From Transcript of official meeting of the American Samoa Economic Commission: March 29, 2000.

## **THE DIVERSIFICATION OF THE PRIVATE SECTOR**

The goal of the economic policy recommendations is like that of the economic development plan (herein, The Plan). The goal is “to transform the composition of American Samoa’s economy so that a more diverse private sector becomes the driving force of a self-sustaining market economy.” Yet, the Commission does not support arbitrary diversification. Rather, it advocates a selective and systematic approach of targeting four growth industries in order to promote diversification and expansion of the private sector. Likewise, it also supports the development of industries that can remain relevant in the markets American Samoa chooses to compete in, as well as operate in ways that are complementary due of the Territory’s scare and limited resources.

### **INDUSTRY CRITERIA**

In order to determine whether an industry should be targeted, the Commission established criteria in which each industry should be measured against. The criteria are as follows:

- The industry supports the common vision and does not work counterproductive to cultural considerations;
- The industry yields the greatest desired economic benefits to the greatest number of people;
- The industry attracts new sources of income into the economy and/or curtails the out flow of capital from the economy;
- The industry takes advantage of shared resources, existing infrastructure, and functioning entities; and
- The industry helps to diversify the private sector by providing spin-off opportunities as it mature.

The industries identified are considered the preferred industries because each met, and in many cases exceeded the above stated criteria.

## **TARGETED GROWTH INDUSTRIES**

Within the private sector, The Plan identifies and supports the development of four growth industries: Fisheries and Agriculture; Telecommunication and Information Technology; Manufacturing; and Visitor. These four industries will serve as the cornerstones of a self-sustaining market economy although it should be noted that their individual contributions to the economy might not be of equal proportion.

Within each industry, the Plan calls for the development of various enterprises that are classified into three tiers. Assigning tier levels recognizes that the industries and enterprises will mature at different rates due to varying conditions, circumstances, and resources. It also presumes that the various stages of development will occur concurrently, consecutively, and at times on entirely different schedules.

Tier One enterprises have the greatest potential to take root, flourish, and attract new enterprises and industries that promise higher added value and greater productivity. Tier Two enterprises have immense possibilities but will require more time and resources to develop. Tier Three enterprises represent 'spin-off' industries and enterprises that will naturally evolve as the core industries mature. The mapping out of the direction and timing of the Territory's economic development can serve as a guide to those responsible for implementing the various aspects of The Plan.

The enterprises within each industry and tier will choose to compete in at least one of four major markets: Local (within American Samoa); U.S. (any market within the U.S.); Pacific (any Pacific rim, non-U.S. markets); and Global (any market other than Local, U.S., or Pacific markets). What market a business decides to compete in will vary depending on its long- and short-term operating goals.

### **FISHERIES AND AGRICULTURE INDUSTRY**

To an island community, the ocean and land are the traditional lifelines of the people because they provide the basis for food, water, and shelter. So it only makes sense for American Samoa to develop her fisheries and agriculture industry. For American Samoa, the Pacific Ocean is her greatest natural resource while her land remains one of her scarcest but most sacred resources.

#### **Tier One – Canneries**

Since the mid-1950s, the composition of American Samoa's economy has remained relatively unchanged. In fact, the first cannery came to operate in the Territory in 1950 with two others entering the market in 1954 to make use of the cannery facilities left vacant by the first commercial venture. Although there have



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been changes in ownership through the years, the canneries continue to have a dominant presence in the Territory.

Together, the two canneries employ a third of the work force that spends its hard earned dollars in the Territory. The canneries also infuse cash into the economy by purchasing goods and services. They are also the largest single consumers of water, power, fuel, and shipping, thereby, reverting money back into the economy and helping to reduce the overall rates for all consumers. In addition, many of the foreign fishing boats that supply the canneries buy their provisions in American Samoa.

Additionally, the canneries are engaged in a multi-million dollar global market. Their corporate headquarters are remotely located from American Samoa, therefore, the local canneries must repatriate their profits. The canneries also benefit from significant tax relief agreements with the Territory and from being based on U.S. soil.

Yet, because of a series of political and economic policy decisions made in Washington, D.C., the certainty of the canneries' future in the Territory is questionable. The anticipated elimination of Section 936 of the U.S. Internal Revenue Code and the neutralization of General Note 3(a) of the Harmonized Tariff Schedule of the United States by the International Trade Agreement will remove two critical incentives for the two canneries currently operating in American Samoa. Trade agreements such as the North American Free Trade Agreement (NAFTA) and Andean Trade Preference Act, make it attractive for these companies to move their operations elsewhere in the world. Other applicable U.S. laws further obscure the situation. Laws related to such matters as minimum wage rates, labor, environmental, health, and public safety, as well as quality control standards established for processing tuna for consumption, while needed, add to the overall cost of doing business.

The canneries have continued to express a commitment to stay in American Samoa. However, it is conceivable that they would leave given recent policy developments and other global trends. A sudden departure of one or both companies would create problems of epoch proportions in American Samoa for the United States and American Samoa Government. Without having alternative industries sufficiently developed to absorb the impact, the Territory's economy would be devastated and her quality of life substantially lessened.

Given this potential situation, the fact that the canneries recently made substantial investments in their plant infrastructure, and the industry has not fully matured, attention should be focused on finding a remedy to satisfy the concerns of the tuna canneries, American Samoa Government, and United States Government. By doing so, the Territory's economy will have an opportunity to develop other enterprises within this industry as well as the other targeted industries identified in The Plan. In the meanwhile, the canneries in American

Samoa can continue to supply their canned tuna to markets within the United States.

### **Tier Two – Other Fisheries**

Traditionally the ocean was the Territory's primary source for food. So the development of small-scale fishery enterprises is a natural extension of the canneries. The initial focus would be to help local 'alia<sup>26</sup> fisherman establish new or enhance existing businesses so they can sell fresh fish to the canneries, local market, and eventually export to U.S. markets.

To support such efforts, the American Samoa Government and members of the private sector should help to organize a non-profit cooperative (herein, co-op) that will provide administrative, business, and accounting services and arrange for training for these fishermen. In addition, the entity would exercise oversight to help with the procurement of supplies, sale and delivery of fish to market, and collection and distribution of payment and payroll. By organizing these businesses in this fashion, it allows the fishermen to concentrate on bringing a regular shipment of fish to the canneries and markets, and collectively take advantage of economies of scales.<sup>27</sup>

In addition to the co-op, infrastructure such as a dock, loading and processing facility that includes a cold space to store fish as it awaits delivery to market, berthing facilities, and a location to repair and service 'alia boats are needed. Also, to ensure the timely delivery of the highly perishable fish, an adequate transportation system must be in place. This includes the Federal Government granting an exemption or partial relief from cabatoge laws so, at a minimum time, sensitive cargo such as fish, can move in and out of the Territory on a regular and frequent schedule.

### **Tier Two – Agriculture and Aquaculture**

Traditionally, the ocean and land has served as the islands' main food source. However, contact with western societies and ready access to their conveniences have influenced and changed the people's diet so that American Samoans have become less dependent on her natural resources for basic provisions.

The positive economic outcome of this trend is people have more time to devote to their work and other activities because less time is spent cultivating, harvesting, and preparing food. Also, small businesses that offer a greater

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<sup>26</sup> 'Alia translates to mean 'double canoe' which refers to the traditional-style boat used by Polynesian people to travel the ocean. In the context of this section, the word is used to denote 'local' owned boats that are motorized.

