

# Marianas

## ECONOMIC ROADMAP

CNMI Economic Recovery Study

ONE COMMUNITY  
ONE ECONOMY *One Vision*

FINAL REPORT  
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Prepared by:



For:



Commonwealth of the  
Northern Mariana Islands  
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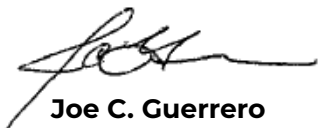
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This study represents a collective effort to build a stronger, more sustainable future for the CNMI. It is through such collaboration that we can drive meaningful progress and create lasting economic opportunities for our people. Thank you for your dedication and partnership in this important endeavor.



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**DISCLAIMER** - The views, findings, and recommendations presented in the CNMI Economic Recovery Study are those of the authors and contributors and do not necessarily reflect the official policies, positions, or endorsements of the CNMI Government, Office of Planning and Development, or the U.S. Economic Development Administration (EDA). This study is intended for informational purposes only and should not be construed as official guidance or policy from either agency.



# EXECUTIVE SUMMARY

The Commonwealth of the Northern Mariana Islands (CNMI) Economic Recovery Study was initiated to assess the significant economic challenges in the CNMI, including the impacts of natural disasters and the COVID-19 pandemic. It was also tasked with addressing underlying structural issues in the CNMI's economic landscape and identifying a path to economic recovery. This comprehensive study provides such a roadmap, aimed at fostering long-term economic growth, resilience, and sustainability. Grounded in data, history, and the collective insights of stakeholders and residents across the CNMI, this roadmap outlines actionable strategies to regenerate the economy and improve the quality of life for all residents.

The CNMI is in the midst of an economic crisis. Tourism, the CNMI's largest economic sector, has declined by two thirds both in visitor arrivals and in revenue. Tax revenue can no longer sustain full time employment for government employees. Twenty percent (20%) of its residents are unemployed and can not find gainful employment. Twenty percent (20%) of its residents are planning to permanently emigrate from the CNMI because of the high cost of living, low wages and lack of opportunity. There is an urgent need for action to stimulate economic recovery. The current situation is not sustainable. The challenges facing the CNMI are particularly difficult due to its over-reliance on tourism and corresponding limited diversification of its economy. The roadmap presented in this study is not a plan so much as a foundation for planning, and the realization of outcomes that address the islands' short, medium and longer term economic challenges. It recommends policies and actions needed for the government to develop and achieve a sustainable economic recovery program. To achieve this, an honest assessment of the barriers to economic prosperity is critical, along with actionable recommendations to overcome them. By addressing structural weaknesses and leveraging the islands' unique assets, the CNMI can position itself for a more sustainable, equitable, and stable economic future.

## ECONOMIC CONDITIONS AND CHALLENGES

A significant component of this study was assessing the current conditions of the CNMI economy. Through the development of the Preliminary Report (**Appendix A**) and subsequent updates to the analysis contained in this report, the nature of the challenge facing recovery was investigated and used to inform the study's recommendations.

### THE LOSS AND REBUILDING OF TOURISM

Overall, the research finds that the CNMI's economy has been significantly impacted by a sharp decline in tourism, which remains far below pre-pandemic levels. This decline has rippled through all sectors, leading to reduced business revenues, government funding, and employment opportunities. Workforce shortages and outmigration further compound these issues.

In particular, the major CNMI industries that represent the largest contributors to commercial activity and revenue including tourism, retail, and wholesale, have struggled to recover, largely due to the contraction of their primary customer base – Asian vacationers. Yet these industries are interconnected through supply chains and shared industrial clusters. This suggests that strengthening these interconnected industries presents the most immediate opportunity for growth and economic resurgence.



## INSTITUTIONALIZING ECONOMIC POLICY FOR THE CNMI

The study also identifies institutional weaknesses as a critical obstacle. **Plans do not create economic growth – people do.** In the past decades since the creation of the Commonwealth the practice of economic policy-setting and economic policy implementation has not been an institutionalized role within the government. This has resulted in fragmented governance within the economy, with overlapping agency mandates and duplicative responsibilities hindering progress and inhibiting the Commonwealth's transition from economic planning to economic development. Addressing these challenges is paramount for effective recovery.

Historically, economic development in the CNMI also has been driven by exogenous industries and interests. The most significant opportunities for the people of the CNMI have been driven by foreign investment, and the federal government, in large part because of the strategic importance of the Marianas both geographically and politically. While the CNMI has benefited greatly over the years from this exogenous activity, the economic welfare of the people of the CNMI has not been the primary objective of the most significant initiatives that have shaped the economy. The development of tourism, the creation and decline of the garment industry, and the development and shape and direction of the tourism industry, all were determined by interests outside of the CNMI for the benefit of others and not the residents of the Commonwealth.

Despite these hurdles, the CNMI boasts significant economic assets. Its strategic geographic location, natural beauty, and federal underwriting of physical infrastructure, as well as investment in broadband and renewable energy, provide a foundation for future growth. Maximizing these assets, employing them toward greater economic output, and leveraging the federal investments currently underway will require the establishment of a clear governance and policy framework focused on a cohesive economic strategy for the CNMI.

This study prescribes an “inward out” approach to the concept of economic growth. It prescribes a vision for the CNMI developed from local stakeholder and resident input. A vision that reflects the core values that help to ensure that economic resurgence benefits its people and preserves its unique culture. This study stops short of prescribing an economic development plan but lays the foundation for the development of one. It aims to show a way the government and private sector of the CNMI can work together to forge a future economy that represents the interests and aspirations of its residents and offers recommendations to help guide the development of an actual plan.





# THE ROADMAP AND FOUR BRIDGES TO RECOVERY

The roadmap identifies four critical “bridges” to take the CNMI from its current condition toward sustainable recovery and long-term growth. These bridges are sequential and in traversing through their recommended actions, represent short-, medium-, and long-term actions, toward the aspirational outcomes of sustainable and inclusive economic recovery:

## 1. A RESPONSIVE, COLLABORATIVE, AND PROACTIVE CNMI GOVERNMENT

Improvements in governance are essential for aligning economic policies, streamlining regulatory processes, and fostering partnerships among stakeholders. Recommendations include the establishment of an Office of Economic Policy to coordinate recovery efforts and an Economic Recovery Response Team to facilitate inter-agency collaboration focused on a shared economic development strategy.

## 2. STRENGTHENING EXISTING INDUSTRIES

Revitalizing core sectors—tourism, retail, healthcare, and construction—is vital for stabilizing the economy and generating employment. Recommended initiatives include marketing the CNMI as a premier destination, offering targeted incentives for investment, and addressing workforce gaps through training programs in high-demand sectors like construction and hospitality.

## 3. DEVELOPING NEW INDUSTRIAL ECOSYSTEMS

Economic diversification is necessary to reduce dependence on tourism. The roadmap advocates for the development of clusters in renewable energy, agriculture, and digital services, supported by strategic infrastructure investments and targeted financial incentives. Establishing dynamic industry targets will ensure the CNMI adapts to evolving global and local economic conditions.

## 4. ADVANCING A SUSTAINABLE AND INCLUSIVE RECOVERY

Sustainable growth requires a focus on equity, environmental stewardship, and improvements in the quality of life for all of the CNMI's residents. Investments in renewable energy, local agriculture, and green infrastructure will reduce reliance on imports and promote resilience. Programs to retrain displaced workers and enhance fiscal sustainability will ensure inclusive recovery benefits for all residents.

## RECOMMENDATIONS FOR RECOVERY

The roadmap for economic recovery emphasizes a phased and coordinated approach, addressing both immediate needs and long-term objectives. The study identifies 21 recommendations to enable the CNMI to “cross” the four bridges toward economic sustainability.



