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Investment Incentives and Competitive Advantages of Doing Business in American Samoa & Trade and Investment Business Opportunities

- **Headnote 3. (a):** 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.
- **Section 30A are tax credits for American Samoa Canneries.** 30 (a) is the sum of (1) 60% of wages and fringe benefits and (2) 15%/40%/65% of depreciation allowances for short-life/medium life/long-life tangible property. Section 30A(d) replaces Section 936(a)(4), however, 30(a) requires our canneries to make their claims based on wage credits.
- **Same tax structure as the US Internal Revenue Services** 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.
- **No gross receipt, property, or sales taxes.**
- **No restrictions on repatriation of funds.**
- **Sen. Daniel Inouye Industrial Park,** a 100-acre prime government land available for light, medium, and heavy industrial establishment. 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.

- **Well-developed infrastructure: harbor facilities, airport, roads, communications, water, sewer, power, education and hospital.**
- **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.

American Samoa Tax Exemption for Businesses Governor based on Tax Exemption Board recommendation may grant exemptions for import duties on equipment, raw materials and exemptions for corporate and business taxes on some or all taxes (except for individual income tax) for up to 10 years for the establishment or expansion of a qualifying industrial or business enterprise.

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
3. American Samoa and the 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.

Lower Minimum Wages. American Samoa is currently covered by the US Fair Labor Standards Act. However with the passage of the US Federal Minimum Wage bill by the US Congress which increases minimum wage by \$0.50 cents after enactment and every year thereafter until wages in American Samoa reaches the US Federal minimum wage of \$7.25. This bill also abolished the biennial minimum wage hearing in the Territory. The current minimum wages range between \$3.68 and \$5.09 per hour was effective in May 25, 2008. The following recommended minimum wages were published in the American Samoa minimum wage poster by the US Department of Labor Wage and Hour Division. The following table highlights the effect of the \$0.50 minimum wage increased based on the approved US Federal Minimum Wage bill by US Congress and 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:

Industry	US Federal Minimum Wage effective 7/24/07	US Federal Minimum Wage effective 5/25/08	US Federal Minimum Wage effective 5/25/09	Headnote(3a) Foreign materials requirements
1. Government Employees	\$3.41	\$3.91	\$4.41	n/a
2. Fish Canning and Processing	\$3.76	\$4.26	\$4.76	50%
3. Petroleum Marketing	\$4.35	\$4.85	\$5.35	n/a
4. Shipping and Transportation:				n/a
a. Classification A-Stevedoring, lighterage, and maritime shipping agency activities	\$4.59	\$5.09	\$5.59	
b. Classification B-Unloading of raw and/or frozen fish from vessels	\$4.42	\$4.92	\$4.92	
c. Classification C-All other activities in the shipping and transportation industry	\$4.38	\$4.88	\$5.42	
5. Construction	\$4.10	\$4.60	\$5.10	n/a
6. Retailing, Wholesaling, and Warehousing	\$3.60	\$4.10	\$4.60	n/a
7. Bottling, Brewing, and Dairy Products	\$3.69	\$4.19	\$4.69	70%
8. Printing	\$4.00	\$4.50	\$5.00	n/a
9. Publishing	\$4.13	\$4.63	\$5.13	n/a
10. Finance and Insurance	\$4.49	\$4.99	\$5.49	n/a
11. Ship Maintenance	\$4.01	\$4.51	\$5.01	n/a
12. Hotel	\$3.50	\$4.00	\$4.50	n/a
13. Tour and Travel Services	\$3.98	\$4.48	\$4.98	n/a
14. Private Hospitals and Educational Institutions	\$3.83	\$4.33	\$4.83	n/a
15. Garment Manufacturing	\$3.18	\$3.68	\$4.18	50%
16. Miscellaneous Activities e.g. footwear, handbags, Luggage flat goods, work gloves, leather Wearing apparel, watches or watch parts	\$3.20	\$3.70	\$4.20	50%

- **English speaking and diverse workforce**
- Availability of **favorable long-term financial assistance**
- Products manufactured in American Samoa can be labeled **‘Made in the USA’**
- The **political and social stability** of a US flag Territory

- Protection of **US legal system**
- **US currency. No foreign currency risk**
- **US Postal Services**
- An **expeditious business licensing system**

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 business partners, investors, developers, joint ventures, etc.

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

E-commerce & electronic communications

- **Fiber optic cable connection network (complete in April 2009)**
- Closed caption training
- Transcription of medical files
- Television and cable program production
- Call Centers

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

- **Eco Tourism: Mt. Alava Tramway Re-Construction/Development**
- **Privatization and expansion of the 200 room Rainmaker Hotel (Condominium & Time Share Development Rainmaker Property)**
- **Manu'a Islands Eco-Tourism & Eco-Friendly Golf Excursions**
- 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
- **Marina and Marine Railway Development-Pago Pago Bay**

Regional Trade and Transshipment

- Foreign sales corporations
- Export trading companies
- Warehousing and cold storage facilities
- Container repair services
- Shipping and air freight services
- 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
- **Mt. Alava Tramway Re-construction/Cable car**
- 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
- Ell operation

Agriculture

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

Economic Prospects

The economic prospects of American Samoa currently depend upon maintaining the viability of the tuna canning industry, local business sector and its exports to the mainland US market. The development of a culturally appropriate tourism industry that will protect the interests of the American Samoa people, the economy and the ecology of the islands is a necessary step in the economic development of the territory. Regional trade with other countries of the Pacific region could support the local tourism industry.