

# AMERICAN SAMOA BUSINESS OPPORTUNITIES REPORT

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OFFICE OF INSULAR AFFAIRS



**ADAM STEIN – SEPTEMBER 2004**  
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## EXECUTIVE SUMMARY

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Tuna canneries have long been the driving force in American Samoa's economy. They employ a third of the available labor, and account for much of the secondary employment. In their more than four decades of operation, the canneries have brought income to American Samoa; and have driven the development of an infrastructure that is among the best in the Pacific.

Now American Samoa is looking beyond the canneries, seeking to diversify its economy away from its current narrow base. Although American Samoa faces the same difficulties of size and geography that confront many island economies, it has a rich set of assets to draw on as it explores new avenues for growth.

Chief among those assets is a robust telecommunications infrastructure that is helping to shrink the distance between American Samoa and its major trading partners on the United States (U.S.) mainland and elsewhere. High-speed internet connects businesses both on- and off-island. Forward-thinking initiatives have supplied the American Samoa with advanced capabilities such as teleconferencing and distance learning facilities.

Other advantages include:

- Reliable and affordable power, water, and waste disposal.
- An educated, English-speaking population.
- A stable government and a legal framework based on the U.S. rule of law.

American Samoa offers several areas for potential investments.

- **Local resources.** American Samoa sits among the most abundant fishing grounds in the world. Numerous markets for high-quality fish exports are waiting to be tapped. There is also a push to expand local agriculture and hydroponics to supply both local needs and regional markets.
- **E-Commerce, distance learning and technical support services.** As demand grows for advanced vocational skills, technology will play a crucial role in educating the future of American Samoa. The new connections to the global submarine fiber optic cable network will ensure American Samoa's future as a center for advanced technology services.
- **Marina Development.** Pago Pago Harbor is known in world yachting communities as a safe haven during the hurricane season. The development of a first class marina will create increased traffic and attract high end visitors to American Samoa for extended periods. Local charter boat services will have an excellent place to promote their expeditions and support the tourism industry.
- **Alternative energy.** Long an energy innovator, American Samoa is looking to alternative sources of power as diesel costs and transportation costs continue to rise.
- **Tourism development.** Land is a precious commodity in American Samoa, and proper development of hotels and retail spaces is essential to economic growth.
- **Transportation and Transshipment.** American Samoa is blessed with one of the best deep-water harbors in the world, and the Pago Pago International Airport's facilities make it ideal to become a hub for transshipment.

## **EXECUTIVE SUMMARY**

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American Samoa seeks partners in its future growth: investors who can bring much-needed capital to provide new investment and employment opportunities for its people; operational experts who bring specialized skills to the management of American Samoa's increasingly sophisticated private sector; foreign corporations who seek to expand in a dynamic region of the world; and contractors to help implement American Samoa's new economic vision.

## BACKGROUND

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### Geography

American Samoa is comprised of five islands and two coral atolls with a total land area of 76 square miles. Located in the tropics roughly halfway between Hawaii and New Zealand, American Samoa is the only U.S. territory south of the Equator.



#### *Tutuila Island*

**Tutuila** is American Samoa’s largest island, the center of all administrative and economic activity, and home to over 90% of American Samoa’s population of 65,500. Steep but picturesque mountains cover most of Tutuila’s 56 square miles.

Pago Pago harbor, one of the deepest and most sheltered harbors in the Pacific, is located on Tutuila. Also on the island are an exceptionally beautiful national park, the highly acclaimed national marine sanctuary of Fagatele Bay, and the world’s largest tuna canning facility, Starkist Samoa.

#### *Manu’a Islands*

Approximately 1,379 people live on the narrow coastal fringes of **Ofu**, **Olosega**, and **Ta’u**, which together comprise the Manu’a island group. The pristine landscape and serenity make these islands a highly desirable vacation destination, although remoteness and lack of infrastructure have led to underdevelopment of the tourist industry.

#### *Aunu’u, Swains Island & Rose Island*

With small populations and minimal infrastructure, these remote islands and atolls are unequipped to support significant economic activity.

## BACKGROUND

### Economy

#### Key Economic Statistics

Population	65,500	Estimated Gross Island Product	\$510 million
Total Labor Force	17,664	% of Tuna Exports	60%
Total Employment	17,344	% of Government Revenues	30%
Private Sector	11,280	% Other	10%
Local Government	6,064	Estimated GIP Per Capita	\$8,000
		Imports	\$ 553 million
Unemployment Rate	10.5%	Exports	\$ 374 million

Sources: *American Samoa Statistical Yearbook 2005. Statistics are most recent available.*

The growth rate of the population has steadied at approximately 2% in recent years (based on 10-year averages). Although the territory has kept pace with mainland U.S. inflation rates (approximately 2%), real income has not grown at the same rate. Per capita income estimates in 2000 showed American Samoa at approximately \$4,357.

The median age in the Territory is 22.4 years; 33 years is the median in the mainland U.S. Estimates from the most recent census data show that over 50% of the population of the Territory is below the age of 24, suggesting an immediate need for substantial developments in health, education, and employment services in the Territory. With appropriate educational and vocational training programs, American Samoa has high potential for skilled labor.

As recently as 2002, it was estimated that roughly 80% of American Samoa's private sector was based directly or indirectly on canned tuna exports. The tourism industry, miscellaneous private sector interests, and federal grants accounted for the remainder. The American Samoa Government (ASG) and the tuna canneries together employ nearly two-thirds of the available labor and account for most of the secondary employment in the Territory through their expenditures.



The ASG has historically operated at an average budget deficit of nearly \$34.5 million, with an annual budget of approximately \$140 million and revenues in the range of \$105 million. The Territory's debt is estimated at around \$18-24 million as of 2002. In response to U.S. Congressional concerns and under the auspices of American Samoa's new administration, the government is in the process of implementing a Fiscal Reform Package to reduce this debt.

## BACKGROUND

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With recent advances in technology and other related infrastructure, the economy is primed for substantial growth and diversification with the appropriate infusion of financial and intellectual capital.

### Society

American Samoans are among the last remaining true Polynesians. Despite the strong influence of Western industrial culture, ethnic Samoan culture – ‘*fa’a samoa*’ – remains robust and pervades nearly every aspect of Samoan social and cultural life. Most people are bilingual in English and Samoan.



The basic unit of the Samoan society is the ‘*aiga*’ (the family or extended family), headed by a ‘*matai*,’ or chief. The culture also recognizes the village and the church as predominant organizations that influence personal and communal activities.

At the county and district level, village chiefs deliberate and choose the highest-ranking chiefs to serve in the Senate, where eighteen seats are reserved for the traditional leaders of the society. Together with the popularly elected House of Representatives, the Senate makes up the bicameral body also called the ‘*Fono*,’ which handles all legislative and tax affairs

### Governance

American Samoa has a strong legal framework, with a body of case law and an appellate system bound to the U.S. federal and state courts. Nevertheless, as an “unorganized” and “unincorporated” U.S. territory, American Samoa is not bound by the U.S. Constitution in all matters affecting the territory. The local government has the ability to create and administer its own immigration and taxation laws, for instance, rather than being subject to INS or IRS regulations. It also controls the sale of its land to local and foreign businesses and has the right to govern the licensing of offshore businesses as it deems appropriate. This freedom affords businesses the opportunity to derive special tax and licensing incentives generally unavailable in most U.S. states, all under the umbrella of the American judicial system. The residents of American Samoa are U.S. nationals, eligible for all rights and privileges that U.S. citizens enjoy, except the right to vote in presidential elections.

Recent reports from the Organization for Economic Cooperation & Development and the Center for Independent Studies, a Sydney-based think tank, indicate that political stability and ethnic tensions are still a major concern for most Pacific island nations. American Samoa, with its strong political institutions under U.S. governance, is ideally positioned to become a stabilizing force in the Pacific economy and reap the associated benefits.

### Potential for Trade

American Samoa has direct air links to a number of neighboring islands, and the best deep-water port in proximity to an international airport in the South Pacific. Three international airline carriers provide multiple flights per week between American Samoa, Hawaii, and Western Samoa. In addition, a Boeing 747 cargo plane provides fast weekly shipment services between American Samoa, Hawaii, and Guam.

Facilities at Pago Pago Harbor include a container storage yard, marine railway, boat repair yard, and one of the few dry docks in the region. Over 1,000 containers a month move through the port, and direct shipping lines connect American Samoa to the U.S. mainland, Hawaii, Western Samoa, the Cook Islands, Tonga, and elsewhere.