## BRIDGE 1 - A RESPONSIVE, COLLABORATIVE, AND PROACTIVE CNMI GOVERNMENT

This bridge focuses on institutional improvements that will establish governance mechanisms for effective economic policy-setting, define agency roles clearly, and ensure collaboration across sectors. Specific recommendations include:

- **Bridge 1.1. - Public-Private Sector Coordination.** Establish formal mechanisms for public-private sector feedback and communication. This can take the form of advisory councils or regular economic forums that include representatives from government, businesses, and other stakeholders. The key is to instill a sense of urgency, the CNMI economy is in trouble and unless action is taken quickly a large portion of its GDP may dissolve.
- **Bridge 1.2. - Centralize Economic Development Coordination.** Establish by statute the Office of Economic Policy, to be headed by the Governor's Special Assistant for Economic Policy, tasked with coordinating all economic policy and industrial development efforts. This office would work across departments to ensure that government actions align with the strategic goals for recovery and diversification. The office must have the ability and leadership to form and implement credible policies quickly.
- **Bridge 1.3. - Coordinate Inter-Agency Responsibilities for Economic Policy.** Establish the Economic Recovery Response Team to facilitate inter-agency collaboration and policy implementation. This team would coordinate responsibilities across departments for tasks like investor solicitation, permit efficiency, and destination enhancement.
- **Bridge 1.4. - Define Economic Development Roles.** Clearly define the roles and responsibilities of agencies such as the Marianas Visitors Authority, Commonwealth Economic Development Authority, and Department of Commerce in soliciting and supporting investments. A strategic focus on marketing CNMI's assets to potential investors and industries is essential for long-term growth. Specific responsibilities should be delegated for the following areas:
  - Investor solicitation
  - Investor information
  - Permit efficiency coordination
  - Investor negotiations
  - Airline development
  - Destination enhancement and maintenance
  - Tourism sector industrial development
  - Economic land use priorities



## BRIDGE 2 – STRONG EXISTING INDUSTRIES

The second bridge emphasized revitalizing existing core industries by supporting tourism and retail with branding initiatives, financial incentives, and workforce development, and addressing infrastructure gaps to support recovery in key sectors. Recommendations include:

- **Bridge 2.1. - Conduct Industry Review.** Task relevant agencies of the CNMI government (CEDA, MVA, etc.) to conduct a full review and assessment of the CNMI retail, wholesale, and accommodation and food service sectors to understand the challenges and conditions they are facing.
- **Bridge 2.2. - Establish CNMI Brand.** Focus on establishing the CNMI's brand as a premier tourism destination and a location for business investments. This includes marketing campaigns targeting regional and global markets, partnerships with airlines to restore direct flight routes, and offering incentives for hotel development, "must see" visitor attractions and supporting retail and service businesses. Outside of tourism, the CNMI should assemble its brand for more broad forms of investment. Such branding efforts can be seen in places such as Puerto Rico, which launched its "It's not what's next, it's where." campaign promoting the territory's priority on capitalizing on high skilled/high tech investments, or in Utah where they highlight that investment in the state provides "Opportunity unlike anywhere else" highlighting the state's quality of life advantages on the workforce, innovation and business growth.
- **Bridge 2.3. - Business Support Resources.** Provide business grants or low-interest loans to businesses in the retail, accommodation, and food services sectors to restore operations and rehire workers. Support could also include tax deferrals for businesses struggling with cash flow.
- **Bridge 2.4. - Advance Targeted Workforce Training.** With construction demand expected to rise due to infrastructure development, focus on training local workers to reduce the sector's dependence on foreign labor. The government can partner with Northern Marianas College, Northern Marianas Technical Institute and private sector contractors to develop training programs for U.S. workers in construction and related fields.
- **Bridge 2.5. - Embrace Civic Engagement.** Foster and encourage the establishment of sector organizations, either aligned with licensing processes such as a Contractors Association of licensed contractors, or through collaborative organizations like the Saipan Chamber of Commerce, or a reestablished private sector council of advisers. Specific associations of business leaders in retail, food service, healthcare, alongside existing organizations for hotels would facilitate greater levels of communication on specific concerns and needs and promote buy-in among stakeholders toward the created solutions and programs.



## BRIDGE 3 – NEW INDUSTRIAL ECOSYSTEMS

The third bridge will focus on economic diversification and innovation through the development of industry clusters supported by investments in broadband, renewable energy, and port modernization. This should include a Strategic Investment Program to attract high-priority industries. Recommendations include:

- **Bridge 3.1. - Ancillary Industry Support.** Recognize that each industrial sector requires supporting services, from healthcare to transportation, to thrive. Investments in educational institutions, public transportation, and recreation facilities will create the foundation for businesses to attract and retain skilled labor.
- **Bridge 3.2. - Target Incentives to Strategic Growth.** Target CNMI government incentives and development resources toward firms within industry clusters identified for strategic growth opportunities.
- **Bridge 3.3. - Prioritize Industrial Clusters.** The government should prioritize the development of industry clusters by focusing on infrastructure, workforce development, and financial support. Clusters in sectors like renewable energy, agriculture and aquaculture, and data services should receive targeted support, as they have the potential to create spillover benefits for related industries.
- **Bridge 3.4. - Obtain additional industrial development support.** Consider outsourcing industrial solicitation and marketing efforts through competitive bidding specific to industrial development targets, and include capacity building and training for CNMI government economic development personnel as a requirement of government contracts. (See sample Industrial Solicitation Program in **Appendix C** for a proposed framework to support coordinated investment and development efforts.)
- **Bridge 3.5. - Leverage Federal Resources.** Leverage the federal resources currently available for infrastructure and military development to reduce the cost barriers faced by new industries. For instance, investments in broadband expansion or port modernization can facilitate the growth of logistics, telecommunications, and financial services clusters. Military expansion may support housing and local commercial development.
- **Bridge 3.6. - Make targeted industries flexible to economic conditions.** Replace the outdated statutory list of targeted industries with a dynamic list reevaluated by CEDA every five years. This will allow adaptation to global and local economic shifts and ensure fairness by adjusting incentives as industries develop naturally. Incorporate industry targets with feasible government support programs, such as labor training and infrastructure development.
- **Bridge 3.7. - Develop a Strategic Investment Program.** Formalize a CNMI Strategic Investment Program within the Qualifying Certificate (QC) framework to actively pursue high-priority industries. This program would pre-permit specific development sites, address regulatory hurdles, and actively promote investment opportunities to U.S. investors through summits and missions.
- **Bridge 3.8. - Monitor and respond to industry.** Once a new industry is established, monitoring the health and success of that industry should be a continual component of government activity.



## BRIDGE 4 - SUSTAINABLE AND INCLUSIVE RECOVERY

The last bridge to recovery emphasizes sustainability and equity, by aligning recovery metrics with improvements in quality of life, including employment, median incomes, and access to healthcare and education. It would also direct the incorporation of sustainability goals into all CNMI development initiatives. Recommendations include:

- **Bridge 4.1. - Investments for Sustainability.** Investments in sectors like renewable energy, sustainable tourism, and local agriculture will contribute to long-term sustainability. These industries reduce the CNMI's reliance on imports and external markets while minimizing environmental impact.
- **Bridge 4.2. - Inclusive Economic Growth.** Recovery efforts should ensure that all segments of society benefit from economic growth. This includes creating job opportunities in growing sectors for local residents, particularly those displaced by the pandemic. The government can offer reskilling and training programs to help people transition into high-demand industries such as telecommunications or healthcare.
- **Bridge 4.3. - Enhance fiscal stability in CNMI Government spending.** Enhance governance structures to ensure fiscal sustainability, including improving tax collection efficiency, reforming public financial management, and ensuring that government spending is aligned with long-term economic recovery goals.
- **Bridge 4.4. - Redefine specific targets for CNMI Development.** Define recovery not only by traditional economic indicators like GDP but by improvements in quality of life, environmental sustainability, and social equity, such as those currently being pursued by the CNMI's Green Growth Initiative. This includes tracking outcomes such as reductions in unemployment, increased median incomes, and improved access to healthcare and education.







VIEW OF MANAGAHA ISLAND FROM THE SHORES OF MICRO BEACH, GARAPAN.

## STRUCTURE OF THE REPORT

This report has three main chapters, each building on the findings of the previous, to evaluate the CNMI's economic challenges, identify opportunities for growth and diversification, and provide actionable recommendations for recovery and long-term development:

### CHAPTER 1: INTRODUCTION

This chapter establishes the context and scope of the report, explaining the purpose of the study and the methodology used to gather data and insights. It highlights the stakeholder engagement process, including interviews, surveys, and roundtables, and introduces the “four bridges of economic recovery” framework, which guides the report's recommendations. This chapter is presented in three parts - (i) an introduction to the project and this study, (ii) discussion on a roadmap as a tool for visualizing the recommendations set within the study, and (iii) an explanation of the methods employed in the creation of the study.