<sup>27</sup> Economies of scale is a situation in which the average cost of production declines as plant size and output is expanded.

Shim, Jae K. and Joel G. Siegel; *Dictionary of Economics*; John Wiley & Sons, Inc., New York: 1995.

## The Plan

variety and selection of foods have emerged such as grocery stores and restaurants. Additionally, the Territory is in a better position to supply provisions needed by aircraft and ships that enter her islands.

However, the negative economic impacts are just as profound, if not more. The most obvious consequence is related to the fact that 95 percent (95%) of all food and produce consumed in American Samoa is imported. This results in more money flowing out of the economy than coming in relative to this activity. In addition, because most food consumed today substantially differs from the traditional diet, many American Samoans suffer from western-style illness and diseases, thereby, impacting the health of the labor force.

The development of small-scale agriculture and aquaculture enterprises would help mitigate these negative impacts as well as encourage the continued growth of new and existing related businesses. Likewise, it would improve the health and overall quality of life of the people. Currently, agriculture is largely a subsistence activity. The traditional American Samoa diet includes tropical produce such as taro, banana, 'ulu (breadfruit), tapioca, and coconut. Today's diet also includes cooler weather produce that includes a wide assortment of vegetables and fruits as well as fresh and processed meals such as beef, pork, and chicken.

The primary focus of these enterprises would be to meet the local market demand, whenever possible, by encouraging local farmers to commercially grow more produce and raise livestock on land as well as cultivate food sources from the ocean. To do so will require the adaptation of western style farming and cultivating methods, and application of technology so vegetables, fruits, and aquatic organism production becomes suitable for the local climate, terrain, and soil and ocean conditions. Therefore, infrastructure such as greenhouses, farm equipment and machinery, central storage coolers to warehouse harvested and slaughtered products, and a convenient location for wholesaling is needed. In addition, support should be given to organize a non-profit cooperative similar to the one described for small-scale fisheries enterprises. Also, if an adequate transportation system can be developed between the Manu'a Islands and Tutuila, it may be feasible to shift farm production to the Manu'a Islands where more useable land is available. In addition, the logistical problems of obtaining and supplying needed fertilizers and nutrients, equipment, and supplies must be addressed.

It should be noted that careful consideration and planning of where and how development takes place is needed. This is especially true in light of the fact that only one third of the landmass is considered useable, and a greater demand of water use and allocation will further stress existing resources and infrastructure. In addition, there is particular concern that the surrounding waters and lowland forest areas of primary growth rainforest within the U.S. National Park of American Samoa should not be used for these commercial purposes as stated in the park's authorizing legislation.

### **Tier Three – Other Small Businesses**

The success of Tier One and Tier Two enterprises is somewhat dependent on whether outstanding Federal and Territorial policy issues are resolved in a manner that promotes desired economic growth and allows for acceptable profit margins. Matters related to taxes, tariffs, Exclusive Economic Zone (EEZ), and other fishery and resources issues, as well as conservation and environmental concerns must be adequately and satisfactorily addressed.

If this occurs, it is possible for other spin-off businesses to evolve and support the activities of the fisherman and farmers. For example, management companies to supervise the operations of the various infrastructures, a boat building operation, businesses that sell supplies and products and offer services such as repair and maintenance will be natural outgrowths of the primary and secondary activities.

### **TELECOMMUNICATION AND INFORMATION TECHNOLOGY INDUSTRY**

The industry that has the most potential to generate the greatest economic benefits is the Telecommunication and Information Technology Industry. There are a number of reasons. For example, it will allow the private and public sectors to perform more efficiently and effectively, thus, more competitively. It will not only strengthen the internal mechanisms of the economy but also allows American Samoa to actively participate in the U.S., Pacific, and Global markets and in an industry that almost single handedly transformed the world economy. While no one can predict with certainty how this industry will eventually evolve, no one doubts its viability, and ability to continue to shape the progression of world events.

In addition, since this industry is relatively new to American Samoa, any revenue it generates from its activities brings new dollars into the economy. The jobs it creates are desirable because they require a wide variety of skills and expertise, and historically pays well. It also will help to educate students, educators, administrators, medical professionals, and support staff, thereby, improving the quality of educational and health care services. The industry poses no real threat to the environment nor requires large parcels of land to thrive.

In addition, in 1998, the American Samoa Government authorized the creation of the American Samoa Telecommunication Authority, an independent government body, to exercise jurisdiction over the Territory's telecommunication infrastructure. Since then, it has actively worked to improve the American Samoa's telecommunication system. In addition, a private cable company, and long-distance and internet provider have demonstrated the importance of the private sector developing this infrastructure. Although the industry is still in its infancy stages in American Samoa, the existing infrastructure is primed to move the industry forward.

Not surprisingly, the growth of Telecommunication and Information Technology Industry and its related fields is one that the youth and young adults fully support because they can effortlessly visualize a future for themselves. This is an important consideration for decision-makers to bear in mind as they work to transform the economy. American Samoa, like other communities suffering from economic distress, is experiencing a 'brain drain.' Many of the Territory's best and brightest leave the islands to pursue educational, professional, and financial opportunities elsewhere. Many don't return. Others return only after their most productive working years are behind them. Fortunately, for those who do return to the islands, such as military veterans, many bring with them valuable skills and experience as well as retirement pensions that potentially enhance the pool of the workforce and available capital.

### **Tier One – e-Commerce Development Center**

One of the most important initiatives to emerge within American Samoa is the 'e-Commerce Development Center' (herein, e-CDC). The e-CDC is uniquely positioned to enter all four markets if it so chooses because it is envisioned that the e-CDC would house:

- A technology training center in collaboration with the American Samoa Community College, the National University of Samoa, and the University of Hawaii;
- A data entry facility that would do data entry work for businesses and governments throughout the United States;
- Software development for applications that are widely used in the Pacific-rim region and Global market; and
- A business incubation facility.

The beauty of this initiative is that it not only takes advantage of existing infrastructure but also of institutions. Another strength is that it represents a collaborative effort spearheaded by an entity known as the DELTA Consortium.<sup>28</sup> This consortium is providing the vision and leadership by working to bring government agencies, educational institutions, and the private sector together to develop and implement the various telecommunications reforms and projects needed to lay the foundation for this effort. It has aggressively pursued Federal funds in order to build the framework of the Territory's telecommunication infrastructure system. To date, the DELTA Consortium has secured the following funds:

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<sup>28</sup> The DELTA Consortium was formed in 1996 by Governor Tauese Sunia.

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- \$300,000 from the National Telecommunications and Information Administration to establish a PEACESAT<sup>29</sup> earth station;
- \$140,000 from Rural Utilities Services of the U.S. Department of Agriculture to interconnect the LBJ Tropical Medical Center, American Samoa Community College, and the American Samoa Executive Office Building to the PEACEAT earth station;
- \$10,000 from the U.S. Public Health Service for an electronic mail server for the LBJ Tropical Medical Center;
- \$8 million over a three year period from Schools and Libraries Division of the Universal Services Administration Company to develop an E-Rate network and network technology;
- \$120,000 from the Pacific Resources for Education and Learning to install videoconferencing systems, a Multipoint Conference Bridge, and a video teleconferencing gateway; and
- \$30,000 from the U.S. Health Resources Services Administration for video teleconferencing systems and telemedicine technologies that was partially used to purchase network equipment for the Manu'a Islands.