### Assets

**Natural Resources.** American Samoa’s Pago Pago Bay is known for its well protected, natural, deep water port. However, as the remnant of an ancient caldera, it is also a stunning visual delight of high ridges and mountains, home to scenic rainforests and reef areas. The National Park of American Samoa is spread across the three islands of Tutuila, Ofu and Ta’u and is home to white sand beaches, coral reefs, azure waters and spectacular coves and cliffs. Along with Fagatele Bay Marine National Sanctuary, with its pristine coral reefs, it offers phenomenal opportunities in ecotourism. The abundance of various marine species (especially yellowfin, bigeye, and albacore tuna) in American Samoa’s territorial waters has been responsible for the tremendous success of the tuna



## **INVESTMENT CLIMATE**

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industry in the past and also holds great promise for new coastal fishing, charter services and aquaculture businesses.

**Culture.** American Samoans, among the last remaining true Polynesians along with Hawaiians, Tongans, Maoris, and Tahitians, have a rich and vibrant culture that includes scintillating dance and vocal performances and customs, such as fire-knife dancing, ‘siva’ dances and outdoor, stone ovens known as the ‘umu’. These along with myriad other rituals, customs, handicrafts and cuisine make American Samoa an extremely viable destination for cultural tourism.

### **Incentives**

The Tax Exemption Board of the ASG may grant temporary income tax exemptions to activities that will further the economic development of the Territory. These exemptions are negotiated on a case-by-case basis. American Samoa, similar to other U.S. territories, is outside the customs territory of the U.S. However, its products are accorded duty free entry into the U.S. if they contain no more than 70% foreign component value (50% for textiles).

## **INVESTMENT CLIMATE**

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### **Infrastructure**

Two competing retail banks in American Samoa, the Bank of Hawaii and ANZ Amerika Samoa Bank, provide a full range of financial services at competitive rates. Both are FDIC insured, and have branches throughout the Pacific.

Several years of focused capital expenditures have left American Samoa with an enviable infrastructure that is better than most other islands in the Pacific basin. In addition to a well-established international airport, along with one of the Pacific's only deep-water natural harbors, container docks, and other maritime facilities, as well as excellent roads, American Samoa has an extremely reliable power, water and sewage system.

Telecommunications within the island itself and off-island are robust. Three Internet Service Providers offer high-bandwidth internet service; two telecommunications companies offer cellular service; and multiple satellite links provide voice and high-speed data connections to the mainland. In the fall of 2004, American Samoa joined the North American Numbering Plan, which means that dialing American Samoa from the continental U.S. is no longer an international call.

The robust infrastructure has led to the development of one of the most advanced industrial parks in the region. The island also boasts a nationally accredited community college soon to offer a 4-year degree program, high literacy rates, a comprehensive medical center with CAT scan, and other facilities unique to the region, as well as a competitive banking system.



## OPPORTUNITIES FOR GROWTH

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### Growth Industries

Opportunities for private investment, business partnerships, export, and contracting abound in American Samoa. This section outlines a handful of the most compelling near-term opportunities.

- **Local resources:** Fish processing and export, as well as aquaculture and conservation. Agricultural products are prime export opportunities.
- **Port Facilities:** Marina development.
- **Transportation and Transshipment:** Airfreight services.
- **E-commerce, telecommunication and information industries:** Distance learning and technical service industry.
- **Alternative energy:** Wind and other alternative energy sources.
- **Tourism:** Including Real estate development and harbor tramway redevelopment.



## OPPORTUNITIES FOR GROWTH

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### Local Resources

***Fish Processing and Export.*** Long-line fishermen bring about 11 million pounds of yellowfin, bigeye, and albacore tuna to American Samoa each year, the vast majority (nearly 80%) of which is sold to the tuna canneries for processing. While no substantial growth is anticipated in the tuna canning industry itself, opportunities exist for independent fish processors to use this steady supply (20% of 11 million pounds) to tap into several profitable ancillary markets.

- The South Pacific yields the highest-quality tuna in the world, as well as blue marlin, swordfish, mahi-mahi, and other export-quality fish. Sashimi-grade fish can fetch over four times the price of fish sold to the canneries. Local entrepreneurs are already taking advantage of this price premium on a small scale by air freighting fresh tuna to Hawaii.
- Fillets, slabs, loins, and fully-processed portion control products are suitable for sale to mainland restaurants and distributors.
- Frozen loins, which can be shipped inexpensively by boat, can also be sold to mainland food distributors and food service providers.
- The canneries themselves will buy fresh loins from independent processors, because their production is limited to the processing of the tuna.

Island Contact	Partnership need
Tony Langkilde Tautai Fisheries Company, Inc. PO Box 4310 Pago Pago, AS 96799	Equity investors or creditors to provide funding for a processing plant. A plant foundation is in place and now needs capital to finish the project.

## **OPPORTUNITIES FOR GROWTH**

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### **Agricultural Products**

Significant opportunities abound for food production partnerships with American Samoa. A variety of island products thrive in the region with American Samoa providing a central location for access to large markets for these products. American Samoa is encouraging the development of food processing capabilities and is seeking to establish food processing as a necessary complement to crop production. This would enlarge the scope of food production in order to meet the diverse food needs of American Samoa and beyond. This begins with processing traditional foods for markets overseas where large communities of Samoans and other Pacific Islanders exist, such as California, Washington, Hawaii, New Zealand, and Australia.

Some excellent island products include the following:

- Bananas
- Banana chips
- Breadfruit chips
- Taro chips
- Breadfruit chunks/frozen vacuum packed
- Breadfruit - American Samoa has so much of it that 80% of it goes to waste
- Breadfruit flour - for cooking
- Golden Apple fruit - good for jam and medicinal purposes
- Coconuts - powder processing plant
- Coconut oil - for massage
- Noni - grows wild in American Samoa

American Samoa has the capacity to serve as a gateway to the US market. With the advantage of processing the food on US soil under US regulations, there are wonderful and strategic opportunities for food production partnerships.

Hydroponics technology would be a great asset to American Samoa agriculture. With hydroponics, there is no concern with land constraints and soil inadequacy in American Samoa.

The climate and tropical environment in American Samoa also make it an ideal place for flower production. American Samoa could support the already lucrative flower production industry in Hawaii. There is also great demand for the Samoan banana in Hawaii and a need for good facilitation of this opportunity. Possibilities for coffee exportation also exist if American Samoa can develop a partnership with neighboring islands to multiply production efforts in processing and marketing from American Samoa to corresponding available markets.

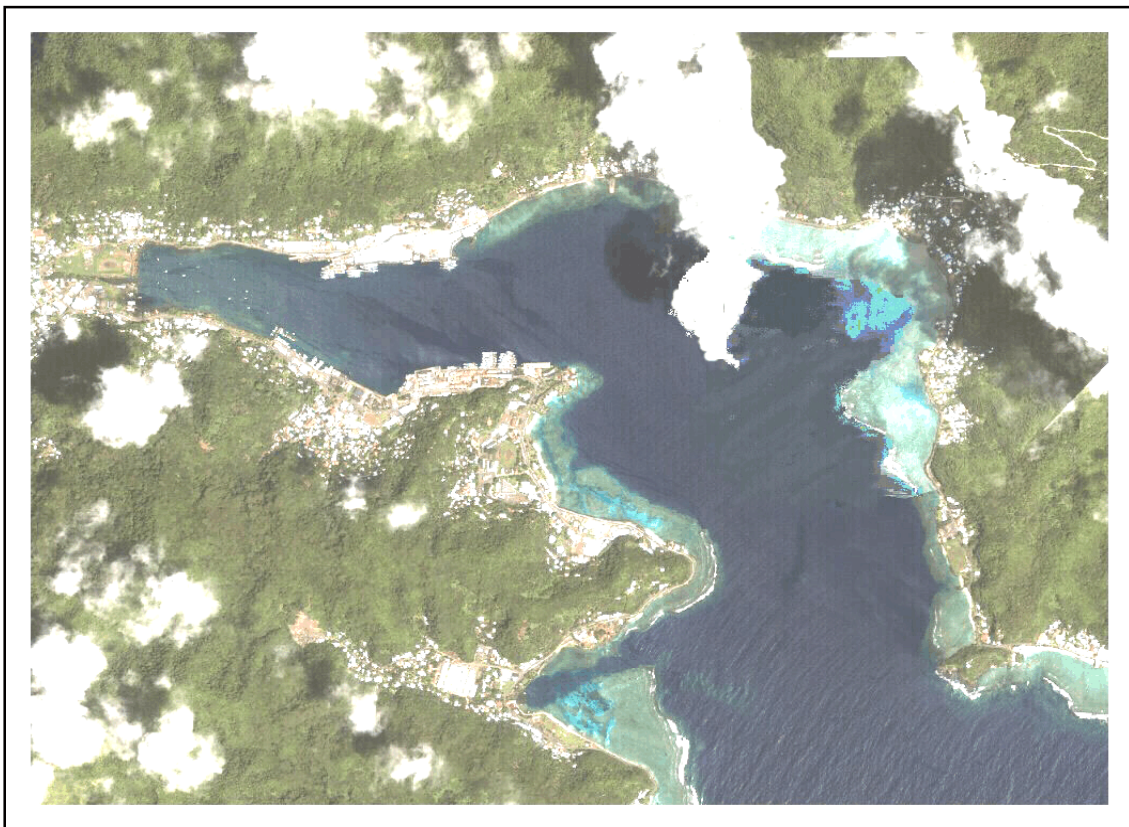
<b>Island Contact</b>	<b>Partnership Need</b>
Apefa'i Taifane, Director Department of Agriculture Executive Office Building, Utulei Pago Pago, AS 96799	Food processing facilities to provide island produce to the appropriate markets. Investor in hydroponics technology.