### CHAPTER 2: ECONOMIC ANALYSIS AND KEY FINDINGS

This chapter provides a detailed examination of the CNMI's current economic conditions, assessing key assets and challenges across major industries such as tourism, retail, and construction. It evaluates supply chain interdependencies, workforce dynamics, and institutional barriers to growth. These findings are critical to identifying both the structural impediments to recovery and the potential opportunities to strengthen the CNMI economy. This chapter provides the data and foundational information for the study and is presented in two sections - analysis of the intentions and definitions of economic recovery within the CNMI context, and a deep exploration of the trends and conditions of the CNMI economy, including analysis of the CNMI's economic assets, and the supply chains of the Commonwealth's primary industries.



### CHAPTER 3: DIVERSIFICATION, SUSTAINABILITY AND EQUITY

This chapter explores the topics of diversification, and sustainability within the context of economic recovery. Diversification can be realized in various forms but, without a universally accepted definition for what diversification means, the actions and progress of the CNMI toward greater economic resiliency can be supported by the analysis within this chapter on the types of diversification the CNMI can pursue and the prior attempts made by the CNMI in realizing a more diversified economy.

### CHAPTER 4: GOVERNANCE AND THE PATHWAY TO ECONOMIC RECOVERY

The preceding chapters lay the foundations for the reasons and challenges of economic recovery. In this chapter, focus lands on strategic actions and recommendations for recovery and long-term economic development. It outlines the “four bridges” discussed above in detail, emphasizing governance improvement, industry revitalization, diversification through new ecosystems, and fostering sustainable and inclusive growth.

To assist in illustrating the study's findings, this chapter presents several case studies that discuss specific opportunities from both the CNMI's historical development and from examples in similar jurisdictions.

### CHAPTER 5: IMPLEMENTING ACTIONS

With the roadmap outlined, this chapter discusses the specific actions the CNMI government can take in implementing a pathway to recovery. These steps are segmented into executive and legislative actions with exploration on the options and opportunities for immediate and tangible progress toward recovery.

### CHAPTER 6: CONCLUSION

The final chapter offers concluding remarks to the reader on the findings of the study and the nature of the work performed in analyzing the CNMI's path to recovery. Noted in this final chapter is the urgency by which action must be undertaken and the role of the study in assisting the government in conceptualizing its role both in the current environment and into the future.

**The report also includes appendices with detailed data analyses, stakeholder inputs, and additional resources, ensuring that the recommendations are transparent, well-supported, and practical for guiding the CNMI's path to economic recovery.**

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An aerial photograph of a tropical coastline. The top half of the image shows deep blue ocean water. Below that is a vast expanse of shallow, turquoise water with a visible coral reef pattern. A small, rocky islet with white surf is visible in the lower-left quadrant. The bottom of the image shows a dark, rocky shoreline with white surf, and a dense, lush green forest covering the land in the bottom right corner.

# *Chapter 1.*

## INTRODUCTION



## CHAPTER 1. INTRODUCTION

The CNMI Economic Recovery Study was developed to assess the economic landscape of the Commonwealth and to provide strategic recommendations aimed at fostering long-term economic growth, resilience, and sustainability. This project emerged in response to the significant challenges posed by recent economic downturns, exacerbated by the COVID-19 pandemic, as well as specific and related structural issues, including the limited opportunities for economic diversification, the high costs of transportation to the CNMI, and the islands' reliance on tourism.

The primary objective of the study was to create a roadmap for economic recovery that not only addressed the immediate need for revitalization but that also built a foundation for sustainable growth across multiple sectors. The urgency for the study can not be overstated. The economy is in the midst of a serious decline that requires a community wide effort to reverse. The study provides the foundation for building more effective economic development policies and programs. It is the precursor to a comprehensive economic development strategy that is critical to mobilize economic revitalization. This was achieved by conducting a comprehensive analysis of key industries, such as tourism, agriculture, construction, retail, and healthcare, while also examining the role of defense spending, infrastructure development, and labor market dynamics in the CNMI's economic future. The analysis supports a proposed roadmap with four key bridges from current conditions to a brighter economic future for the CNMI:

- **FOSTERING A MORE RESPONSIVE, COLLABORATIVE AND PROACTIVE CNMI GOVERNMENT**
- **PROMOTING AND STRENGTHENING EXISTING INDUSTRIES**
- **DEVELOPING AND SUPPORTING GOVERNMENTAL AND SOCIAL SYSTEMS FOR NEW INDUSTRIES**
- **ADVANCING A SUSTAINABLE AND INCLUSIVE RECOVERY FOR ALL OF THE CNMI'S RESIDENTS**

Each of these bridges also encompass multiple recommended strategies and interventions for implementation by the CNMI's public agencies in collaboration with the private sector and civil society. Hence, there is no single "silver bullet" solution for CNMI's economic condition. Rather, this report details a "whole of government" approach emphasizing the development and implementation of a shared and integrated economic development strategy composed of multiple parts.







## A. PURPOSE OF THIS REPORT

This study and roadmap represent a bottom-up investigation drawing from extensive stakeholder and public data collection to (1) analyze the structure of the CNMI economy and its strengths and its weaknesses, and (2) provide a path for successful implementation of economic planning and policy. The roadmap describes the general direction and contours of the path that can and should be taken. But the detailed plans, actions, and investments along this must be determined by the economic development planning and governance that will flow from the overarching governance component of the recommended path. So, while this study is similar to a comprehensive economic plan, it should be thought of as the prerequisite for prudent economic planning efforts that would lead to a comprehensive economic development plan, such as the next CNMI Comprehensive Economic Development Strategy (CEDS).

The CNMI has a long history of creating thoughtful and detailed economic plans. This study reviewed the results of these prior planning efforts (Table 1), to gain insights into the economic conditions needed for recovery. It assessed the goals of each plan, the policy of the government in their creation and, most importantly, the outcomes of the development objectives detailed in each plan. This review revealed a critical disconnect or lack of follow-through between CNMI's economic planning on one hand, and actual economic development on the other, that must be addressed if future planning efforts are to be successful. The hope is that this roadmap, in part, will show the way toward better connecting economic planning and development in the CNMI.

*Table 1: Review of CNMI Economic Planning Efforts*

Organization	Year Published	Plan Produced
Coastal Resources Management Office	1985	A Preliminary Study of the Technical Feasibility of Aquaculture in the Islands of Saipan, Tinian, and Rota
CNMI Government	1985	CNMI Capital Improvement Strategy, 1986-1992
Commonwealth Development Commission	1989	CNMI Overall Economic Development Strategy
Office of Planning and Budget	1989	Economic Development Strategy "A Prospectus for Guiding Growth"
Marianas Public Land Corporation	1989	Public Land Use Plan
Marianas Visitors Bureau	1990	Tourism Master Plan for the Commonwealth of the Northern Mariana Islands 1991-2000
Rota Mayor's Office	1995	The Rota Master Plan
Northern Marianas College	1999	An Economic Study of the Commonwealth of the Northern Mariana Islands
Northern Island Mayors Office	2001	Northern Islands Development Plan
CNMI Department of Commerce	2003	Comprehensive Economic Development Strategy