Yet, the challenge remains the same, securing capital. Therefore, it is imperative that the Federal Government continues to assist in this effort by providing additional capital and helping American Samoa forge strategic partnerships and alliances to augment the Territory's resources.

### **Tier Two – LBJ Tropical Medical Center**

In 1999, the American Samoa Government authorized the creation of an independent authority for the Territory's only hospital. This new self-governing body is now known as the LBJ Tropical Medical Center (herein, Medical Center). Many changes have occurred since that time, including constructing the hospital's telehealth and telemedicine capability. This undertaking affords the Medical Center opportunities to improve the quality of its medical care and administrative services, and to develop a cost-effective and efficient delivery system. In addition, it allows the hospital to build partnerships with other medical institutions using this technology such as the U.S. Veterans Administration Medical & Regional Office Center, U.S. Department of Defense's Tripler Hospital, and Shriners' Hospital for Children located in Hawaii.

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<sup>29</sup> PEACESAT is part of the Social Science Research Institute of the University of Hawai'i at Manoa.

Developing this aspect of the Telecommunication and Information Technology Industry not only improves the health of the Territory's work force and her quality of life but also creates possible business ventures for the Medical Center. For example, by becoming the premier medical institution in the South Pacific region, the Medical Center can offer services such as medical treatments and procedures, hospital patient care, consultation services, and training programs to clients from various parts of the region for a profit.

However, in order to realize this goal, the Medical Center must secure additional capital for physical and technology infrastructure improvements as well as medical and diagnostic equipment. It must also be able to recruit and retain appropriate medical and administrative professionals, and medically trained support staff and technicians. In addition, the Medical Center must continue working to meet U.S. health care and hospital standards. It must also work with the American Samoa Government and Federal Government to address policy issues that directly impact its operations and services such as clarifying who is an American Samoan and related immigration matters.

### **Tier Two – American Samoa Community College Education and Training Center**

Currently, the American Samoa Community College (herein, College) is the Territory's only higher education institution. It offers traditional classroom instruction for two-year college degrees and certificate programs; off-island programs for bachelor, master, and doctorate candidates and those studying for teaching certificates; and seeks to encourage life-long learning through community workshops and programs.

By using the campus telecommunication infrastructure, the College can develop an education and training center that would provide educational services and employment for students who want to work in the Telecommunication and Information Technology Industry in American Samoa and elsewhere. In addition, it can offer distance learning courses to interested students who can not easily make the commute or are living abroad.

Again, securing the necessary capital for infrastructure for physical and technology infrastructure improvements is one of the greatest challenges the College will face. In addition, the College must identify and pursue business practices that generate revenue for its operations and programs. For example, by attracting off-island students from the South Pacific region to its campus or enrolling them in distance learning programs, the College could collect non-resident tuition fees that are structured to better recover the costs associated with educating the student. In addition, the professional and technical staff can offer its consulting services to other learning institutions in the region for a fee.

Additionally, the College must continue to work with the American Samoa Government, Federal Government, accreditation institutions, and private sector to address policy issues, meet educational standards, develop relevant coursework, and retain qualified professionals to better its operations and services.

### **Tier Three – Other Small Businesses**

The development of the Telecommunication and Technology Information Industry will give birth to a number of spin-off enterprises as well as provide opportunities for existing businesses. While it is difficult to accurately predict what types of spin-offs might occur, one can safely assume that the industry will see growth in service oriented businesses such as those that offer assistance with travel and lodging accommodations for off-island patients, students, and their families; the repair and maintenance of machinery and equipment; and accounting and payroll. In addition, it is easy to envision other technology driven enterprises emerging that attend to the unmet needs and demands of the industry.

As the industry grows, so will the demands on the Territory's overall infrastructure system. Therefore, American Samoa must carefully plan and coordinate the development of this industry so infrastructure keeps pace with growth.

### **MANUFACTURING INDUSTRY**

With the exception of the tuna canneries that anchor the Fisheries and Agriculture Industry, American Samoa has had only modest success in attracting manufacturers to her shores. Given her track record, it is easy to assume that the Territory will never realize the development of a viable manufacturing industry. Yet, this is not necessarily the case. In fact, the Territory is better positioned to undertake the challenge today because of the lessons learned from past experiences. For example, a consistent problem that has plagued this industry is its dependency on foreign labor to sustain operations. In the past, this dilemma has caused a whole host of economic, political, social and cultural problems that are not likely to reoccur because American Samoa is committed to pursuing partnerships with U.S. companies who hire primarily U.S. nationals and citizens and send their goods to markets within the United States. In addition, the Territory is better prepared to use measures and enforcement tools already in place to control the importation of foreign labor and the exportation of foreign capital.

Additionally, development of this industry is more desirable because of the benefits it can bring to the islands. The concept behind manufacturing is to engage in large-scale production in order to produce significant quantities of products that can then be sold and exported to meet a demand elsewhere. Such transactions help to positively impact the balance of trade because they bring



new income into the economy. In addition, jobs that are appropriate for the current skill levels are created, thus, reducing the cost of training. New jobs and the procurement of goods, products, and services related to start-up costs mean money will further circulate through the economy. Further, there is an economic payoff to investing in 'linkage' industries whose outputs are used as inputs to many downstream or spin-off industries.

However, in truth, much of the Territory's success will be dependent on the level of assistance and incentives the United States Government offers to make American Samoa a more attractive place to do business. Historically, American Samoa has been able to interest companies because of such incentives as Section 936 of the U.S. Internal Revenue Code and General Note 3(a) of the Harmonized Tariff Schedule of the United States provided by the Federal Government. However, with the scheduled elimination of these provisions, other global considerations, and the fact that no alternative enticements are in place to supercede and motivate U.S. companies to come to American Samoa, any efforts the Territory makes on her own will be severely hampered. The Federal Government must take a leadership role to remedy this situation as well as an active role in helping the Territory to identify and secure the appropriate strategic partners for American Samoa.

### **Tier One – Garment Manufacturer**

In the early 1970s watch assembly and apparel production operations were established but proved to be unsuccessful. In the 1990s large-scale apparel productions were reintroduced but these businesses also failed miserably. In fact, today, although there are a number of small, independent sewing businesses operating in the Territory, there are no large-scale apparel assembly operations.

Yet, given the discussion regarding the manufacturing industry as a whole, the American Samoa Government should work with the Federal Government to identify an acceptable partner to locate in the Territory. A distinct incentive for a company to invest in this industry is that infrastructure already exists.

### **Tier Two – Component Assembly**

In today's global economy, trade has perpetuated the spread and linkage of international production networks. These networks break up sequential production processes which traditionally have been organized in one location and spread them across national borders.<sup>30</sup> In other words, the various components that are needed for a final product are more often than not manufactured and partially assembled in remote locations and then shipped to another central locale for final assembly.

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<sup>30</sup> *Entering the 21<sup>st</sup> Century – World Development Report 1999/2000*; The World Bank; Oxford University Press, New York: 2000.

In the case of American Samoa, because the Territory is part of the U.S. political family, she provides a unique business opportunity for U.S. companies that find it advantageous to outsource certain aspects of their production, especially to foreign countries. By setting up businesses to assemble components in American Samoa, companies will be better able to link their fragmented production network with fewer complications and certain advantages because they will be operating on U.S. soil. For example, most people in American Samoa are bi-lingual and are able to speak Samoan and English fluently, unwanted foreign government intervention is nonexistent, the political environment is stable, and U.S. laws and business procedures are routinely practiced.