**OPPORTUNITIES FOR GROWTH**

**Port Facilities**

One of the best deep-water harbors in the Pacific, Pago Pago Harbor is a great - and underutilized - natural asset. Although the port offers good facilities to the cargo ships, fishing vessels, cruise ships, and pleasure craft that move over 1,000 containers of cargo through the harbor each month, additional capital improvements offer potential opportunities. The numerous opportunities include facility privatization, improved management of facilities, and construction contracts.

Ikonos Satellite Image of Pago Pago Bay



Island Contact	Partnership Need
Christopher J. King, Deputy Director Department of Port Administration Main Terminal Building P.O. Box 1539 Pago Pago, AS 96799	Investors experienced in privatizing port operations. There is also a need for private tugboat services.

## **OPPORTUNITIES FOR GROWTH**

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### **Marina Development**

A new marina would be a key project to move forward the revitalization of the Inner Bay. This project can also serve as a catalyst for economic development for supporting industries and creating a vision of positive development for the community.

An upgrade of the marina would increase the number of berths and expand the market for supplies and services such as waste removal, water, fuel, and electrical hook-up at the slips. Presently, small boats and yachts do not have facilities for sewage disposal or easy access to trash disposal or electrical hook-ups.

This project provides a secure place for moorage, especially during hurricane season, in an attractive setting that would encourage broader use. The demand for these facilities exists locally and within the larger yachting community in the Pacific, as well as among the growing game and commercial fishing interests. There has been a need for improved facilities for small boats and yachts for quite a long time. It will also create an attractive and useful area for the private maritime community. Much of the harbor area is devoted to maritime industrial activities, while the smaller fishing boats and yachts are underserved. The main emphasis will be pleasure craft, including on-board living, but berths would also be available for small boats for charter cruising and game fishing.

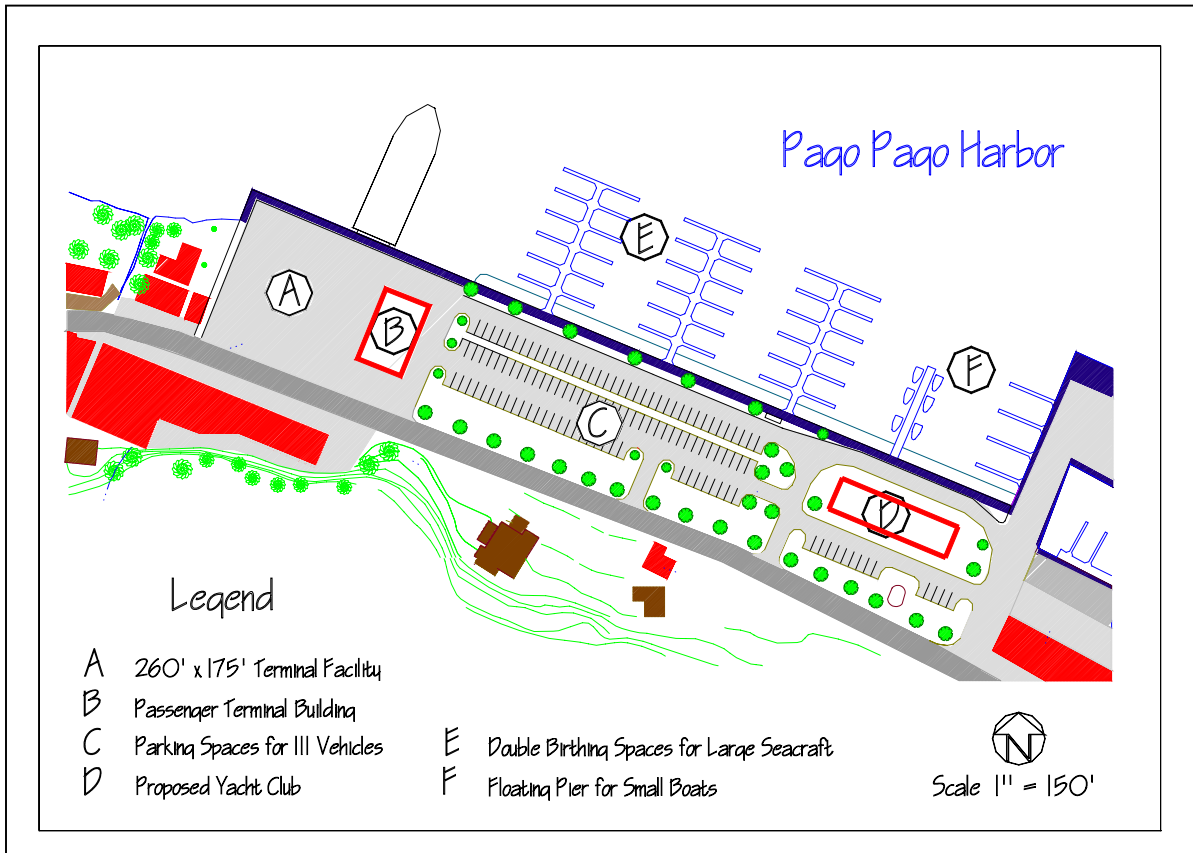
Eco-tourism and expanded pleasure boat use in the harbor could be an important base for economic development. Private boating holds promise for economic development of the inner harbor and the tourism industry.

The following are possible individual projects for investors:

- Design and Engineering – Detailed surveys would need to be conducted as well as the design and engineering of the shoreline improvements and facilities.
- Shoreline Improvements – off-shore underwater, on-shore land, shoreline protection improvements and utilities would need to be constructed.
- Moorage Improvements – berthing slips and the small boat pier would need to be purchased, installed, and have utilities extended to them. These could be developed in phases.
- Paved Parking Improvements – Construction of a parking lot with capacity for 111 vehicles. This could also be developed in phases.
- Marina Based Facilities – A building or buildings would need to be constructed to house rest rooms, showers, laundry, office and related business spaces to serve the marina. A land allowance (or building space) would be made for the development of a yacht club.

**OPPORTUNITIES FOR GROWTH**

**Proposed New International Ferry Dock and Marina at Malaloa**



Island Contact	Partnership Need
Christopher J. King, Deputy Director Department of Port Administration Main Terminal Building P.O. Box 1539 Pago Pago, AS 96799	Large marina development firm to provide complete development or smaller specialized companies to complete individual projects.



**OPPORTUNITIES FOR GROWTH**

**Airfreight**

In the beginning of the 20<sup>th</sup> century the U.S. used American Samoa’s vast harbor as a coaling station due to its perfect location for voyages that crossed the Pacific. The same advantage applies today for airfreight. American Samoa is ideally situated as a stopover point for trade between the growing markets in Latin America and Southeast Asia, not to mention the robust economies of New Zealand and Australia.

With the best deep-water port in proximity to an international airport, American Samoa has capabilities of becoming a shipping and airfreight center for the South Pacific. All cargo can be shipped in from neighboring islands and flown out to the major economic centers around the world. The Pago Pago International Airport’s facilities can accommodate large aircraft and would be ideal for large airfreight aircraft. In fact, the runway was expanded by the U.S. Government to be used as an emergency landing site for the Space Shuttle program. There is also a capable labor force available in American Samoa to address the needs of moving the large cargo transshipment.