Commonwealth Zoning Board	2007	Garapan and Beach Road Revitalization Plan
Department of Commerce	2009	A Strategic Approach: Utilizing CNMI's Natural Resources to Provide Complementary Support to DoD Guam
Department of Commerce	2009	Comprehensive Economic Development Strategy 2009-2014
Northern Marianas College Cooperative Research Extension and Education Service	2011	Commonwealth of the Northern Mariana Islands Aquaculture Development Plan 2011-2015
National Renewable Energy Laboratory	2011	Strategic Energy Plan
Marianas Visitors Authority	2012	Tourism Master Plan for 2012-2016
Guam/CNMI Maritime Transportation Advisory Group	2014	The Mariana Islands Maritime Transportation System Recovery Plan
Department of Commerce	2016	2016-2021 Comprehensive Economic Development Strategy
Marianas Visitors Authority	2019	Tourism Development in the US Commonwealth of the Northern Mariana Islands
Division of Coastal Resource Management	2017	Saipan Lagoon Use Management Plan Update – 2017
Commonwealth Ports Authority	2017	Tinian International Airport Emergency Contingency Plan
Pacific Basin Development Council	2018	2018 U.S. Pacific Islands Comprehensive Economic Development Strategy
Office of Planning and Development	2019	2019 Commonwealth of the Northern Mariana Islands Comprehensive Economic Development Strategy Update
Department of Public Lands	2019	CNMI Comprehensive Public Land Use Plan Update for Rota, Tinian, Saipan, and the Northern Mariana Islands
Marianas Visitors Authority	2021	MVA Strategic Plan Toward Sustainable Tourism 2021-2031
Governor's Council of Economic Advisers	2022	CNMI 10-Year Plan

These studies and plans were reviewed to provide the historical background of the study and to identify data gaps that exist within the context of this study. As an economic study, the primary required data not found in these studies were related to the present economic conditions present in the CNMI. Within the CNMI, economic data is available in tourism arrivals statistics, relationships between industries as presented in input-output tables, and industry-specific data on revenue, customer classes, and employment. This data is updated and gaps are filled in this study through the contents of this report and in the data provided in the Preliminary Report.



In particular, a goal for this study is to learn from the history of CNMI's planning efforts to provide a roadmap that depicts where government intervention is necessary to better translate planning into successful economic policy implementation. For example, through this roadmap, critical upcoming planning initiatives like the next CNMI Comprehensive Economic Development Strategy can coalesce around a unifying vision and integrated governmental system that can successfully achieve economic recovery and the CNMI's developmental goals.

For economic recovery to succeed, certain economic, institutional, and social conditions are needed to stimulate and sustain growth. This study suggests that the CNMI has the elements to support economic recovery, but that they are not coordinated, integrated, communicated, or planned across key government agencies and programs. This road map explores how to effectively and quickly address these issues and lay the foundation for a sustainable economic recovery program. It also suggests a vision for where and how the people of the CNMI, their government, and private industry wish the economy of the CNMI to grow based upon an empirical and qualitative assessment of the opinions of residents of the Commonwealth. Above all, the study seeks to underscore the urgency of implementing cogent economic development policy. The residents of the CNMI are experiencing significant difficulties in meeting their daily needs and are skeptical that the economy will recover. They believe the Government of the CNMI can make things better but one in five have already decided they can no longer wait for improvements and are planning to permanently leave the Marianas.



## B. SETTING THE ROADMAP

The roadmap starts from the CNMI today, as it has been shaped by decades of development planning and processes. The end-goal of the roadmap is the point at which the CNMI's development is sustainable, stable, and inclusive of all sectors of the population. But between the starting point and this goal there are hills and valleys – “challenges” – that must be traversed. Planning and implementation of economic policy will be difficult without first understanding, addressing and creating the bridges necessary to link the aspirations of policy and realities of its implementation. The road map also shows the connections between current conditions and the gaps that must be bridged to create a sustained recovery in the CNMI. The roadmap thus proposes four key bridges for recovery:

### FOUR KEY “BRIDGES OF RECOVERY”

- I. Foster a Responsive, Collaborative and Proactive CNMI Government
- II. Promote and Strengthen Existing Industries
- III. Develop Supporting Ecosystems for New Industries
- IV. Advance a Sustainable and Inclusive Recovery

These four bridges of recovery seek to address the structural constraints that have inhibited economic growth within the CNMI through sequential action along the roadmap. The most important bridge is to promote and build the conditions of proactive governance necessary to the other three. From this, the CNMI can cross the shorter-term bridge of strengthening existing industries, like tourism. The next bridge to cross is a medium term strategy to develop social and economic systems for new industries that would build a more diverse CNMI economy. The last bridge has the CNMI crossing over to a more sustainable and equitable long-term economic recovery stable enough to withstand future exogenous shocks and disruptions of the CNMI.

The bridges also are offered as essential structural approaches to the foundation of economic recovery within government itself. They are presented to frame the multiple recommendations necessary to address the multi-faceted obstacles standing in the way of the CNMI achieving economic stability and resilience against external shocks. There are no “silver bullets” or panaceas for the recovery of the economy. The recommendations will require continued and high-level commitment within the government to be effective. The commitment and will to see these recommendations through to their intended impacts, are both political and financial. They require the motivation of governmental and economic institutions to pursue and sustain momentum toward a shared vision for the future of the economy built across the four bridges.



## C. PROJECT METHODS

The project was carried out in multiple phases, starting with data collection and research. This included gathering economic data, reviewing historical trends, conducting interviews with both internal and external stakeholders and preparing a preliminary economic conditions baseline report. The project also conducted a commonwealth-wide quantitative survey of the attitudes of residents about the economy **Appendix B**. The research provided the foundation for understanding the current economic conditions, identifying critical gaps, and highlighting opportunities for growth and diversification.

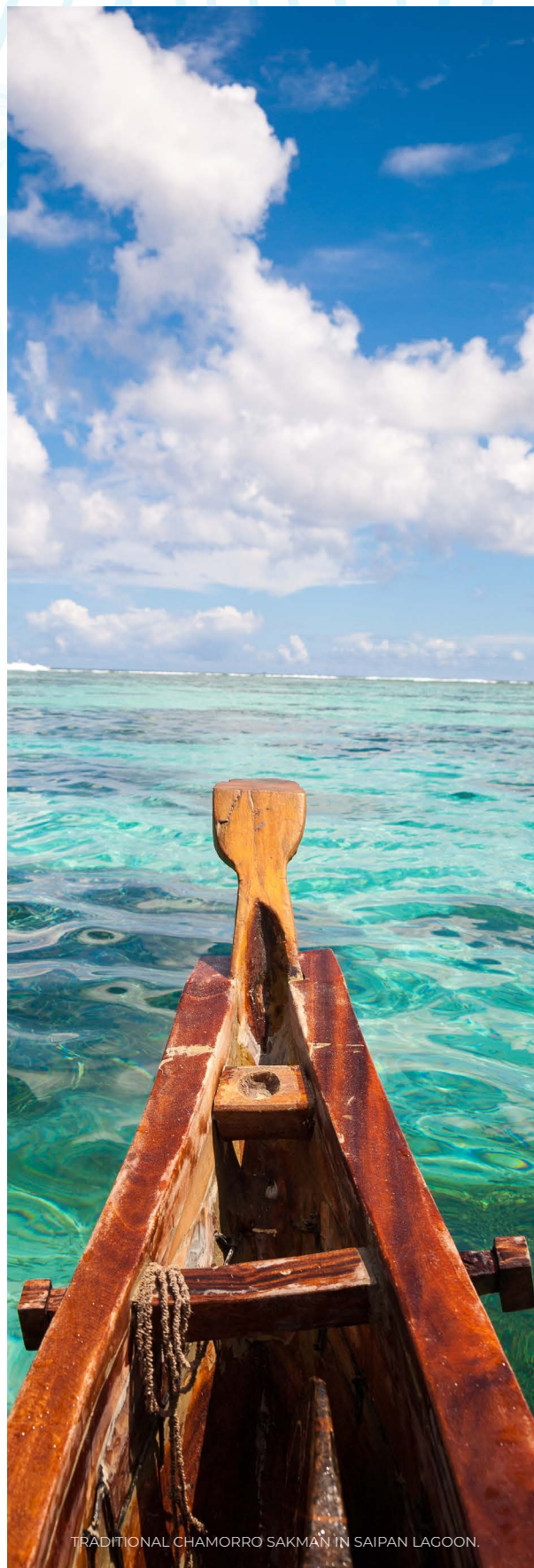
### 1. PRELIMINARY REPORT

The Preliminary Baseline Report is a foundational component of the CNMI Economic Recovery Study. It establishes the framework for understanding the current economic conditions, institutional structures, and historical context of the CNMI. As the first phase of the broader initiative, the report serves as the basis for creating a roadmap to guide economic recovery and diversification.