Again the Federal Government must take a leadership role in this endeavor. It must provide a package of incentives to encourage U.S. businesses to invest in American Samoa. In addition, it must help to strengthen the operations of American Samoa's transportation infrastructure system so time-sensitive cargo can easily and efficiently be transported in and out of the Territory. Specifically, an exemption or partial relief from cabotage laws is crucial to the effort.

### **Tier Three – Small Businesses**

While The Plan acknowledges that the number of U.S. manufacturing companies the Territory can accommodate is limited due to her physical and labor force constraints, it is still conceivable that this industry will produce small business spin-offs. The strength of these companies will be that they can further link this industry with the other designated growth industries. For example, a small-scale operation that produces cardboard boxes and other packing materials could support the shipping efforts of the garment and component businesses as well as those in the Fisheries and Agriculture, and Telecommunication and Technology Information Industries.

### **VISITOR INDUSTRY**

The American Samoa Government describes the Visitor Industry as one that "has suffered a long and erratic period of decline..."<sup>31</sup> Tourism was at its peak in the 1970s with close to 35,000 visitors. However, from 1985 through 1997 every category of visitors plummeted. By 1997 there were only 4,514 tourists. The industry continues to stagnate.

While the Territory has many of the support services such as car rentals, and restaurants in place, it is woefully lacking the infrastructure needed to support the demands of a viable, large-scale industry. Noteworthy is the absence of suitable

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<sup>31</sup> Territorial Planning Commission and Department of Commerce; *American Samoa's Comprehensive Economic Development Strategy Year 2000*; American Samoa Government, Pago Pago: February 2000.

lodging accommodations and adequate passenger air service. Yet, despite such factors, it is still possible to develop a small-scale Visitor Industry in American Samoa if the type and scope of tourism is clearly defined.

### **Tier One – Niche Markets**

Traditionally, transportation technology largely shaped the Visitor Industry. And while other factors such as fuel prices, economic and geo-political conditions, and safety and security concerns continue to influence destination decisions, today's travelers are more knowledgeable, demanding, and persuaded by additional considerations. For example, there is a growing interest in the western world to learn about the people, cultures, and natural habitats of other parts of the world. Consequently, niche markets within the Visitor Industry have evolved, such as historical, cultural, and eco-tourism.

In the case of American Samoa, these niche markets represent an opportunity to balance the interests of economic development, the need to preserve the Samoan culture, *fa'asamoa*, and the Territory's own natural beauty. In addition, by moving in this direction, American Samoa is better able to integrate her other attributes that might be overlooked if the traditional type of tourism is developed.

For example, the Territory is blessed with the only U.S. national park in the southern hemisphere. The National Park of American Samoa (herein, National Park) encompasses three islands that collectively include two paleotropical rain forest preserves and pristine coral reefs. In fact, enacting U.S. public law<sup>32</sup> states the purpose of the National Park is to:

“Preserve and protect the tropical forest and archeological and cultural resources of American Samoa, and of associated reefs, to maintain the habitat of flying foxes, preserve the ecological balance of the Samoan tropical forest, and consistent with the preservation of these resources to provide the enjoyment of the unique resources of the Samoan tropical forest by visitors from around the world.”

In addition to the benefits stated, other economic benefits will be realized. For example, the development of these niche markets includes Tutuila and the Manu'a Islands. Also, the niche market visitors who travel to the Territory from the U.S. and the Pacific will not overwhelm her passenger service capacity because they represent a select group of people. Likewise, these visitors tend to be well-educated, affluent, and adventuresome, thus, willing to spend money when they travel.

While infrastructure still needs to be developed, it will be done on a much smaller scale, thus, making it more affordable, less costly, and private sector driven. In fact, such activities have already begun and need to be encouraged as demand

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<sup>32</sup> U.S. Public Law 100-571.

increases. Likewise, local resources and assistance should be made available to support the development of cottage industries such as local handicraft and promote the participation of village-based initiatives.

Particular attention should be given to develop the necessary infrastructure and services of the National Park. This effort needs the full support of the Federal Government.

### **Tier One – Support Services**

The type of economic activity associated with the niche markets previously identified will also encourage the further development of support services that enhance the visitors' travel experience as well as those living in the Territory. In many cases, American Samoa has businesses already in existence such as alternative mid- to small-scale sleeping accommodations, car rentals, restaurants, retail shops, and long distance telephone and internet services. Like the cottage industries, local resources and assistance should be available to the private sector to promote the development of these enterprises.

### **Tier Two – Conference Center**

The development of the Visitor Industry provides significant opportunities to link the economic activities of one industry with that of another targeted industry. For example, the Visitor, and Telecommunication and Technology Information Industries can work together to develop a mid- to small-scale conference center that integrates telecommunication technology into its services. By doing so, American Samoa can continue to position herself within markets as having the region's premier telecommunication system while attracting a different niche of visitors to the islands. In addition, the Territory can forge a strategic alliance with the independent country of Samoa so together, through the use of telecommunication technology, they can simultaneously include and accommodate conference participants who are in different locations. By doing so, they can both expand their visitor capacity without over-taxing their respective infrastructures.