Island Contact	Partnership Need
Peter Lefiti Assistant Director, Airports Division Department of Port Administration PO Box 1539 Pago Pago, AS 96799	Large airfreight companies to invest in providing service through American Samoa.

**OPPORTUNITIES FOR GROWTH**

**Telecommunications & Information Technology**

In addition to a robust technical infrastructure, American Samoa boasts a variety of programs to develop local technical and human resources. For example, through the non-profit Distance Education, Learning, and Telehealth Applications (DELTA) Consortium, American Samoa has connected schools, government agencies and businesses via a high-speed fiber-optic network. A partnership with the University Hawaii has brought advanced teleconferencing capabilities to the island. Through a combination of a trained, English-speaking workforce, low wage rate, strong technical infrastructure, and access to Pacific markets, American Samoa will open up a range of private sector opportunities.

The American Samoa government is hopeful that by the end of 2008 a fiber optic cable connection may be in place. There are two proposals currently being investigated. A fiber optic cable will provide the opportunity for one or more call centers to be set up, providing excellent sources of employment and catalysts for private sector growth. Many industries can benefit from this activity. The Department of the Interior has recently awarded grant funding to American Samoa. The grant will facilitate surveys and related activities to identify a qualified workforce that may help support these new industries in American Samoa that would require a technically skilled workforce. The fiber optic connection also opens doors for companies to set up more centers for technical support via internet and not just call centers. The workforce is sufficiently educated for this type of skilled labor.

**Education and Distance Learning.** The American Samoa Community College (ASCC) has a computer and distance learning center in place. Courses are being offered for technical certification in Cisco, Microsoft, and Oracle. These classes represent the priority in expansion of island educational resources that directly support economic development.

The relative isolation of the territory makes distance learning one of the most cost-effective means of effective workforce development in American Samoa. Significant growth is expected in enrollment in advanced technology and vocational trades distance education programs as demand for these skills rises in the local and regional economy. The training for call centers and related industries is expected to be done in coordination with the ASCC. Already, an acute need is felt for trained nurses, computer technicians, financial managers, etc. In addition, vocational trade skills such as carpentry, plumbing and electrical repair are in short supply. The community college actively seeks mainland partners to help bring these skill sets to the islands. Over time, American Samoa could develop into a regional center for students seeking an American-quality education.

<b>Island Contact</b>	<b>Partnership Need</b>
Adele Satele-Galea'i President, American Samoa Community College PO Box 2609 Pago Pago, AS 96799	Educational institutions to provide distance learning courses, teacher training and accreditation, and infrastructure support. Technical service companies to establish operations in American Samoa.

## OPPORTUNITIES FOR GROWTH

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### Alternative Energy

The American Samoa Power Authority (ASPA) provides power, water, and waste disposal services to Tutuila and Manu’a. Driven by the exacting needs of the tuna canneries, ASPA has achieved an impressive record for quality and reliability. Even through droughts and hurricanes, ASPA has managed to deliver service without interruption.

Nevertheless, American Samoa, like all Pacific islands, faces severe challenges as it attempts to provide reliable, affordable utilities and services to residents and local businesses. Rising fuel and transportation costs make diesel-powered electricity generation expensive; limited landfill space makes waste disposal difficult; and continuing economic development puts further strain on the entire system.

**Wind.** Wind offers a clean, renewable energy source that has the potential to be price competitive with diesel. Studies conducted by ASPA reveal that American Samoa has favorable characteristics for development of a wind farm.

Although any projects are contingent on further feasibility analysis, a few applications of wind energy immediately suggest themselves. A small wind/diesel hybrid plant might be used to provide energy to the remote outer islands. A larger wind farm could be operated by an independent power provider on the main island to sell power directly into the existing grid.

**Other Alternative Energies.** ASPA continues to explore other alternative energy sources as technology improves and new options become commercially viable.

One such source is **geothermal energy**, which has the attractive quality that it is non-intermittent – unlike wind or solar energy, geothermal power isn’t subject to fluctuations based on weather. However, geothermal is still an emerging technology, and one that requires very particular geologic conditions to be viable. At this point, ASPA is seeking only to do a preliminary survey of local geothermal activity, for which it will need private sector partners.

Another emerging technology with potential to address several pressing issues at once is **waste-to-energy conversion**. American Samoa produces about 70 tons of solid waste per day. Waste-to-energy plants use high-temperature plasma reactors to release energy from the waste and reduce the unused portion to environmentally friendly slag.

Island Contact	Partnership Need
Andra Samoa Executive Director, ASPA PO Box PPB Pago Pago, AS 96799	Suppliers of wind power generation equipment and independent power providers who can provide funding, construction and operational management of a wind energy plant.

## **OPPORTUNITIES FOR GROWTH**

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### **Tourism Development**

The global tourism industry has gradually shifted focus to specialized packages, vacation bundling options and niche tourism markets targeted at culture, history and the natural world. American Samoa has several natural assets that allow it to capitalize on this trend.

American Samoa is home to the only U.S. National Park in the southern hemisphere. Spread across three picturesque islands, the park includes the only mixed-species paleotropic rainforest in the United States, the habitat of rare flying foxes, and pristine coral reefs. American Samoa is also one of the last remaining true Polynesian cultures and home to a wealth of history and tradition unfamiliar to most of the Western world. Particularly when bundled with neighboring islands within easy flight distance, such as Western Samoa and the Cook Islands, American Samoa makes a very attractive travel destination.

The tourism industry in American Samoa has shrunk since its heyday when tens of thousands visited each year to enjoy the islands’ tropical climate and Polynesian culture. The region now receives only a small number of travelers, mostly business and visiting relatives. Recent years have seen a resurgence in the number of quality hotel rooms on the island – most notable with the opening of the 100-room Tradewinds hotel and the 46-room resort Sadies by the Sea - and the trend is set to continue. The Governor recently announced plans for the formation of the American Samoa Tourism Bureau. This reorganization is a step forward to more collaboration and strategic planning in order to bring American Samoa back as the tourism hot-spot it once was.

The gradual re-establishment of a viable tourist infrastructure should lead to the growth of a variety of tourist support services. Already a number of cruise ships visit American Samoa each year, dropping off thousands of tourists at a time to take advantage of local attractions and facilities. Cruise ship activity is likely to increase.

Several opportunities for quality tourism development can be found on the islands of Manu’a. Their majestic beauty and sense of remoteness make them the ideal “get away from it all” location. There is a need for the basic tourism support services in these locations from charter boating to scuba diving.

<b>Island Contact</b>	<b>Partnership Need</b>
Betty Cavanagh Managing Director, Pago Pago Tradewinds Tours and Rentals PO Box 968 Pago Pago, AS 96799	Hotel and resort developers to invest in providing more quality accommodations for visitors.

## **OPPORTUNITIES FOR GROWTH**

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### **Pago Pago Harbor Tramway Redevelopment**

The Pago Pago Harbor Tramway, aka the Cable Car, is a historical/cultural attraction, a tourist attraction to potential visitors and a key tourism marketing strategy to promote American Samoa's National Park, a key eco-tourism attraction. Pago Pago Harbor is a prime location for such a proposed venture in that it provides one of the most majestic views in the Pacific. The Polynesian culture, climate, geographical location and traditional arts are American Samoa's primary product but spinoff services such as the Cable Car brings added value to the island destination. Visitors would be able to take the Cable Car to Mt. Alava to tour America's only National Park south of the equator. The Cable Car would distinguish American Samoa from other international tourist destinations.

The National Park Service also contends that the Cable Car is a perfect way to bring in visitors without adversely affecting park resources, meaning no new roads will be built within the national park to access scenic views and park property. The Cable Car would enhance the visitor experience by providing a spectacular view of Pago Pago Harbor and the Mt. Alava-Maugaloa Ridge summit area of the national park. Visitors could also hike down on the trails leading to Fagasa Pass, Afono Pass or Vatia Village and overnight in one of the villages before returning to their hotel. Village based eco-tourism products like hiking or snorkel tours, Samoan handicraft demonstrations, traditional entertainment etc. could be developed as a source of revenue for villagers.

The Tramway is listed as a historical/cultural attraction in the territorial Ecotourism Management Plan 2005-2009 as a project that would attract eco-tourists.

The pavilion located on Solo Hill near the lower terminus is identified as a place to provide interpretive services for the National Park Service or as a place for villagers to greet tourists. Also noted in the eco-tourism plan is that Americans continue to visit national parks in abundance, 15% of all U.S. residents visited a National Park in 1997 and hiking was the most popular outdoor activity with 53% taking part in this activity. The estimated potential U.S. eco-tourism market to Oceania consists of about 1 million Americans, who are willing to spend on average 6.2% more on environmentally responsible travel services and products. The potential to develop an eco-tourism base in American Samoa by promoting the National Park works in conjunction with the reestablishment of the Cable Car.