The report compiles critical data and historical insights that contextualize the CNMI's economic trajectory, tracing its development through colonial, post-war, and modern eras. By providing this context, the report helps to identify the structural barriers and opportunities that shape the CNMI's present-day economy. It also establishes a detailed baseline of economic indicators, including GDP composition, key industries, labor market dynamics, and systemic challenges such as depopulation and external vulnerabilities. This baseline serves as a vital reference point for analyses and strategy development within this study and provides recent data to fill in data gaps identified in examinations of past economic plans and studies reviewed during the study.

Additionally, the report includes an institutional review, examining the roles and responsibilities of government agencies, economic entities, and other stakeholders involved in development efforts. It also evaluates existing industry clusters such as tourism, defense, agriculture, healthcare, and construction, assessing their current contributions and potential for growth. This examination highlights the strengths, weaknesses, and interdependencies within the CNMI's economic landscape.

The Preliminary Baseline Report was prepared to be a preparatory document that informs subsequent phases of the project. It provides the analytical foundation necessary for the development of a strategic vision, the identification of targeted interventions, and the creation



TRADITIONAL CHAMORRO SAKMAN IN SAIPAN LAGOON.

of actionable pathways to achieve sustainable economic recovery. The Preliminary Report with detailed exploration of the CNMI economy is included in **Appendix B**.

## 2. STAKEHOLDER ENGAGEMENT

The stakeholder engagement process for the CNMI Economic Recovery Study followed a structured, methodical approach, ensuring comprehensive input from both internal and external governmental and non-governmental stakeholders.<sup>1</sup> The process began with a series of structured interviews conducted with internal stakeholders, consisting of key government departments and agencies. Between February and June 2024, the project team engaged with 11 government entities, each providing insights into their roles, challenges, and perceptions related to the economic development of the CNMI. This phase allowed the collection of valuable data on statutory functions, responsibilities, and the collaboration or lack thereof within the CNMI government.

### INTERNAL STAKEHOLDER ENGAGEMENT SCHEDULE

Department/Agency	Date of Interview	Follow-up Interview
Office of Planning and Development	February 15, 2024	
Commonwealth Economic Development Authority (CEDA)	February 15, 2024	
Marianas Visitors Authority	February 15, 2024	March 7, 2024
Office of the Governor	April 18, 2024	
Department of Labor	April 23, 2024	May 1, 2024
Department of Commerce	April 25, 2024	
Office of the Governor – Broadband Policy	May 2, 2024	
Department of Finance	May 7, 2024	
Office of the Governor – Climate Policy	May 9, 2024	May 28, 2024
Department of Public Lands	May 14, 2024	
CNMI Bureau of Military Affairs	June 4, 2024	

Following the internal stakeholder interviews, the project shifted focus to external, mostly governmental, stakeholders, whose perspectives were equally vital to the project. From June to August 2024, 15 interviews were conducted with 17 external organizations, including members of the CNMI Legislature, municipal governments, and key representatives from private sector industries such as telecommunications and tourism. These external engagements broadened the scope of understanding, particularly highlighting the unique challenges faced by the various islands in the CNMI, such as limited transportation access, healthcare services, and high living costs. Moreover, external stakeholders voiced a strong desire for more robust communication and governmental coordination regarding economic development policies and initiatives.

<sup>1</sup> Internal stakeholders were identified as those agencies and departments of government that had direct interaction with investors or had specific economic development responsibilities outlined by statute. External stakeholders were those identified as having a critical supporting function within the economy, with economic development responsibilities being a result of fulfilling their respective primary responsibility.



## EXTERNAL STAKEHOLDER ENGAGEMENT SCHEDULE

Department/Agency	Date of Interview
CNMI Senate	June 14, 2024
CNMI House of Representatives	June 25, 2024
Bureau of Environmental and Coastal Quality (BECQ)	July 11, 2024
Rota Chamber of Commerce	July 16, 2024
Office of the Mayor of Rota	July 16, 2024
Office of the Mayor of Saipan	July 17, 2024
Office of the Mayor of the Northern Islands	July 17, 2024
Private Sector – Telecommunications Sector	July 17, 2024
Office of the Mayor of Tinian	July 18, 2024
Private Sector – Hotel and Tourism Sector	July 18, 2024
Education Sector (CNMI Public School System, Northern Marianas College, Northern Marianas Technical Institute)	July 24, 2024
Department of Public Works (DPW)	July 25, 2024
Commonwealth Utilities Corporation (CUC)	July 30, 2024
Commonwealth Healthcare Corporation (CHCC)	August 2, 2024
CNMI Office of Transit Authority (COTA)	August 9, 2024

The stakeholder engagement process was essential in bringing together a wide range of perspectives on the CNMI's economic challenges and potential solutions. These discussions delved into the core issues facing the economy and provided an opportunity for stakeholders to share insights on potential recovery and diversification strategies.

Additionally, between October and December 2024, a Commonwealth-wide telephone survey was conducted to capture the perspectives and priorities of residents across the Northern Mariana Islands, including Saipan, Tinian, Rota, and the Northern Islands. The survey aimed to gather insights into how residents perceive their quality of life, economic opportunities, and overall satisfaction with key aspects of life in the CNMI.

A total of 503 randomly-selected CNMI residents over the age of 18 participated in the commonwealth-wide survey, representing a diverse cross-section of the population. This broad geographic and

demographic outreach ensures that the findings reflect the unique challenges and aspirations of communities across the islands, from the more densely populated Saipan to individuals who reported being residents of the Northern Islands. The survey's questions explored a range of topics, including economic conditions, employment opportunities, infrastructure needs, and the values that residents prioritize in shaping their quality of life. For detailed responses to the survey, refer to **Appendix B.**

This stakeholder-driven approach ensured that the insights, concerns, and aspirations of key actors in the CNMI's economic and social landscape were integrated into the project's ongoing efforts to shape a comprehensive recovery and development strategy.







An aerial photograph of a tropical town, likely Rota, with a large mountain in the background. The town features numerous small, light-colored buildings, many with flat roofs, interspersed with lush green trees and vegetation. A paved road winds through the center of the town. In the foreground, there are more buildings and dense foliage with some red flowers. The overall scene is bright and sunny, with a clear blue sky.

# *Chapter 2.*

## ECONOMIC ANALYSIS AND KEY FINDINGS





THE MARIANA ISLANDS CHAIN IS MADE UP OF 15 ISLANDS AND IS SURROUNDED BY AN EXCLUSIVE ECONOMIC ZONE (EEZ) SPANNING APPROXIMATELY 289,000 SQUARE MILES.

## CHAPTER 2.

### ECONOMIC ANALYSIS AND KEY FINDINGS



#### A. WHAT DOES ECONOMIC RECOVERY LOOK LIKE?

In 2024, there is wide-spread agreement that government intervention is essential if not critical to spur economic recovery and regain and retain an acceptable quality of life for the Commonwealth's residents. Business revenues have declined precipitously, workers are facing stagnant or declining wages, increasing layoffs and restricted hours. The CNMI government also is struggling to maintain its workforce and lacks the funding or capability to affect economic recovery on its own.

While needed, the precise objectives and character of the governmental assistance that would spur economic recovery are less certain. Recovery can take multiple forms. It could be thought of as rebuilding and maintaining the same governmental structure, programs, and institutional arrangements that existed prior to Super Typhoon Yutu (a major inflection point in the CNMI's economic challenges), in hopes that this may reestablish an economic state similar to one that existed before the typhoon. Recovery also could be framed as an effort to achieve certain specific measures of economic activity, such as tourism arrivals, Gross Domestic Product, or government revenue. Or perhaps recovery involves a combination of institutional and economic assessments. To begin developing the roadmap to recovery, it is useful to understand what recovery along these different vectors might look like.