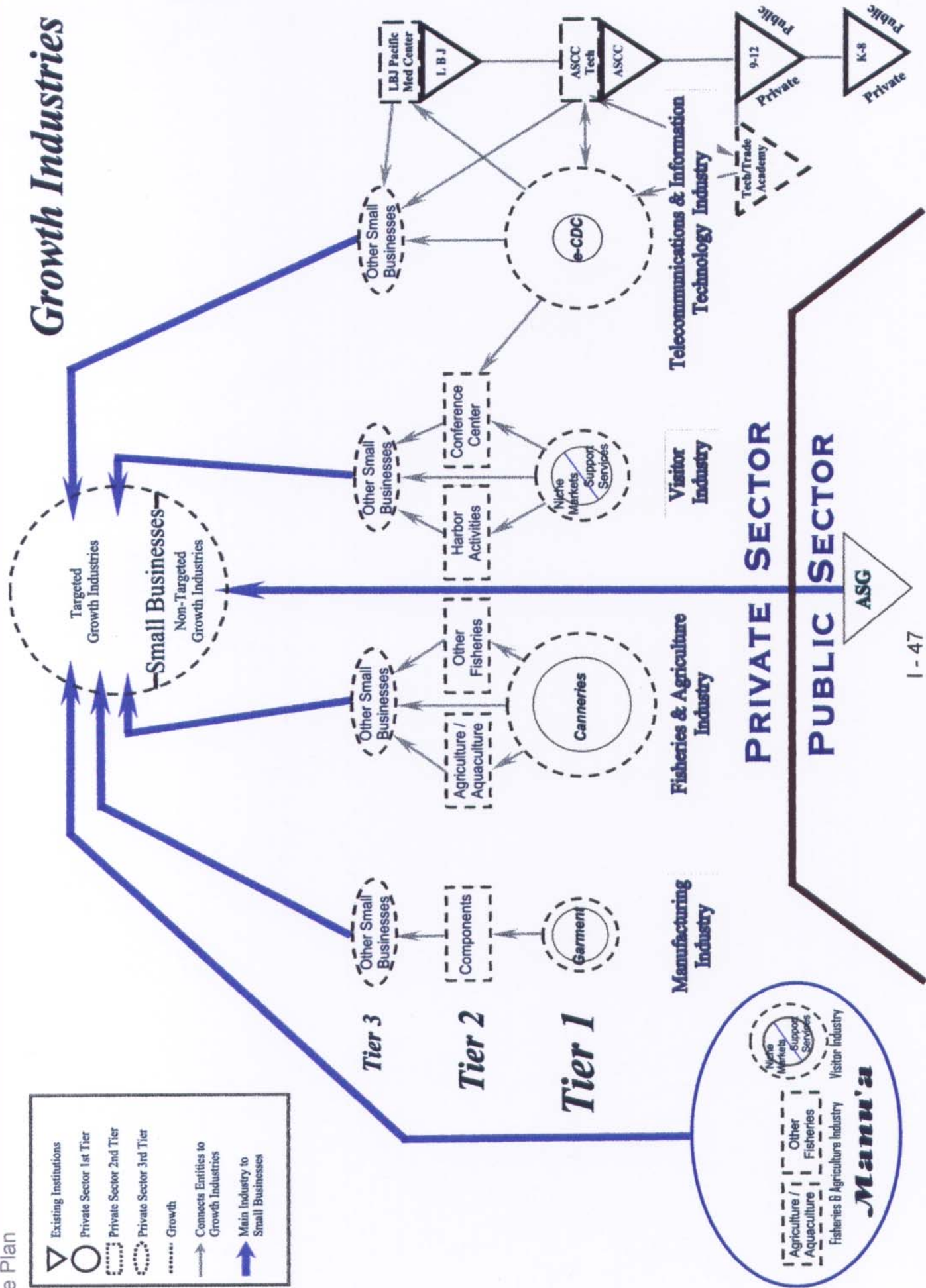
### **Tier Two – Harbor Activity**

Similarly, the development of the Visitor Industry also provides opportunities to link the Visitor, and Fisheries and Agriculture Industries together as appropriate infrastructures are developed. As noted, The Plan calls for the development of the Territory's harbors. The current master plan includes docking facilities to off load visitors traveling on cruise ships as well as a small boat marina to accommodate smaller scale vessels that enter the harbor of Pago Pago. Under both scenarios, visitor activities and services can be offered to passengers who visit the Territory's shores.

### **Tier Three – Other Small Businesses**

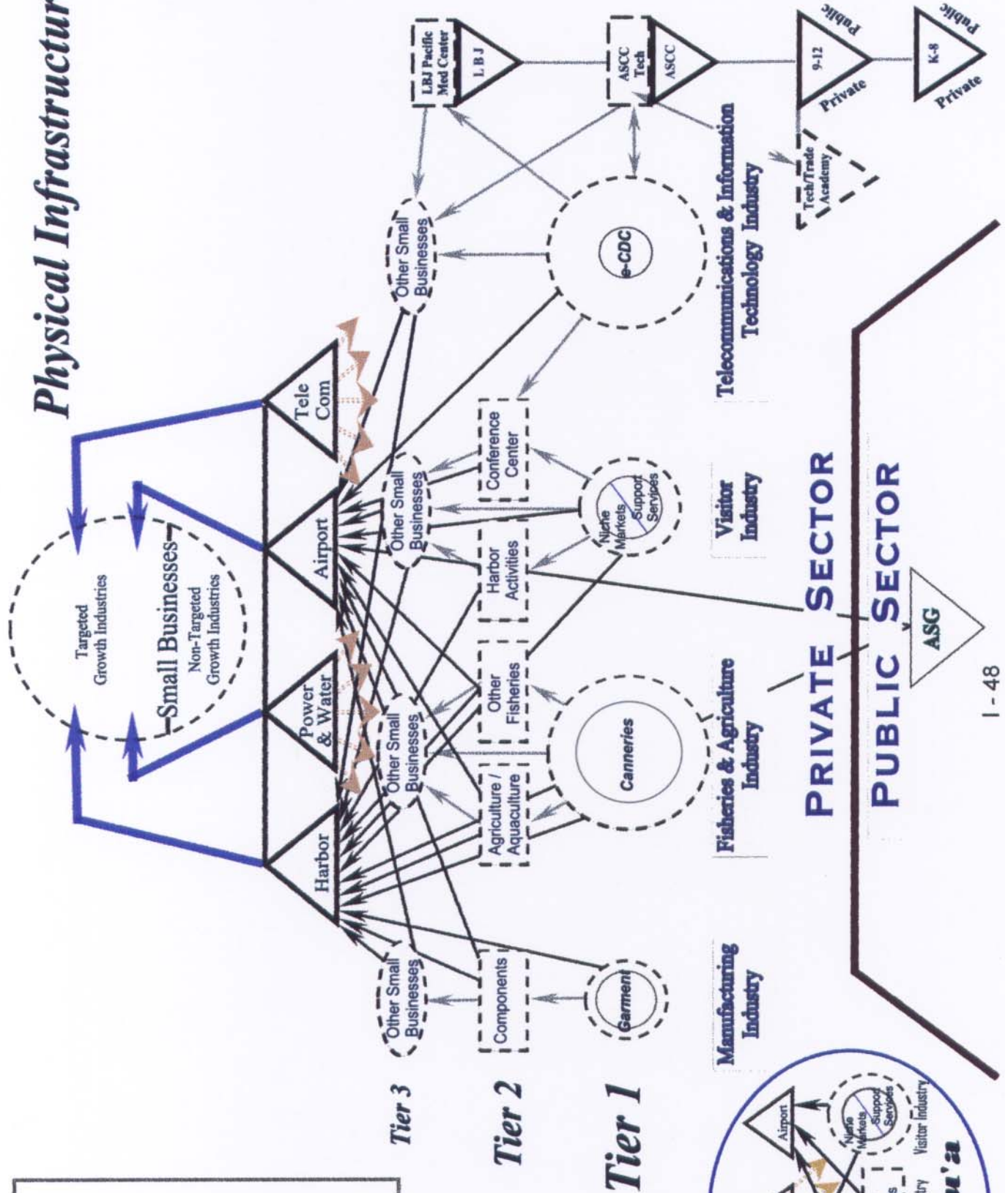
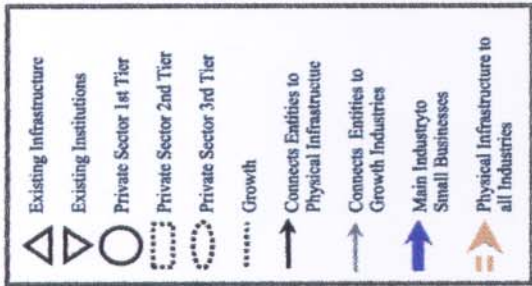
Similarly, the development of the Visitor Industry also provides opportunities to link the Visitor, and Manufacturing Industries together. It is conceivable that a locally based garment manufacturing could provide the Visitor Industry with such items as uniforms and linens. While it is not possible to accurately predict what other types of businesses will evolve as this targeted industry grows and develops, one can be certain that other small business activities will occur. As the private sector better identifies and understands the needs and demands of her visitors as well as those of the American Samoan people, businesses will appropriately respond.