The Pago Pago tramway will provide a haven for hikers, tourists, and sightseers alike to bask in the spectacular view atop Mt. Alava. A well developed hiking trail is currently in place atop the Fagasa pass, and provides ready access to the top of the mountain. The location and nature of development proposed creates an attractive niche to eco-tourists, sightseers, visitors, and the boating community.

<b>Island Contact</b>	<b>Partnership Need</b>
Virginia Samuelu American Samoa Office of Tourism PO Box 1147 Pago Pago, AS 96799	Experienced eco-tourism developers and investors.

## FURTHER OPPORTUNITIES

Although the following list is not meant to be comprehensive, it gives a sense of the range of high-quality business opportunities available in American Samoa. Potential partners have a number of ways to get involved: as investors, as operational managers, and as suppliers and contractors.

Project	Partnership Need
<b>Manufacturing</b>	
<b>Bun bakery.</b> A large scale bakery could provide bread products to restaurants and fast food chains in American Samoa and neighboring islands.	Investment capital, equipment suppliers, and operational expertise.
<b>Component assembly.</b> Foreign companies can save considerably on tariffs by setting up transshipment and light manufacturing or component assembly operations.	Manufacturing company looking to expand exports to the U.S. mainland.
<b>Military supply.</b> With its low wage rate and historic connection to the U.S. military, American Samoa is ideally suited to take advantage of the military's "Buy American" purchasing requirements.	Investors with experience supplying the U.S. military.
<b>Sales and Distribution</b>	
<b>Computer reselling.</b> Computer equipment is extremely expensive in the Pacific islands, due to an inadequate supply chain. Opportunities exist to establish a regional distribution center.	Investors, equipment distributors, and hardware OEMs.
<b>Computer/technology assembly plant.</b> American Samoa's location is ideal for computer manufacturers looking to supply the Pacific region.	US computer manufacturers who want to assemble systems off-shore and distribute to the Pacific.
<b>Bottling Company.</b> Importation and consumption of bottled products is high in American Samoa. The workforce is appropriate to support a bottling plant to supply American Samoa and surrounding island areas.	Large bottling companies looking to take advantage of producing and marketing to the US market.
<b>Telemedicine.</b> A number of capital investments in communication infrastructure have positioned the Lyndon Baines Johnson Hospital to benefit from global developments in telehealth applications. U.S. companies specializing in remote diagnosis tools, electronic records management, and the creation of peer networks for doctors in rural/isolated areas are actively soliciting American test markets to launch their products.	American Samoa could partner with these companies to substantially differentiate itself regionally.
<b>Solar water heater distribution.</b> An increasing number of homes and businesses in American Samoa have hot water. If bundled into a mortgage, solar heaters promise an affordable and environmentally sound source of hot water.	Equipment distributors.
<b>Mainland retail chains.</b> The extraordinary success of mainland fast food restaurants in American Samoa, coupled with the general shortage of vocational trade skills, highlight the opportunity for mainland retail chains.	Retail chains focused on either service or goods, including automotive repair, office supplies, etc.

**FURTHER OPPORTUNITIES**

Project	Partnership Need
<b>Infrastructure</b>	
<b>Container yard rehabilitation.</b> Supply has not kept up with demand for container storage space in Pago Pago Harbor. With a moderate rise in storage fees, this project has the potential for a large return on investment.	Investors, operational managers, and construction firms.
<b>Surface water treatment plants.</b> Additional surface water treatment plants are needed to meet water needs.	Suppliers of water treatment technology, construction firms.
<b>Privatization of Port.</b> The Port has been keeping up with maintenance and repairs but privatization will provide proper management with a focus on profits to support future improvements and development.	Investors with experience in port management.
<b>Privatization of American Samoa Power Authority.</b> A power company focused on profit and customer service will produce a superior system for American Samoa to function at a higher level. Privatization will also allow forward thinking management to explore and invest in alternative energy sources.	Investors with experience in power authority management and development.
<b>Ship Repairs.</b> Upgrade and improve present yard to accommodate high-tech repairs for a variety of ships and sizes.	Investors with experience in developing infrastructure for ship repair yard.
<b>Solid Waste Incinerators.</b> Two modular solid waste incinerators are needed for solid waste disposal to minimize dependency on landfill sites.	Suppliers of solid waste incinerators, construction firms.
<b>Guam military buildup.</b> American Samoa can be a great staging area for partial assembly to support Guam's development.	Contractors and subcontractors for Guam buildup to take advantage of American Samoa skilled workforce and proximity.
<b>Tourism</b>	
<b>Sport fishing.</b> Despite a steady stream of visitors and abundant supply of fish, American Samoa lacks sport fishing tour operators.	Entrepreneurs interested in owning and operating a tour outfit. Possibilities exist for partnership with local hotels.
<b>Game fishing.</b> Charter fishing has tremendous potential in the waters around American Samoa, where fish resources are abundant.	Investors in charter boat tourism to establish a company that can do charter fishing and harbor cruises.
<b>Scuba and snorkel.</b> The dive equipment rental and dive tour operator industry is almost completely undeveloped.	Entrepreneurs interested in owning and operating a tour outfit. Possibilities exist for partnership with local hotels.
<b>Privatization of Ili'ili golf course.</b> American Samoa's one golf course could generate significant additional income with additional investment and improved operational oversight.	Investors, operational managers.
<b>Traditional Samoan village.</b> Samoan cultural center where local entertainers perform traditional songs and dances. The traditional Samoan fire-knife dance is a huge attraction.	Investor with experience in the cultural entertainment industry.
<b>Hotel development.</b> A private developer has plans to renovate two wings of the government-owned Rainmaker hotel. The Rainmaker sits on prime beach real estate in downtown Pago Pago.	Investors, hotel management firms.

**FURTHER OPPORTUNITIES**

Project	Partnership Need
<b>Export</b>	
<b>Handicraft export.</b> Beautiful Polynesian handicrafts are both a means of preserving cultural traditions and spreading economic benefits to an underserved group of people.	Distribution and marketing partners.
<b>Meat processing.</b> With experience in food processing from the canneries the labor force can be ideal for establishing meat processing as well. Also this opportunity will be open the US market since food processed in American Samoa must comply with USDA standards during preparation and processing.	Regional meat producers to invest in processing plant in American Samoa.
<b>Giant clam aquaculture.</b> Giant clams represent a growing segment of the multibillion dollar aquarium trade. Giant clam aquaculture is an environmentally sound way to tap into this trade. Capital infrastructure costs are relatively low.	Distribution and marketing partners, private investors.
<b>Import</b>	
<b>Livestock feed.</b> There is no appropriate feed for livestock on the island.	Producers of livestock feed to develop partnership for feed program.





Togiola T.A. Tulafono  
Governor

Aitofele T.F. Sunia  
Lt. Governor

*DEPARTMENT OF COMMERCE*

**American Samoa Government**

Pago Pago, American Samoa 96799  
Tel: (684) 633-5155 FAX: (684) 633-4195  
Website: [www.asdoc.info](http://www.asdoc.info)

July 5, 2007



Faleseu Eliu Paopao  
Director

Lelei Peau  
Deputy Director

In reply refer to:  
Serial No: DOC-

**BRIEFING PAPER ON INVESTMENT GUIDE IN AMERICAN SAMOA**

**AMERICAN SAMOA  
Pacific's Best Investment Bet  
South Pacific's Business Hub  
Islands of Opportunities**

Prepared for

**PROSPECTIVE BUSINESS INVESTORS**

Talofa and Welcome to American Samoa... "Where America's Day Ends". This briefing paper highlights the Territory of American Samoa's progressive economic environment, and the generous incentives available for offshore investment.

American Samoa is truly your "Gateway" to the United States and Pacific markets for profits. Our incentive package offers a wide range of specialized schemes aimed at maximizing profits and rates of return on investments while simultaneously catering to accommodate your individual needs. Our territory boasts a modern infrastructure, which places us at the forefront of the dynamic economic growth sweeping through the Pacific Basin. Some of these features include a worldwide communications satellite facility, full range of telecommunications services, an expansion industrial development park, and international airport and a deep-water harbor. American Samoa, therefore, is eager to welcome partners who are committed to healthy business bottom lines and maximization of rates of return on investments. We have worked hard to develop a reliable, efficient and cost effective infrastructure system that will provide a solid foundation for any business venture.