#### 1. INSTITUTIONAL RECOVERY

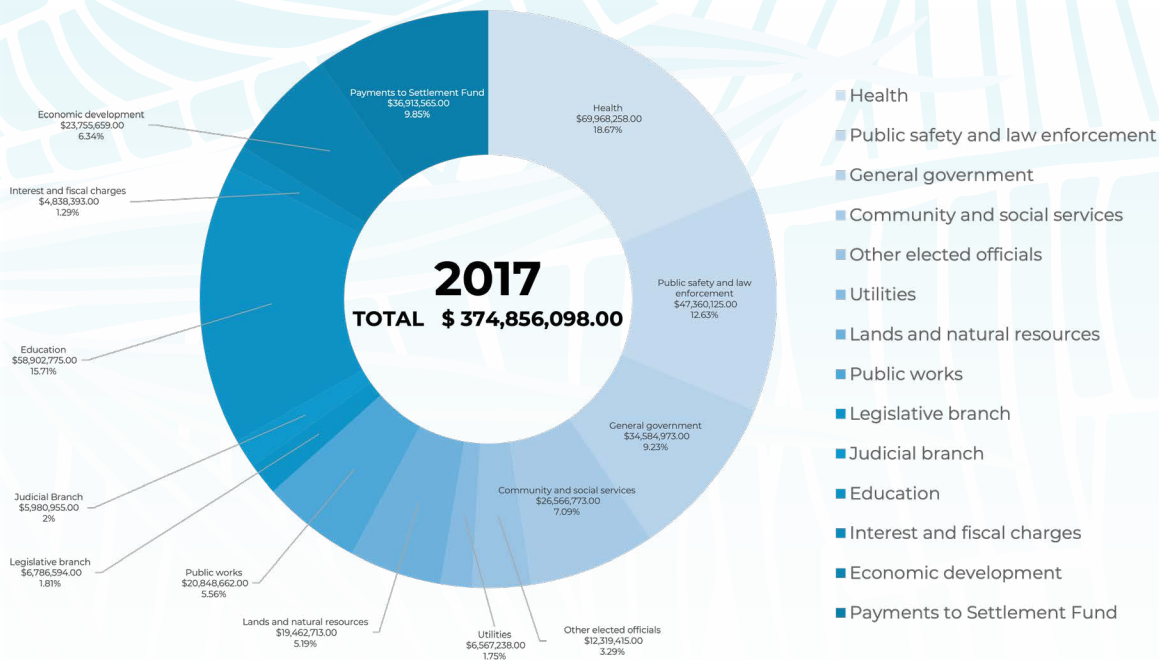
An institutional recovery might see the return to the structural arrangements of the CNMI economy that existed prior to the events of Super Typhoon Yutu and the COVID-19 pandemic. This recovery would entail the reestablishment of the roles and interactions between the government, the private sector, and the community that were in existence prior to 2018, and a return to a status quo within the underlying structure of the economy without a particular focus on specific economic indicators. For example, such recovery would include the repair and reconstruction of key public facilities (Northern Marianas College, facilities in the Public School System) and completing the large-scale infrastructure projects funded during the pandemic that shifted labor demands and sources of economic activity away from long-standing arrangements.

In 2017, prior to the impacts of Super Typhoon Yutu and the COVID-19 pandemic, CNMI government expenditures were focused heavily on health (19%), education (16%), public safety (13%) and general fund payments to the NMI Settlement Fund (10%).<sup>1</sup>

<sup>1</sup> For the purposes of this section, payments to relevant autonomous agencies from the CNMI government were categorized into their respective expenditure areas. Payments to CHCC and Government Health and Life Insurance were categorized as "Health" expenses, payments to CUC were "Utilities", payments to PSS and NMC were "Education", and payments to MVA were "Economic Development".

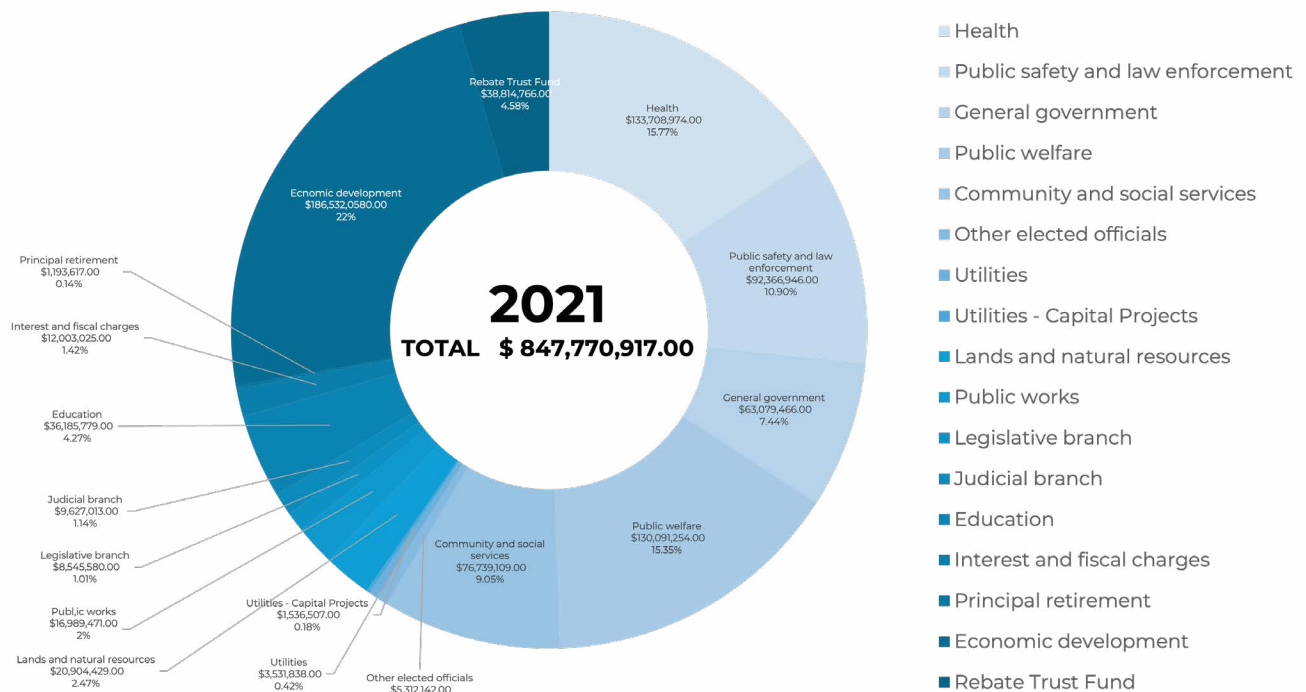


Figure 1: CNMI Government Expenditures, 2017



By 2021, the structure of these expenses shifted dramatically in response to the pandemic and the surge of federal resources that were tied to specific spending plans or grant awards. Economic development spending surged from 6% in 2017 to 23% of total expenditures, and new spending categories for Public Welfare (15%) emerged in support of pandemic relief and mitigation efforts. Education declined from 16% to 4% of total expenditures. Similarly, expenditures for Public works fell from 6% to 2% and Lands and Natural Resources from 5% to 2%.

Figure 2: CNMI Government Expenditures, 2021



## RECOVERY TO PAST EXPENDITURE PRIORITIES

This dramatic reshaping of the expenditures of government was indicative of the priorities necessitated by the crises the CNMI was facing and the large volume of additional external resources the CNMI received from the federal government to address them. The volume of total spending between 2017 and 2021 grew by 126%, from \$374 million to nearly \$848 million. While essential at the time, these expenditures addressed immediate impacts and were intended as triage to restore normalcy to the community. However, the underlying factors contributing to the longer term challenges to economic sustainability in the CNMI were not addressed. Once the funds were expended, the economy declined, leaving it without the means necessary for economic growth. Institutional recovery alone did not address deeper vulnerabilities exposed by these crises, which grew more acute with the expiration of federal resources.