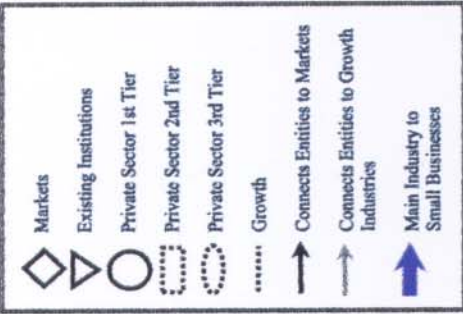
# Growth Industries



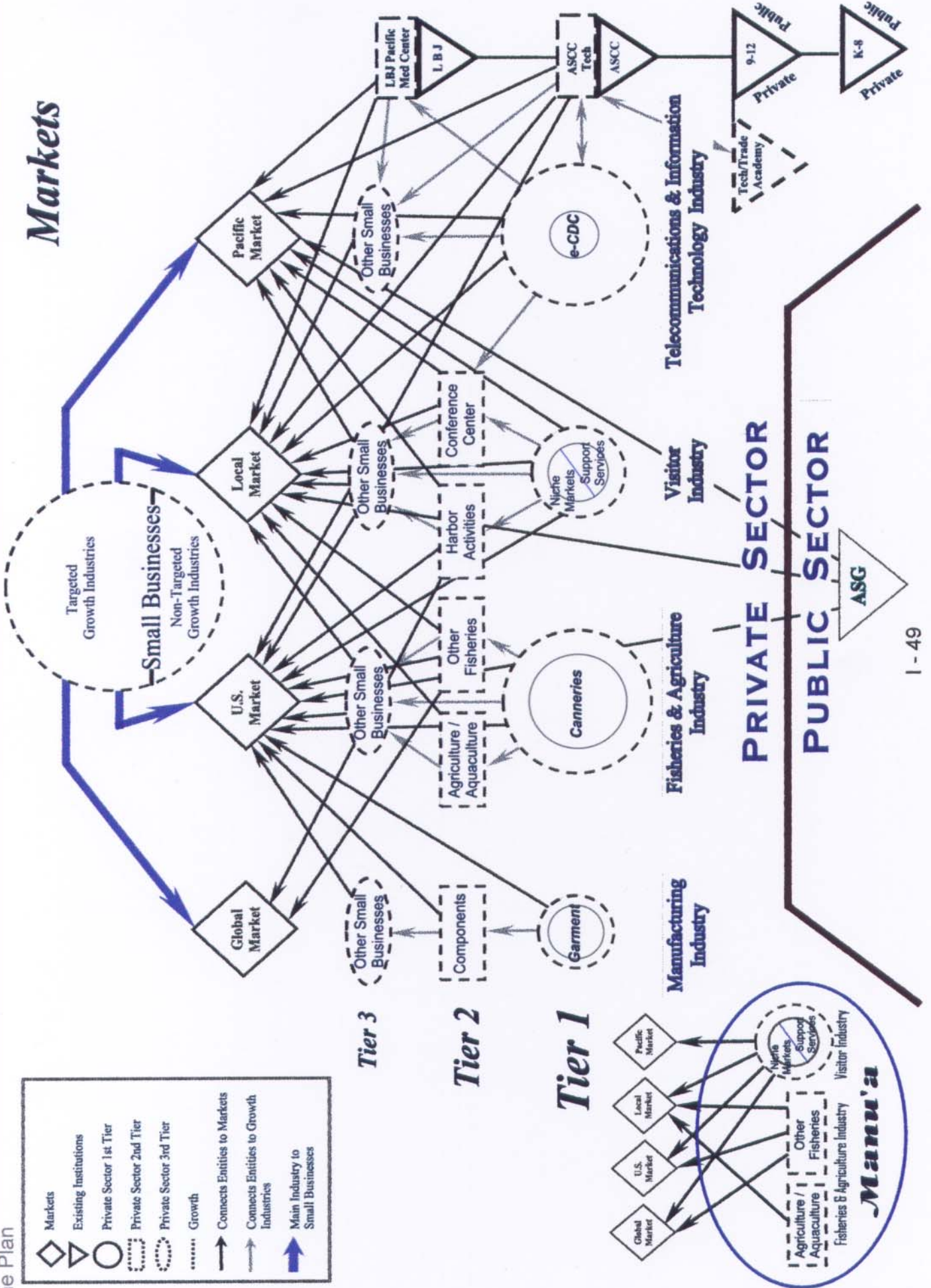


# Physical Infrastructure





# Markets



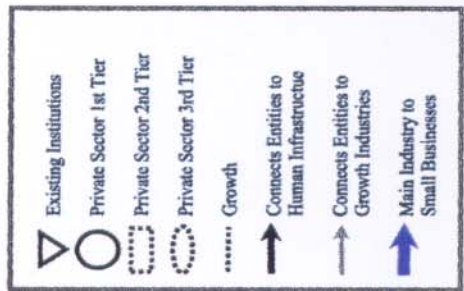
**PRIVATE SECTOR**

**PUBLIC SECTOR**

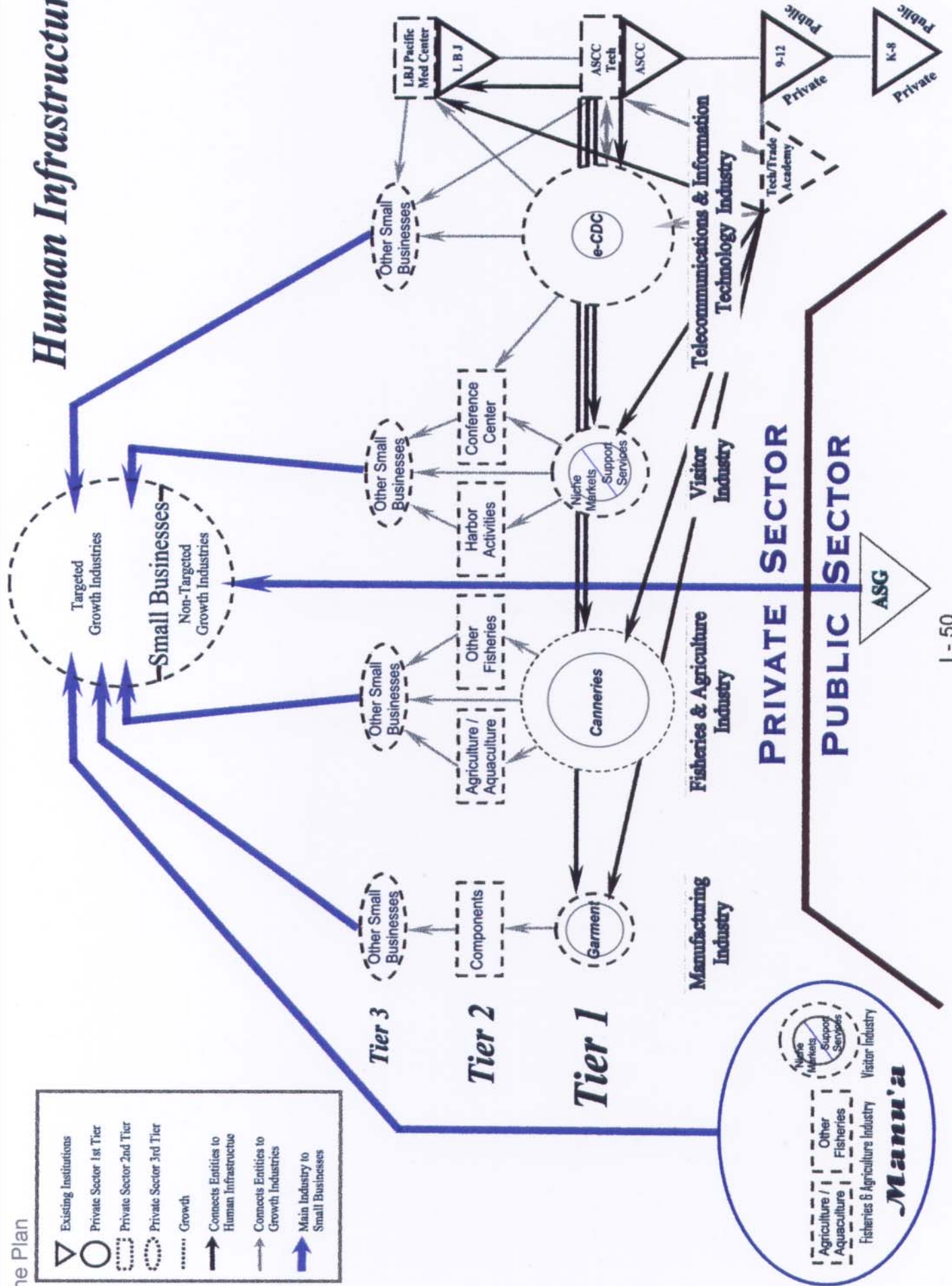
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The Plan