The American Samoa Government remains strongly committed to strengthening our local economy. The trend for economic development will continue to focus on expanding

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current private business activities, increasing outside investment with local participation, and diversifying the economy. We have no doubt that you will appreciate our year-round tropical climate and the warm hospitality that has won us international recognition. Our social and business environment is one that has become the envy of many.

### **American Samoa Profile**

#### **History**

American Samoa is the only US Territory south of the equator. Its strategic location in the center of the South Pacific area known as Polynesia, accentuates/highlight its economic value to investors. It has one of the Pacific's finest harbors, a good airport and a beautiful tropical environment. One of its important assets is its people. Samoans have live on these islands for over 2500 years and have developed a rich, traditional culture that is still strong and vibrant.

In 1889, the US began the acquisition process of American Samoa through a series of treaties and deeds of cession. In 1900, the US Navy administered the territory and appointed the governors. In 1951, administrative responsibility was transferred by an Executive Order to the US Department of the Interior. The US Department of the Interior approved the Constitution of American Samoa in April of 1960, thereby establishing three branches of government: Executive, Legislative (Fono), and Judicial.

Before 1977, governors and lieutenant governors were appointed by the Interior until November 1977, when the people of American Samoa were granted the right to select their own governor and lieutenant governor. American Samoa also elects its non-voting representative to the US Congress.

#### **Social & Cultural Structure**

The social structure of American Samoa is deeply rooted in the extended family or aiga system. It is a system consisting of a group of people related by blood, marriage or adoption, acknowledging a common allegiance to a chief or Matai, who regulates their activities. The chief assumes the trustee functions over family land and property. Extended families own 90% of total land (communal land).

#### **Geography**

The seven American Samoan islands re dispersed over 150 miles of water. The total land area is 77 square miles, consists of a group of seven islands; located in the South Pacific at 14 degrees south of the equator, and 172 degrees meridian west, and is the center of Polynesia. Located 2,300 miles southwest of Hawaii and 1,600 miles northeast of New Zealand, it forms a strategic midpoint on vital shipping and air routes. Tutuila, the largest of the seven islands, has a land area of approximately 56 square miles and it is home to 97 percent of the total population of 65,500. Pago Pago Harbor is located in Tutuila and is known as one of the deepest and best protected in the South Pacific.

#### **Size and Population**

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The seven islands of American Samoa have a land area of 76 sq. miles. Tutuila contains two thirds of the total area and is home to 97 percent of the 65,500 inhabitants.

### Location

American Samoa is 14 degrees south of the equator and 172 degrees meridian west. The following cities and distance from American Samoa:

Suva, Fiji	≈ 888 miles
Papeete, Tahiti	≈ 1,236 miles
Honolulu, Hawaii	≈ 2,276 miles
San Francisco, California	≈ 4,150 miles
Auckland, New Zealand	≈ 1,600 miles
Sydney, Australia	≈ 2,700 miles
Taipei, Taiwan	≈ 4,550 miles
Seoul, Korea	≈ 4,525 miles
Tokyo, Japan	≈ 6,443 miles

From PPG→Hnl.→Tokyo Narita→Taipei, Taiwan→Hong Kong SAR ≈ 8,283 miles  
estimated flight time is about 18 hours 40 minutes

### Unique advantages and incentives of establishing industries in American Samoa

1. American Samoa is an U.S. Territory. We have a stable government and stable relationship with the U.S. We use the US currency and the US inflation level drives our price level (inflation rate). The local consumer price index (CPI) reflects the increase in the price of imported goods, primarily from the US. Currently, the local inflation rate has been running at an annual rate of 2-5 percent. According to Department of Commerce (DOC) Second Quarter 2006 Consumer Price Index, the rate of inflation measured at the end of this quarter was 3.7 percent.

2. American Samoa presents significant opportunities for export-oriented manufacturing. We have **preferred access to the U.S. through Headnote 3. (a)**. Most items with at least 30 percent of their value created here enter U.S. duty free. The Headnote 3. (a) of the U.S. Customs Code provides for duty and quota free access to the U.S. market for products manufactured, processed or assembled in American Samoa that has no more than 70 percent (**50% if article is CBI ineligible such as textile and apparel articles; certain footwear, handbags, luggage flat goods, work gloves and leather wearing apparel; tuna; and, certain watches or watch parts.**) of their total appraised value in foreign materials. Eligible products must be manufactured or produced either wholly from local materials or from imported materials, which are substantially transformed in American Samoa (Substantial transformation occurs when a new and different product is produced, having a distinctive name, character, or use). The cost of the transportation of the materials from source to American Samoa is included in the computation of foreign value, while the cost of transportation of product to the U.S. is excluded from its value for purpose of the

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calculation. (see page 4 for proportion of foreign materials requirements for a product to be entered duty free into the US mainland).

For more than 50 years the tuna processing industry has recognized the advantages of locating here. Today more than 5000 workers are employed by Star Kist and VCS Samoa Packing Company and we have developed a definitive industrial and institutional infrastructure as required by large-scale operations. Furthermore, American Samoa benefits from the Headnote 3 (a) as noted previously. This provision gives exports such as canned tuna and other proposed business ventures a competitive pricing advantage in the U.S. mainland market. Also American Samoa is qualified for favorable duty treatment under the Generalized System of Preference.

3. We are centrally located in the South Pacific with access to markets and resources in New Zealand, Australia, Western Samoa, Tonga and Fiji. We have close contacts with Taiwan and Korea merchants, longliner fishing vessels, motherships, reefer transports and fishermen.

4. We have a well-developed infrastructure: harbor facilities, airport, roads, communications, water, sewer, power, education and hospital.

Pago Pago Harbor is one of the finest all weather, deep draft harbors in the Pacific. It has a total water surface area of 2 square miles and depths range from 40-160 feet throughout the inner harbor. The main dock is 1,000 feet long, handling ships of up to a 32-foot draft. Pago Pago harbor provides the full complement of equipment and facilities, and has a ship-repair facility with a 3,000-ton marine railway. The port provides full service port facilities, containerized cargo holding, warehousing, transshipment operations and tugboat services.

5. Our population is over 68,200 and the labor force is about 17,377 persons. American Samoa is currently covered by the U.S. Fair Labor Standards Act. Minimum wages are set every two years after a US Department of Labor Minimum Wage Hearing held in the Territory. The currently minimum wages range between \$3.18 and \$4.59 per hour. In fact, American Samoa is the only US territory that pays below the US Federal Minimum wage level. American Samoa has approximately 16 different minimum wage classifications. Based on Special Industry Committee #26 minimum wage hearing held in June 2005 the recommended and effective dates of the new wages for American Samoa is illustrated in the following table. Also included under the General Headnote 3 (a) is the proportion of foreign materials requirements for a product to be entered duty free into the US mainland:

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Industry	Minimum Wage effective 10/28/2005	Minimum Wage effective 10/01/2006	US Federal Minimum Wage effective 7/24/07	Headnote(3a) Foreign materials requirements
1. Government Employees	\$2.84	\$2.91	\$3.41	n/a
2. Fish Canning and Processing	\$3.26*	\$3.26*	\$3.76	50%
3. Petroleum Marketing	\$3.85*	\$3.85*	\$4.35	n/a
4. Shipping and Transportation:				n/a
a. Classification A-Stevedoring, lighterage, and maritime shipping agency activities	\$4.09*	\$4.09*	\$4.59	
b. Classification B-Unloading of raw and/or frozen fish from vessels	\$3.92*	\$3.92*	\$4.42	
c. Classification C-All other activities in the shipping and transportation industry	\$3.88*	\$3.88*	\$4.38	
5. Construction	\$3.60*	\$3.60*	\$4.10	n/a
6. Retailing, Wholesaling, and Warehousing	\$3.10*	\$3.10*	\$3.60	n/a
7. Bottling, Brewing, and Dairy Products	\$3.19*	\$3.19*	\$3.69	70%
8. Printing	\$3.50*	\$3.50*	\$4.00	n/a
9. Publishing	\$3.63*	\$3.63*	\$4.13	n/a
10. Finance and Insurance	\$3.99*	\$3.99*	\$4.49	n/a
11. Ship Maintenance	\$3.42	\$3.51	\$4.01	n/a
12. Hotel	\$2.93	\$3.00	\$3.50	n/a
13. Tour and Travel Services	\$3.39	\$3.48	\$3.98	n/a
14. Private Hospitals and Educational Institutions	\$3.33*	\$3.33*	\$3.83	n/a
15. Garment Manufacturing	\$2.68*	\$2.68*	\$3.18	50%
16. Miscellaneous Activities e.g. <b>footwear, handbags, Luggage flat goods, work gloves, leather Wearing apparel, watches or watch parts</b>	\$2.63	\$2.70	\$3.20	50%

Note: \* denotes no changes on the current minimum wages since Industry Committee 2003.