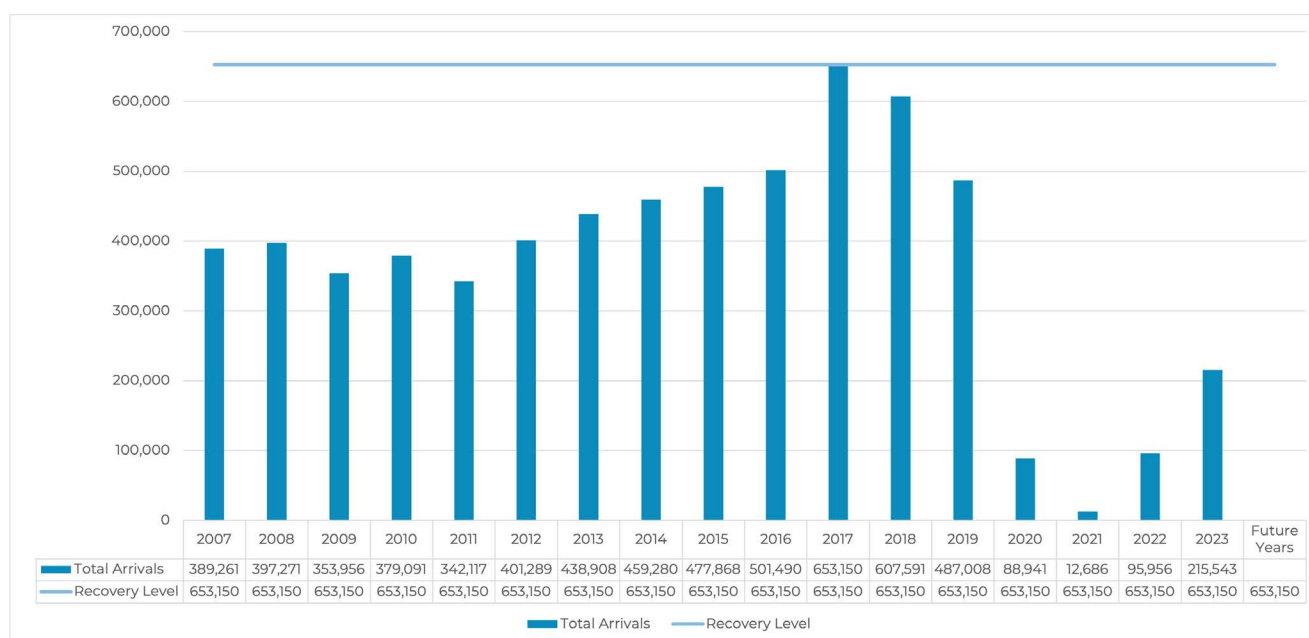
## 2. RECOVERY OF ECONOMIC INDICATORS

In contrast to institutional recovery, a recovery focused on economic indicators would prioritize improving one or more of the following metrics.

### TOURISM ARRIVALS

Recovery of tourism arrivals would see the CNMI reaching or exceeding its pre-natural disaster and pre-pandemic levels of 650,000 total annual arrivals. Other related indicators of recovery would include hotel occupancy rates and total value of tourist contributions to the economy.<sup>2</sup> However, tourism recovery to pre-pandemic levels alone is not sufficient as a measurement of recovery. Diversification is critical to address the vulnerability of the CNMI to future international economic shocks. Tourism recovery is an important part of a foundation that will help foster diversification of opportunities both within the visitor industry and the economy as a whole.

Figure 3: CNMI Total Visitor Arrivals, CY 2007-2023



<sup>2</sup> All tourism arrival statistics referenced in this report, unless stated otherwise, are obtained from the Marianas Visitors Authority (MVA).

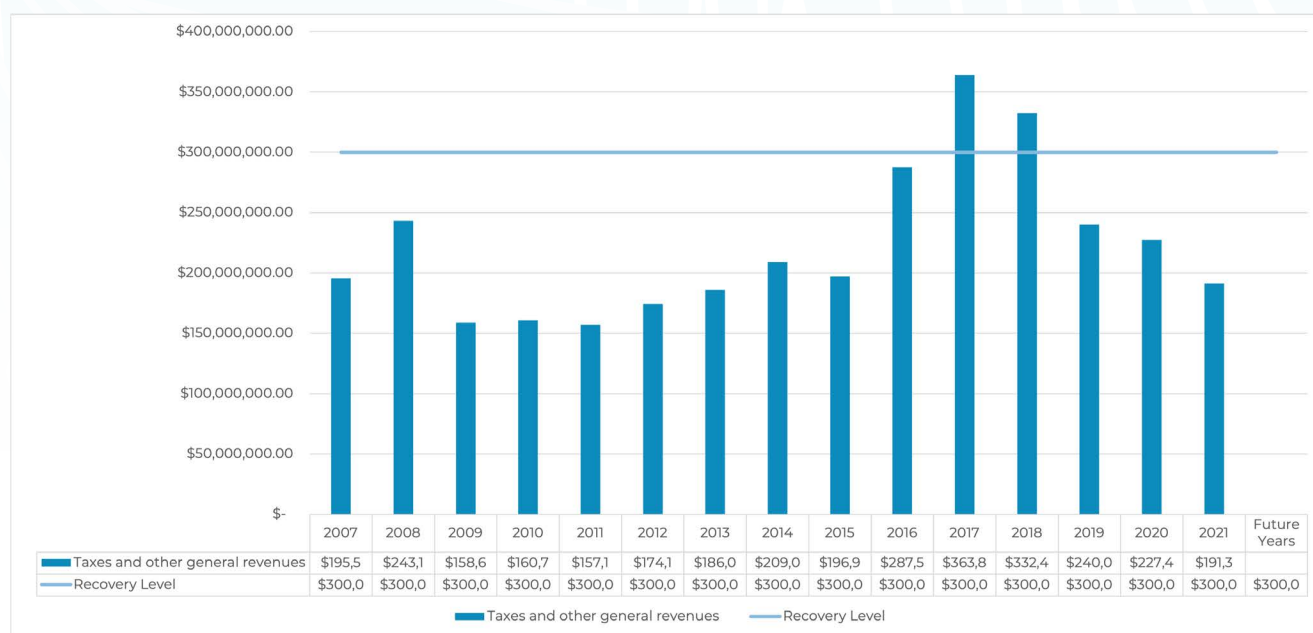


## GROSS DOMESTIC PRODUCT

Recovery of Gross Domestic Product, or the aggregate value of final goods and services sold in the economy, would include tourism improvements but speak to a broader level of economic activity within the CNMI. This is a difficult indicator to utilize as a measurement of recovery as the most recent data from the U.S. Bureau of Economic Analysis provides GDP data for 2022.<sup>3</sup>

Still, advancements to GDP can be achieved with increases to one or more of the following components of the GDP calculation – Consumption Expenditures, Private Investment, Government Expenditures, and Net Exports. As shown in Figure 4, returning to 2017 levels of GDP would necessitate the CNMI doubling the economic output of the islands from 2020 levels, perhaps through increased consumer expenditures, larger volumes of private and government investment, and reducing the difference between imports and exports in CNMI.<sup>4</sup>

Figure 4: CNMI Real Gross Domestic Product, 2011-2022



## GOVERNMENT REVENUE

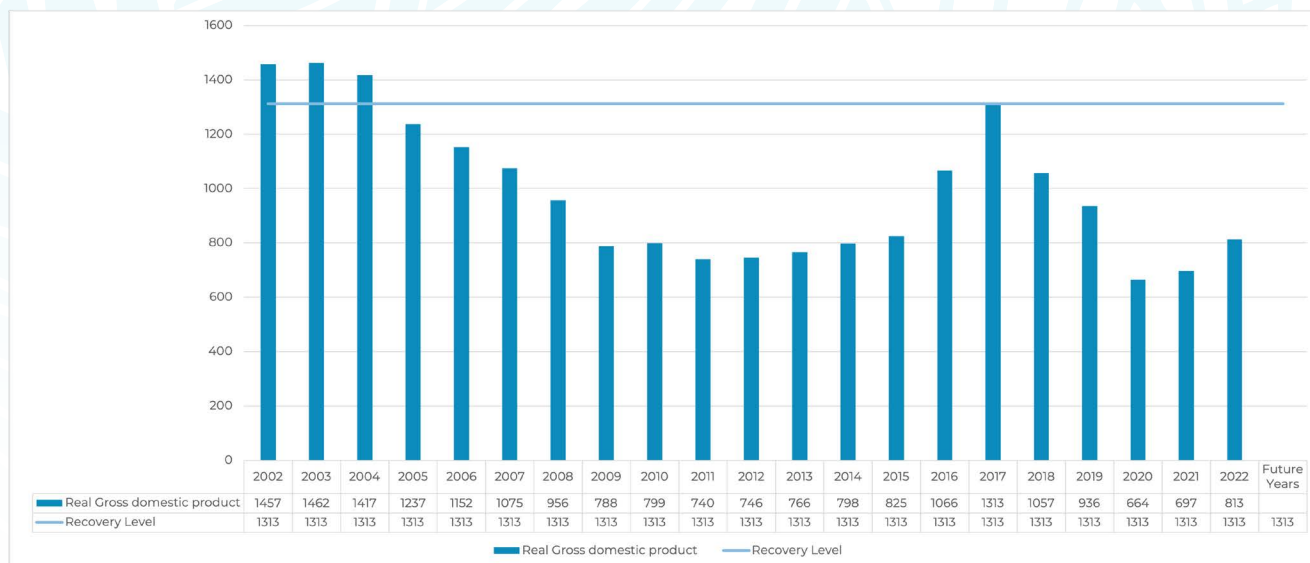
Recovery might also focus on government revenue inasmuch as it is a partly a function of the health of the overall economy (tax revenues, e.g.). For example, total CNMI government revenue declined following Super Typhoon Yutu and the COVID-19 pandemic and related reductions in economic activity, necessitating austerity measures and government cost-cutting measures. Likewise, increases to business revenue, imports, and employment, raising government revenues, would all signal improvements to underlying economic conditions and commercial activity. There also are other means of generating government revenue though, that are not related to economic output, such as tax increases and increasing efficiency of tax collection, so the measure is not necessarily a direct measure of an improving economy.