# Human Infrastructure



## THE FRAMEWORK

The Economic Development Plan is a blueprint for change. It is designed to help transform American Samoa's stagnant and struggling economy into one that is viable and thriving. Because the transformation should be guided by the vision and directed by the stated goal and objectives, this section summarizes in a bullet form the basic elements of The Plan.

### THE VISION -

American Samoa will improve the quality of life of her people by realizing a market driven economy that is dynamic, enterprising, self-sustaining, and responsive to changes and fluctuations in the global economy. Moreover, any economic development must transpire in a manner that is respectful of the explicit desire of her citizenry and the United States Government to protect the culture of the Samoan people and the basic tenets of *fa'asamoa*, the Samoan way of life.

### THE GOAL -

To transform the composition of American Samoa's economy so that a more diverse private sector becomes the driving force of a self-sustaining market economy.

## OBJECTIVES AND STRATEGIES

- **Develop and implement an adaptable economic model that is market driven.**
  - Create a Public-Private Working Group in American Samoa to define and set up a process, structure, and timetable, as well as to manage and oversee the implementation of The Plan.
    - Convene the working group to develop an integrated and comprehensive master plan to assure agreement on priorities and sharing of resources as well as the resolution of outstanding issues and concerns regarding the development of the four growth industries of Fisheries and Agriculture, Telecommunication and Information Technology, Manufacturing, and Visitor.
    - Convene the working group to conduct a survey of the Territory's natural resources and develop a plan to exercise stewardship responsibilities.

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- Convene the working group to develop the physical capital and infrastructure of the Territory in a comprehensive and coordinated manner so there exists an integrated and seamless system that efficiently moves people, products, goods, services, and information in and out of the region. This is particular true of the airport, harbor, telecommunication, and water and power.
- Convene the working group to develop the financial capital and infrastructure of the Territory so it can support the Territory's planned economic development.
- Convene the working group to develop the human capital and infrastructure of the Territory in order to produce a healthy, educated, and skilled work force that engages in meaningful work, and is fairly compensated and promoted based on merit, relevant skills, work-related *tautau* or service, and company performance.

### Skill, Training, and Wages

- Conduct a comprehensive review of current and future employment needs and develop a master plan to insure that the educational system produces a labor force that is prepared to enter the work place.
- Develop voluntary work employee standards and a public relations campaign to educate the work force on standards.
- Develop management and professional programs to ensure sound business practices are established and followed.
- Negotiate with the Federal Government to develop incentives to attract and retain qualified professionals and personnel to improve the quality of services.
- Work with the U.S. Department of Labor and U.S. Congress to negotiate more reasonable terms with regards to the application and implementation of minimum wage rates.

### Education

- Work to improve the physical infrastructure of the school system.
- Develop and implement an education master plan based on a wholesale review and assessment of the Territory's academic standards and curriculum; training, certification, and degree

programs; delivery methods and venues; educators and administrative personnel; and acquisition and allocation of resources.

- Develop and implement educational training and degree programs that address private sector requirements.
- Develop and implement a public awareness campaign to educate the public about basic economic and business practices, and acceptable conduct within the work place.
- Develop and implement a public awareness campaign to encourage family units to stay engaged and involved in the learning experiences of its members.

### Health

- Work to improve the health care delivery system and services in a cost-effective manner.
  - Develop and implement a public awareness health and wellness campaign to encourage the public to incorporate healthy diet, exercise, and preventive medicine and practice into their daily routine.
- Convene the working group to develop strategies to insure that technology and innovation becomes an integral part of the daily business activities of the Territory.
- Create a Federal-Territorial Task Force to coordinate activities, deliberate, and resolve pressing and potential problems and conflicts by seeking workable solutions.
    - Seek and secure a favorable ruling by the U.S. Department of Transportation that would exempt from or offer relief to American Samoa regarding cabatoge statutes and other aviation policies, regulations, and decisions that effectively limits passenger and cargo capacity.
    - Seek and secure from the U.S. Department of Treasury a favorable and innovative solution to the problems created by the elimination of Section 936 of the Internal Revenue Code and General Note 3(a) of the Harmonized Tariff Schedule.

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- Negotiate and secure a package of Federal tax and tariff incentives to entice existing and potential enterprises to conduct business in American Samoa and to attract financial investors.
- Negotiate and secure more favorable terms regarding the application of minimum wage rates.
- Negotiate and secure a more favorable agreement regarding the Territory's exclusive fishing rights.
- Negotiate and secure agreements that exempt or offer relief from Federal matching requirements.
- Create partnerships and strategic alliances to develop systems to track, collect, and analyze information pertinent to developing and measuring economic growth and activity.
  - The Public and Private Sectors should develop and implement a system to collect and analyze data and information as it relates to American Samoa's economic activities and behavior in order to measure and monitor the Territory's economic growth.
  - The Public and Private Sectors should develop and implement a tracking system to monitor trends and fluctuations in global markets.
  - The Public and Private Sectors should encourage enterprises to develop and adopt sound business practices that incorporate appropriate cultural practices.
- **Develop American Samoa into an effective economic force in the markets she chooses to compete in.**
  - Transition the role of the American Samoa Government so it can serve as a conduit for economic development.
    - Develop policies that promote economic development in the private sector by seeking public input and participation.
    - Improve the fiscal standing of the American Samoa Government.
    - Establish integrated accounting systems to track true budget costs and expenditures related to the delivery of educational and medical services.
    - Improve and augment the resources of institutions that provide services that enrich the quality of life of the work force through the

## The Plan

collection of taxes and fees in order to adequately cover the true cost of doing business.