The American Samoa Government (ASG) provides a substantial package of employee benefits, including 13 paid holidays, 13 days paid sick leave per year, and 13-26 days of annual vacation depending on length of service, in addition to medical and hospitalization plans. These non-cash benefits are provided for all employees and help assure equitable treatment of workers at the lower end of ASG's wage scale. American Samoa recognizes a 40 hours work week.

Most companies in the Territory offer fringe benefits such as paid holidays, vacation and sick leave. Some employers also provide pension/retirement benefits and medical insurance. All employers are required to provide Worker's Compensation insurance against work connected injuries or death and must comply with the provisions of the U.S. Occupational Safety and Health Act, which regulate working conditions pertaining to the health and safety of employees.

The U.S. National Labor Relations Board has extended its jurisdiction to American Samoa, making it possible for U.S. unions to expand into American Samoa. However,

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labor unions have always been rejected in American Samoa. The ASG's manpower training program includes a **subsidized pre employment-training program for manufacturing and significant employment producing activities**. Under this program (Work Force Investment Act) the government supplements 50% of workers' wages for up to one year.

6. We have the same tax structure as the U.S. with a few minor exceptions: there is a minimum 4% tax rate on personal income; 34% tax rate on the taxable income as exceeds \$75,000 but does not exceed \$650,000, and the highest tax bracket is 44% of taxable income as exceeds \$650,000. There is a 5 % excise tax on items imported for commercial resale. There are no gross receipt, property, or sale taxes. Moreover, tax exemptions can be granted by the Governor of American Samoa on some or all taxes (except for individual income tax) for up to 10 years for the establishment or expansion of qualifying industrial or business enterprises under the Industrial Incentives Act.

Foreign Sales Corporations established in the Territory may receive an eleven-year exemption on corporate income taxes, dividend distributions, customs duties and other taxes. There are no requirements to maintain an office or agent or to hold shareholders meetings in the Territory.

American Samoa is qualified under **Section 936 of the Internal Revenue Code, which** exempts from U.S. income tax the profits of U.S. corporations operating in U.S. possessions. Basically under Section 936 income earned by U.S. corporations from business operations in the possessions such as the Territory of American Samoa, are exempt from the Federal corporate income tax, along with income from certain types of financial investment. To qualify, a firm must be incorporated in the United States, receive 80% of its income in a possession, and 75% of its income must be from the active conduct of a trade or business in the possessions. However it is anticipated that this Section will be phased out in 2005.

7. The American Samoa Government, through the Real Property Management Board formerly Industrial Park Commission, runs the 100-acre Sen. Daniel Inouye Industrial Park. A twelve-inch water main serves the area and electrical power is available for all industrial purposes. The Industrial Park is fully drained and connected to a sewage treatment plant. Lots are available for up to 55 years at a rate of \$0.25 to \$0.45 per square foot per year.

8. There is no restriction on the repatriation of funds, earnings, etc., except the following:

### **30.0150 Amounts Payments:**

a. The amount of authorized capital stock of any corporation organized under this chapter may not be less than \$2,000.

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- b. The amount of paid-in capital with which any such corporation shall commence business may not be less than \$1,000.
- c. No corporation may be permitted to issue stock except for an equivalent in money or labor done, or property actually received and applied to the purpose for which the corporation was created; and neither labor nor property may be received in payment of stock at a greater value than the actual value at the time the labor was done or property delivered, and all fictitious increases of stock or indebtedness are void.

### **30.0153 Dividends-Source-Prohibited payments:**

- a. A corporation may, by resolution of its board of directors, declare and pay dividends in cash or property only out of earned surplus; earned surplus being defined as the remaining amount of accumulated net income, after adequate deductions for depreciation and obsolescence, and exclusive of any amounts resulting from unrealized appreciation or an upward revaluation of assets.
- b. No dividends may be paid or declared at a time when:
  - 1. the corporation is unable to pay its debts as they mature or when the payment declaration of the dividend would render the corporation unable to pay its debts as they mature;
  - 2. its net assets are less than its stated capital or when the payment or declaration thereof would reduce its net assets below its stated capital.

**Every foreign corporation, in order to receive a permit to do business in American Samoa, must have at least \$10,000 of authorized capital stock and \$5,000 of paid-in capital stock.** (Title 30, chapter 0308 entitled "Monetary requirements" of the American Samoa Code.)

- 9. Long-term and working capital loans are available to eligible enterprises through various business financial assistance programs administered by the U.S. Small Business Administration at the Honolulu District Office. These credit programs include both direct loans and loan guarantees.
- 10. The American Samoa Government is authorized to issue industrial revenue bonds to provide financing for acquisition of fixed assets in approved industrial projects. Interest earned on revenue bonds is not subject to local income taxes.
- 11. The Bank of Hawaii and ANZ Amerika Samoa Bank provide full international banking services with correspondent banks in the U.S. and the Pacific region. Both banks are member of

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Federal Deposit Insurance Corporation (FDIC) i.e. US federally chartered organization that insures deposits in banks.

12. The American Samoa Telecommunication Authority (ASCTA) operates one of the best state-of-the-art telecommunication systems in the Pacific, permitting fast and easy contact with the outside world.

A new area that holds great potential for growth is our satellite network and computer support system. Securing the benefits from e-Commerce and e-Government will result from our investment and growing institutional base at our Community College, government and business centers. It features a worldwide COMSAT satellite telecommunications facility, two competitive fiber optic networks and mobile phone services throughout the islands. Rapid telex, telegraph and facsimile services are also available. The COMSAT satellite system also provides commercial television, video conferencing and radio broadcasts.

13. Regarding other tax matters (i.e. - exemptions for import duties on equipment, raw materials and exemptions for corporate and business taxes), these will be expanded upon as our discussions progress and will be addressed in your application to the Tax Exemption Board for tax exemption. You could write directly to the following address:

Velega Savali Savali, Jr.  
Treasurer/Chairman  
Tax Exemption Board  
Treasury Department  
American Samoa Government  
Pago Pago, AS 96799  
Telephone 684-633-4155 Fax.: 684-633-4100

**American Samoa Tax Exemption.** Governor based on Tax Exemption Board recommendation can grant exemptions from local tax on some or all taxes (except for individual income tax) for up to 10 years for the establishment or expansion of qualifying Industrial Incentives Act.

### **11.1607 General requirements for exemption.**

In order to qualify for a certificate of tax exemption, an industrial or business enterprise must:

1. be an enterprise owned by a person who is, or a partnership one of whose members is, a resident of American Samoa; or be a corporation created under the laws of American Samoa or a foreign corporation authorized by the laws of American Samoa to do business in American Samoa;
2. undertake to employ, at the prevailing wage rate, or at not less than the minimum wage rate provided by law, residents of American Samoa to the extent of at least 75% of the total working force, with the concurrence of the Governor. A temporary waiver may be granted for a period not to exceed 6 months at any one time when residents with the necessary ability to perform the services required at the prevailing wage rates are not available within American Samoa and the



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industry or business will be greatly handicapped as a result of hiring 75% American Samoans. The board, with the concurrence of the Governor, may revoke or modify the temporary waiver before its expiration if it determines that residents possessing the necessary ability have become available in American Samoa and that such information has been furnished to the person, partnership or corporation. A resident means any person who has resided continuously in American Samoa for not less than 5 years

immediately prior to the date of application for employment, or who was born in American Samoa and who has resided therein not less than 1 year immediately prior to the application.

14. In regards to import of foreign labor to the Territory, this matter should be addressed to our Attorney General's Office to assist your companies in this endeavor. The address is as follows:

HC Fepuleai Afa Ripley, Jr., Attorney General  
Department of Legal Affairs  
American Samoa Government  
Pago Pago, AS 96799  
Telephone 684-633-4163 Fax.: 684-633-1838

Our Immigration policies and requirement must be met, with some exception depending on the economic merit of the project.

