

STATEMENT OF THE HONORABLE TOGIOLA T.A. TULAFONO
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BEFORE THE U.S. HOUSE COMMITTEE ON NATURAL RESOURCES
February 27, 2007

Talofa. Honorable Chairman and distinguished members of this Committee; it is with great pleasure and honor that I appear here today at your invitation to give testimony on the Fiscal Year 2008 budget of the Office of Insular Affairs. I thank you for this opportunity to convey to you the importance of this funding for the territory of American Samoa, our operations and our economic development. I also want to greet and thank all of the Committee's new members as well.

Introduction

American Samoa, located in the Central South Pacific is the only United States territory south of the equator. The islands of eastern Samoa became part of the US in 1900 and 1904. A central premise of ceding eastern Samoa to the US was to preserve the rights and property of the islands' indigenous inhabitants. American Samoa's constitution requires the government to protect persons of Samoan ancestry from the alienation of their lands, protect against the destruction of the Samoan way of life and language, and to encourage business enterprise among persons of Samoan ancestry. American Samoa, in turn, ceded authority over its lands and pledged its allegiance to the United States of America. The depth of our commitment is evident today in the disproportionately high share and the contributions of our people in the US military, especially their dedicated service in past and current wars.

Economic Development Conditions in American Samoa:

American Samoa has made extraordinary progress in recent decades, considering it only began its own pursuit of modern development since the Second World War. This is a relatively brief period from a development standpoint. In addition to building modern economic, education, health care and infrastructure systems, American Samoa has essentially become self-governing under the general authority of the US Executive Office (DOI). However, we have a very long way to go. For example, our per capita income is only about one-fifth the US average, and poverty levels in American Samoa are almost six times the national average. American Samoa also suffers from high rates of substandard housing and our public services and facilities remain well below US standards.

At the same time, American Samoa is subject to the same forces that affect economies, large and small, throughout the world. Rising world trade and globalization, as we often refer to it, is changing our economies dramatically as industries seek lower and lower cost venues. American Samoa, however, does not have the options that are available to major industrial economies. Our productivity, i.e. output per worker, is only about one-fifth that of the US average. In addition we have the added issues of distance to markets and sources of supply and the diseconomies of relatively small size which affects our labor force quantity and skill characteristics. We do not have the development options that are available to most of the US.

On the other hand, we are not really a developing economy either (or less developed, if you prefer) in the sense that these terms are used to describe nations in or

bordering on abject poverty. Because of our relationship with the US we have had access to special advantages. We have received financial support, federal corporate tax credits, and duty free access to US markets and a special procedure for establishing minimum wages. We have had the flexibility to operate our own customs and immigration. These benefits have helped us rise above the economic fate that has befallen island nations similarly endowed and situated throughout the world.

These advantages were largely responsible for our ability to retain our tuna cannery industry for fifty years. Furthermore, the loss of these benefits threatens to cause our cannery industry to seek lower cost locations elsewhere. Much of our success to date has been based upon these benefits which are now rapidly disappearing or threatened. There is nothing on the horizon or in the offing to replace these benefits.

The departure of the canneries from American Samoa would wipe out one-half of the total jobs in American Samoa directly and indirectly. This would be a catastrophe for any economy, but it would be worse for a small isolated area like American Samoa.

Furthermore, there could be very serious additional contingency costs for the Federal Government if the canneries were to leave American Samoa. The Federal Government would likely be petitioned for assistance to deal with very serious and protracted problems including unemployment, retraining, relocation assistance, business failures, plummeting local revenues for essential public services and other needs that could emerge in such an economic disaster.

Unfortunately, the threat to American Samoa's economy does not end with the revocation of corporate tax credits and the diminishing value of our duty free access to the US because of declining tariffs worldwide. There are pressures now to equalize US and American Samoa minimum wage rates. There is even talk of bringing American Samoa under US Immigration, possibly even under US Customs. These are the characteristics that have helped us to succeed in economic development. If we lose these special conditions, American Samoa could face insurmountable economic development barriers in the future.

However, the US Congress has taken notice of our plight and we are hopeful that help is on the way. Last year in connection with the extension of our cannery tax credit, the Congress provided in its report:

"The two-year credit allowed by the provision is intended to provide additional time for the development of a comprehensive, long-term economic policy toward American Samoa. It is expected that in developing a long-term policy, non-tax policy alternatives should be carefully considered. It is expected that long-term policy toward the possessions should take into account the unique circumstances in each possession."

I am concerned that we don't know enough about what Congress wants except for the few words in the Committee/staff report on the tax bill I just cited. We are hopeful that this opportunity is taken to examine the critical ways in which federal legislation and policy affect American Samoa's development including tax credits, the minimum wage, immigration and customs, and a variety of other areas.

I hope that the American Samoa Government, American Samoa's Congressional Representative, and the Office of Insular Affairs will be part of the design and conduct of the preparation of a long-term economic development policy for American Samoa.