- Work to strengthen the operations and role of the Development Bank of American Samoa, American Samoa Small Business Development Center, and Women's Business Center Program and secure additional capital for economic development.
  - Work with private banking institutions to ensure compliance with the Community Reinvestment Act.
  - Statutorily define criteria for business development in American Samoa.
  - Streamline the process of acquiring the necessary approvals, permits, licenses and other legal mandates to conduct commerce or build infrastructure that is consistent with the goal and objectives of the Plan.
  - Reform civil service laws and restructure work force to reduce overlapping work functions in order that the American Samoa Government can function more efficiently and effectively.
- Expand the private sector so that it becomes the dominant force in the economy.
- Work to diversify the private sector by directing resources towards targeted growth industries.
  - Create a favorable economic environment that allows locally-owned and foreign-owned enterprises to be competitive because of their entrepreneurial activities.
  - Identify, develop, and support industries and enterprises that expand the economy by generating new income sources, acquiring financial capital, and curtailing its flow out of the system.
  - Identify and secure funds to improve and augment the development of privately owned infrastructure.
  - Maintain a work place environment that meets applicable U.S. health, safety, and environmental standards.
  - Develop voluntary work place employee standards in order to improve productivity.

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- Develop and adopt sound business practices that incorporate appropriate cultural practices.
- Develop a market strategy that will identify and afford the Territory opportunities to expand the delivery of its products, goods, and services.
  - Identify the products, goods, and services of each industry that can be delivered to the local market and exported to other markets.
  - Identify existing and potential markets that the Territory's products, goods, and services can be delivered or exported to.
  - Develop, nurture, and sustain trade relationships with government and business leaders of targeted markets, including American Samoa's Pacific neighbors.
  - Coordinate efforts of the Public and Private Sectors to open and expand economic markets
- Develop a strategic partnerships and alliances with other Pacific-rim countries.
  - Work with the United States Government to develop economic and political policies that help American Samoa forge economic trading partners.
  - Work with the independent country of Samoa to create economic opportunities to promote trade with each other and as an economic trading bloc.
- **Enhance the present relationship between the United States and American Samoa**
  - Encourage the United States Government to regularly conduct Federal inter-agency meetings to identify, discuss, and find solutions for matters that may benefit the Territory. This will allow American Samoa to have greater input into the decision making process on issues that impact economic development.
    - Establish a better working partnership with the U.S. Department of the Interior by augmenting the staff responsibilities and expertise to include: being a visible advocate for American Samoa within the Federal Government and private sector; and the timely tracking and analyzing of existing and potential policies, laws, rules, and regulations that might impact American Samoa's economic development such as

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in transportation, telecommunication, technology, fisheries and agriculture, trade, and global trends.

- Establish a better working partnership with the U.S. Department of Treasury to identify investment incentives that will assist American Samoa in her economic development.
  - Establish a better working partnership with the U.S. Department of State to better position American Samoa to compete in appropriate global markets through international agreements.
  - Establish a better working partnership with the Office of U.S. Trade Representative and other trade related organizations to obtain more favorable terms in trade agreements that effect American Samoa's economic development.
  - Establish a better working partnership with the U.S. Census Bureau to identify and implement ways to improve data collection in American Samoa in order to better analyze and demonstrate the Territory's economic needs and measure economic growth.
- Work with the American Samoa Delegate to U.S. Congress to develop favorable relations with key decision-makers on matters that effect the Territory.
  - Become a strong trading partner with the United States and her allies by working with the U.S. Department of the Interior and other Federal agencies to foster and forge public and private partnerships that will help the Territory secure needed resources.
  - Implement policies and practices that further support American Samoa's right to protect her way of life and that are not in conflict with existing Federal policies and practices.
    - Establish a Federal policy to make it a priority to fund and allocate resources to projects and efforts that support the implementation of The Plan.
    - Appoint decision-makers to positions that can positively effect change in American Samoa who are qualified, knowledgeable, and well-versed in insular issues.



## CONCLUSION

Although American Samoa's economy has evolved into a system that embraces many elements of a western-style market economy, she has yet to enjoy the full benefits of a market based economy. The Territory's economy is not diversified and depends heavily on Federal assistance. There is a lack of access to financial resources. Full employment is still not within reach. The Territory has a growing population that inadvertently puts demands on her limited resources and infrastructure. Similarly, the Territory is trying to cope with the effects of 'urban' migration as people move between villages and islands, and in and out of the Territory. Nearly all agree this situation must change.

However, how it changes is of great importance to the people of American Samoa. They have made it clear that while they understand the need and welcome the opportunity to develop and diversify the economy, they will not support development that ultimately undermines the tenets of *fa'asamoa*. Yet, the people of American Samoa, their chosen leaders, and government and business decision-makers must come to terms with the challenge of identifying and embracing economic development that is compatible with their culture, and U.S. business and accounting practices. It is their future, they must decide. Yet, a protracted debate will most likely result in lost opportunities.

Additionally, the people have expressed an unequivocal desire to not only continue but also to enhance the Territory's relationship with the United States even though the dynamics of this association presents both opportunities and challenges to both political entities. The Commission's findings and recommendations make a case for support and help better define areas in which both parties can aspire to.

The other question of when the situation will change will depend on a number of factors. Many which are noted in the recommendation section of The Plan. But at the most basic level, the Commission believes that a reasonable and feasible plan based on accurate information and realistic assumptions must be in place if measurable and sustainable economic growth is to be realized. Additionally, it believes if a plan is to succeed it must reflect the community's will and respect the cultural values of the people. Moreover, it must be implemented through local leadership and with the support of the United States Government.

It is for these reasons that the Commission took the unprecedented step of working with the people of American Samoa to devise an economic development plan that they could embrace. The success of The Plan is predicated on the continued interaction and involvement of the people, her government, and business community as well as the Federal Government and other strategic partners and alliances.

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While the overall success of The Plan will depend on American Samoa's ability to secure needed resources and execute The Plan, she can not succeed without support from policymakers, grantors, benefactors, and other resource providers. In particular, the United States Government must lead the way since it not only has a legal and moral obligation to assist the Territory but also possesses the power to create economic opportunities in ways American Samoa can not do for herself. The world as we know it today is very different from the one that existed when many of the policies, programs, and economic tools currently in place were formulated. These changing times require innovative, enterprising, and contemporary solutions to effect positive and sustainable changes.

It is the hope of the Commission that the work it was tasked to do will help start a chain of events that will positively and permanently change the economic structure and landscape of the Territory. The report itself amasses a sizable collection of data and information. Its economic development plan provides a strategy for not only achieving the stated goal but most importantly, realizing the Territory's economic vision.

However, the Commission hopes that it was able to accomplish even more by advocating and initiating community involvement in the planning phase of the process. For the Commission understands that economic development is a long-term proposition, one that will extend far beyond the life of the Commission. Implementing The Plan will require from the people commitment, dedication, discipline, time, energy, leadership, and an on-going willingness to be open and accepting of people, ideas, and change.

Similarly, the Commission does not view The Plan as a static document because it knows that the strategies and tactics of any workable economic development plan must be periodically reviewed and revised as situations dictate throughout the duration of the plan's useful existence. Even the goal and objectives could change as progress is made and achievements are realized. Yet, the vision will remain the same, guiding the process along to fruition.

And while the Commission and the people of American Samoa know that no one action will 'fix' the economy, collectively each effort can contribute to a synergy that will ultimately transform the Territory's economy in a manner that allows her to successfully compete in the markets she so chooses. When this occurs, American Samoa will not only find her rightful place in this 21<sup>st</sup> century global economy but will be assured that her way of life, *fa'asamoa*, can be practiced and perpetuated for generations to come.





The Commission gives special thanks to  
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**Cynthia Paopau**

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