### **Basic steps for establishing business in American Samoa:**

1. file for appropriate incorporation permit (local incorporation and foreign incorporation permits);
2. file applications to American Samoa Immigration Board for permits for specialized foreign labor, including country of origin, health and police clearances required for each applicant, and documentation of advertising positions in the local newspapers for a period of two weeks, local applications received, interviews, decisions, etc., and the hiring of a community liaison, who must be Samoan and should be considered at middle management level, for the purpose of labor and public relations between the Samoan workforce and the company's middle management level. The hiring of a Samoan community liaison will certainly encourage the Samoan workforce to meet the expected level of production and working morale, given adequate training period of about one calendar year;
3. file application to the Real Property Management Board for a minimum of one acre lot at the Tafuna Industrial Park;
4. file application for tax exemption with Chairman of the Tax Exemption Board;
5. file with the Department of Commerce (DOC) for all necessary license applications, land use permit, zoning variance application and Department of Public Works for building permits.

### **Business Licensing:**

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Any person who wishes to establish a business in American Samoa must obtain a business license. The only businesses exempt from the business license requirements are any business or trade engaged in or conducted by the government or the government of the United States or for the sole or direct benefit of or under the direct supervision of the government; and the selling or marketing by an American Samoan agricultural producer of his/her own farm produce in its natural state.

Any person who operates businesses in two or more locations in American Samoa must obtain a license for each location. Similarly, any person who operates any business which is engaged in two or more types of business activities must obtain a separate license for each activity.

All business license applications are filed through the Department of Commerce and reviewed by the Territorial Planning Commission and the Governor's Office. This review takes into consideration traffic, parking facilities, water and sewage facilities, effect on land resources and economic opportunities for resident Samoans, effect on Samoan customs, culture and traditions, and conformity to the general economic plan.

Application will be approved unless the business proposal is contrary to the public policy of encouraging the development of business enterprises by Samoans, contrary to the best interest of the public, or incompatible with the economic and social development plans of the Territory.

Business Licenses are renewed on a calendar year basis regardless of when issued and expire on December 31 of the year in which they are issued or renewed. Most business license fees are \$25.00 per year.

### **How to Incorporate and Do Business in American Samoa**

Local and foreign corporations and partnerships may be authorized to do business in American Samoa. Present regulations allow only US nationals, citizens and "permanent resident" as designated by ASCA 41.0502(sic), to establish sole proprietorships.

#### **Incorporating Locally**

Three or more persons of lawful age, a majority of whom must be US nationals or citizens and at least one a resident of American Samoa, may form a corporation for any lawful business.

Articles of Incorporation must be signed and acknowledged by the incorporators and forwarded to the ASG Treasurer via the Attorney General, American Samoa Government. The ASG Treasurer then forwards the Articles to the Governor for approval, and they are recorded by the Territorial Registrar. After payment of incorporation fees, the ASG Treasurer issues a Certificate of Incorporation.

#### **The Articles must contain:**

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1. The name of the corporation and the principal place of business in American Samoa;
2. The objects for which it is formed, such objects to be stated with specificity;
3. The amount of authorized capital stock, the classes of stock authorized, and the par value and conditions of each class and the time when and conditions under which it is to pay;
4. The time for commencement of existence of the corporation, not earlier than issuance of the certificate;
5. The names and addresses of the incorporators and the officers or persons including at least three directors, to conduct its affairs, and the time when and manner in which such persons will be selected;
6. A statement that private property of the stockholders is to be exempted from corporate debts; and
7. The manner in which the articles may be amended.

### **Foreign Corporation Permit to Transact Business:**

All corporations organized under laws other than the laws of American Samoa are by definition foreign corporations, which must obtain a separate permit to transact business.

The application is filed with the Governor's Office via the Attorney General, and must include:

1. A certified copy of the article of incorporation;
2. A certified copy of a resolution of the board of Directors authorizing the filing of the articles and service of process generally on any officers or agents in American Samoa engaging in its business here; the name and address of one resident agent for service of process must be indicated; and
3. A statement under oath by the president, vice-president or other head officer and the secretary containing the information required for the articles of incorporation, total authorized capital, total paid-in capital, total value of all money and other assets planned for use in the territory during the next year.

### **Local Corporation vs. Foreign Corporation**

For clarification, please find a summary of differences between local and foreign corporations as it relates to our local statutes.

Local corporations are those corporations created under American Samoa corporation laws contained in Title 30 of the American Samoa Code Annotated. Examples of local corporation laws include provisions that at least 3 or more persons of full age may form a corporation so long as two-thirds of whom are United States nationals or citizens and at least one must be a resident of American Samoa.

As for foreign corporations, these are corporations created under laws that are other than American Samoa's regardless of whether it's a United States corporation. All corporations created in all US states and other possessions are considered foreign because they were created based on laws of those states and possessions.

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Nevertheless, “non-domestic” corporations have the option of registering locally as either local or foreign. To register as a foreign corporation in the territory, a corporation, upon approval by the Attorney General, must register its articles of incorporation with the Registrar’s Office and apply for a Permit to Transact Business from the Governor. To register locally, on the other hand, non-domestic corporations have to amend their articles of incorporation in order for those articles to comply with all local corporation laws.

### 15. Trade & Investment Business Opportunities

The American Samoa Government (ASG) and the local business community are aggressively working on the implementation of economic development initiatives. The Economic Development Implementation Plan contains the following key initiatives:

- Strengthen the economic development process by involving the business community and ensuring that capital investment decisions encourage targeted business development and growth
- Reduce dependence on federal financial assistance
- Encourage growth and diversification of existing businesses and seek new businesses

The specific targets of opportunities for commercial development and growth include:

#### **Secondary and supportive cannery activities**

- Miscellaneous fish processing and export
- Animal feed plant
- Canned Wahoo production and export
- Can-making, box and labeling plant
- Barge ocean disposal of cannery sewage
- Fishing fleet brokerage services

#### **Tourism/Visitor Industry**

- Privatization and expansion of the 200 room Rainmaker Hotel
- Hotel and motel development
- Selected tourism, recreational and duty-free shopping services
- Inter-island air and boat services
- Cultural Center activities
- Bed and Breakfast operation
- Charter Fishing operator
- Marine scooters, scuba diving, sailing tour operations
- Handicraft ventures

#### **Regional Trade and Transshipment**

- Foreign sales corporations
- Export trading companies
- Warehousing and cold storage facilities
- Container repair services
- Shipping and air freight services

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- Freight forwarding

### **Light Industry (Export & Import substitution activities using Headnote 3(a) advantages)**

- Bulk asphalt drumming and distribution
- Sugar processing and refining
- Textile assembly
- Electronic equipment assembly
- Bulk cement bagging
- Corned beef processing
- Tropical fruit juice processing
- Processing of regional exports, e.g., taro, snack chips, coconut oil, cocoa, vanilla beans, handicrafts
- Local slaughterhouse and meat processing
- Brewery plant
- Shoe manufacturing/repair shop
- Fish hook factory
- Watch assembling plant

### **Privatization of Local Government Operations**

- ASG Motor Pool
- ASG facilities maintenance
  
- Industrial Park
- Cable car/Tramway
- Manu'a Island inter-island transport
- Port tugboat services

### **Local Fisheries**

- Fish processing and loining for US and European market
- Cold storage facilities
- Multi-purpose fishing vessels including Philippine-type purse seiners
- Sashimi fish processing
- Dried and smoke fish processing plant
- Fish fillet plant
- Fish sausage plant
- Giant clam operation
- Tilapia operation
- Shrimp operation
- Eel operation

### **Agriculture**

- Diversified vegetable and fruit production
- Storage facilities
- Agriculture produce processing
- Animal feed mill

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- Poultry and eggs production
- Ginger root farming for export
- Hydroponics technology to grow flowers for commercial sale
- Coconut oil pressing plant

Please understand that extra efforts by ASG to expedite the processing of the proposed project through related regulatory agencies are subject to all federal regulations as applied to American Samoa and local statutes which pertain to the proposed project. This notice is to avoid any negative perception from the public, hence public support.

However, in order to facilitate the expedition of the proposed project, we strongly suggest that the company to retain the services of a local attorney or agent.

We trust the information provided in this briefing paper will provide you with an overview of our territory's business climate, and to assist you in investing in American Samoa's bright economic future. Should you require any further assistance please do not hesitate to contact Alex P. Zodiacal, Assistant to Administrator/Economic Development Division Manager at (684) 633-5155 or at [AZODIACAL@doc.asg.as](mailto:AZODIACAL@doc.asg.as). Please visit our website at [www.asdoc.info](http://www.asdoc.info) for information about transacting business in the Territory. Also refer to [www.asbar.org](http://www.asbar.org) for listings of all local statutes and codes.

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