ASG Economic Development Programs:

For our part, we are working with you and the Department of Interior on tax credit alternatives. We are also moving ahead on the cannery impact analysis which will nail down cannery reduction impacts, remedial programs and redevelopment alternatives. Additionally, in conjunction with the Office of Insular Affairs, my administration has submitted to our Representative, for his review, consideration and possible adoption, a proposal for a tax incentive package that we believe focuses on promoting business investment within American Samoa. With the honorable Congressman's help and the help of this Committee, a tax incentive package would attract new businesses and help us overcome our disadvantages in distance, scarcity of transportation and reliance on federal grants to fund basic services.

In addition to promoting federal tax incentives for businesses willing to invest in American Samoa, ASG is pursuing a number of complementary initiatives such as streamlining the business permitting and licensing process in order to make the investment climate more business friendly. Through technical assistance funding from the Office of Insular Affairs, ASG will make the process of attaining a business license much simpler through electronic means. Additionally, the ASG will do away with the inefficient waiting periods in order for multiple agencies to sign off on permits by consolidating hearings and allowing for a "one-window" approach to electronically apply for licenses and permits through the internet and to electronically attach and store licensing and permitting documentation. Approval of licenses and permits will take place electronically, without sacrificing the safeguards that any one agency provides.

ASG is also pursuing a number of new programs which will encourage investment in the territory, including the establishment and administration of the territory's Low Income Housing Tax Credit Program, which has the potential to infuse eighteen million grant-like dollars into the local economy and help foster our private construction sector. And this is in addition to the provision of housing for our low-income population. Through technical assistance funding, we hope to bring this program into reality within the next two years.

These are only a few of the programs that ASG is able to pursue through the technical assistance funding available through the Office of Insular Affairs. This program is invaluable to our development as a territory, and I express my wholehearted support for its continuation and expansion into the future.

Diversified Industries

American Samoa has had some success over the years in attracting diversified manufacturing. Today, a key industry targeted for development is technology based (e-Commerce) which depends on skilled workers and well-developed internet-based communication systems.

We recognize and thank the Department of Interior, Office of Insular Affairs, for its foresight in requesting funding for our undersea fiber-optic cable. In recent times, American Samoa has entertained proposals from US companies looking to do business in the territory. The types of business contemplated by these companies require broadband Internet capability that only a hard landline connection may provide. American Samoa has made it clear to the Office of Insular Affairs that we are prepared to follow the recommendations of past economic advisory councils and commissions, and pursue

aggressively, any and all opportunities to cultivate e-commerce and export of services via information technology from American Samoa.

Among other economic development projects and proposals that are currently being pursued are a local fish processing facility, co-ops for local fishermen and farmers, and numerous niche markets within the Tourism industry.

Operational grants

ASG receives direct operating grants from DOI of \$22 million per year. I can assure this Committee that these operational grants are absolutely vital to the well being of our people. ASG's only full-scale health care institution, the LBJ Tropical Medical Center, and the Department of Education are the major recipients of the operational grant funds.

The operations grants have not had a significant increase for over 2 decades. During that time, the population has doubled, and the cost of living has increased approximately sixty percent. American Samoa has struggled to maintain essential government services, but this can hardly be done given the state of the economy in American Samoa.

Operations Maintenance Improvement Program (OMIP)

One of the biggest challenges that ASG deals with on a regular basis, especially given the corrosive nature of a tropical environment, is maintenance and improvement of facilities. Through the OMIP program, ASG is able to access funds that would otherwise have to come from other portions of the ASG budget. Currently, our own community college, ASCC, is availing itself of the opportunity to set up its own maintenance program utilizing software that is currently being used in other insular areas.

Capital Improvement Projects

Currently, American Samoa receives \$10.5 million in CIP funding. This funding is directly responsible for developing critical infrastructure in the territory. From the construction of schools and hospital facilities, to the hardening of utilities which aid in recovery following disasters, this funding is essential for developing the territory's infrastructure and making the territory more attractive for development. Again, it is my recommendation that this specific program be continued at its current level, and if possible, expanded to increase the funding of additional necessary infrastructure in the islands.

Island Fellows Program

Agencies of the American Samoa Government have benefited directly from the Office of Insular Affairs's Island Fellows Program. One agency in particular, the Development Bank of American Samoa, is especially satisfied with this program. Over the past year, the Development Bank has increased the number of programs it administers. The Bank encourages the continuation of this program which promotes forward-thinking analysis by innovative young scholars as an aid to economic development.

Special Industry Committees

Of particular interest in recent months is the special industry committee process by which American Samoa's minimum wages are set. As I have stated in the past, it is the position of my administration that these special industry committees work for our territory. They are responsive and they take into account the unique factors presented by American Samoa's fledgling economy. Unless and until a more responsive and effective approach is proposed, I am asking this Committee for its support in maintaining the special industry committee system for setting minimum wages in American Samoa.

Conclusion

I once again thank you Mr. Chairman, as well as your distinguished colleagues for the opportunity to speak here today. It is my fervent wish that you keep American Samoa's plight in your thoughts as you consider the budget of the Office of Insular Affairs for the new fiscal year.

Soifua ma ia manuia.