<sup>3</sup> Using Gross Domestic Product estimates for determining current rates of recovery are made more difficult with the decision of the U.S. Department of the Interior and the U.S. Bureau of Economic Analysis to no longer produce estimates following the 2022 release.

<sup>4</sup> All Gross Domestic Product estimates and statistics used in this report were obtained from the U.S. Bureau of Economic Analysis unless stated otherwise.

Nevertheless, in data collection interviews, a government revenue figure of \$300 million was suggested as a signal of recovery. The most recent audited financial statements of the CNMI government found that in 2021, the total revenue derived from taxes and other general revenues was \$172 million. When prior audited total revenue figures are adjusted to 2023-dollar values, the CNMI government's revenue exceeded \$300 million twice in recent fiscal years (Fiscal Years 2017 and 2018), with both years also corresponding with high levels of output measured by GDP.<sup>5</sup>

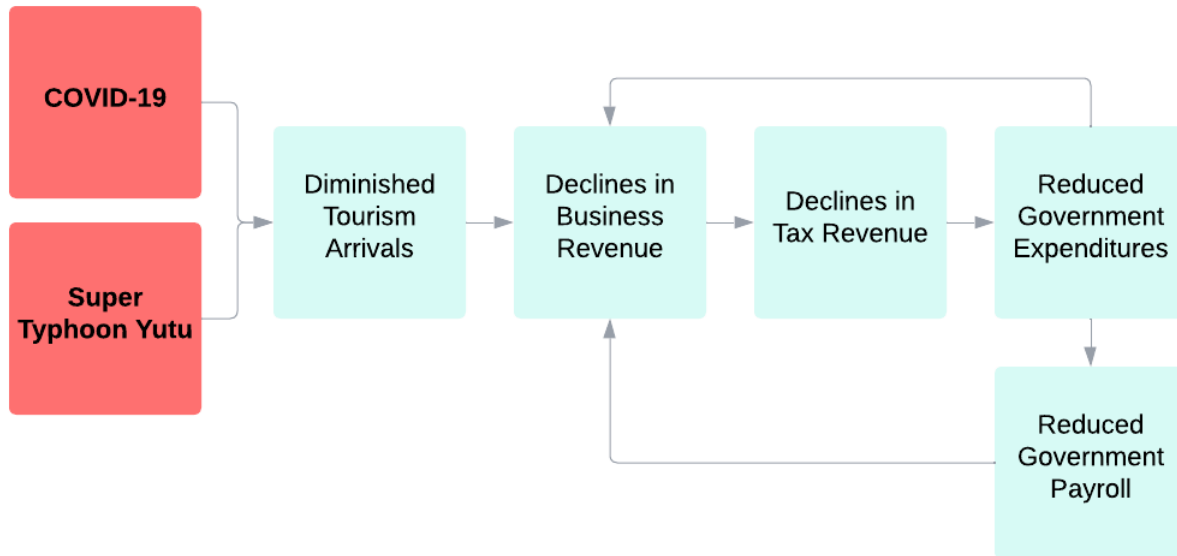
*Figure 5: CNMI Tax Revenue (in millions) - Inflation Adjusted, 2007-2021*



THE HOUSE OF TAGA IS AN ARCHEOLOGICAL SITE LOCATED NEAR SAN JOSE VILLAGE, TINIAN.

<sup>5</sup> All government revenue statistics used in this report are obtained from the CNMI's Audited Financial Statements published by the CNMI Office of the Public Auditor unless stated otherwise





Ultimately, these conditions influenced the quality of life of residents, which is a term that is subjective to each individual resident of the Commonwealth. One pernicious implication of the current condition of declining economic activity is a sentiment of hopelessness that, as discussed later in the report, was highlighted in stakeholder interviews. While difficult to measure, hopelessness speaks to the outlook of individuals and businesses to remain in the CNMI and contribute to the economy. According to the Economic Recovery survey deployed for this study, approximately 20% of those surveyed for this project indicated that they plan to leave the CNMI permanently in the next year. Only 33% of residents believe the economy will improve over the next year.

Because the economy and its effects are interrelated, the road to recovery requires a multi-faceted approach not solely dedicated to either institutional recovery or the pursuit of the improvement of key economic indicators. Instead it must recognize that the bridges of recovery, addressing both economic and governmental forces, are interlinked. They need to be restored in a coordinated and systematic manner to provide the support that both industry and government require to once again provide confidence that the CNMI can offer a sustainable quality of life its people aspire to. Such an approach may also be more transformational, addressing the structural weaknesses that contributed to the region's economic fragility, reforming governance, improving fiscal sustainability, and building a more resilient infrastructure capable of withstanding future shocks. This supports thinking about recovery as a multifaceted challenge, seeking to replicate a broad array of economic and governmental measures of success.

## B. CNMI ECONOMY – TRENDS AND CONDITIONS

### 1. CHARACTERIZING THE ECONOMIC CONDITIONS – THE NEED FOR RECOVERY

Prior to the onset of major disruptive events, the CNMI had already been grappling with structural economic weaknesses. These included a heavy reliance on a single sector—tourism—coupled with an underdeveloped local labor market, limited economic diversification, and significant infrastructure weaknesses. The dependency on external tourism markets left the economy extremely vulnerable to external shocks, with limited mechanisms or mitigating forces, such as a more diverse economy, that could promote resilience. These long-standing issues were further exacerbated by Super Typhoon Yutu in 2018, which severely damaged infrastructure and disrupted economic activities.

The COVID-19 pandemic followed shortly thereafter, causing an unprecedented collapse in the tourism industry.

Today, tourism remains below pre-pandemic levels. In the calendar year 2024, arrivals totaled 237,498, 51% below the pre-COVID 19 pandemic arrival numbers in 2019. Most concerning is that 2019 arrivals were themselves encumbered by the impacts of Super Typhoon Yutu. Looking farther back, 2024 arrivals were 63% below arrivals in 2017 where there were no external events of significance impeding inbound tourism. In nominal terms, 2024 saw 415,652 fewer tourists entering the CNMI purchasing goods at stores, enjoying local restaurants, and contributing to the CNMI economy than there were in 2017.

This impact is the core factor of economic decline across the CNMI's commercial sectors in the post-pandemic period. Tourists, as customers, represented the largest source of consumer purchases across sectors, contributing \$1.9 billion in commercial sales in 2017. The loss of this foundational customer base for CNMI businesses, reduced overall revenue and aided in the decrease of total employment and employment income.<sup>6</sup>

As shown in **Table 2**, the economy of the CNMI post-pandemic is dramatically different than in 2017, especially comparing the total tourist spending, which dropped by more than 95%. The following table shows the change in the character of the economy and the shift from a tourism-based economy to one whose resources are responding to an unprecedented surge of federal financial assistance.

*Table 2: Tourist Spending*

	2017	2022/23
Tourism Arrivals	653,150	215,543
Total Employment	22,813	14,488
Total Business Revenue/Sales	3.616 billion	1.771 billion
Total Annual Payroll	419.5 million	338.3 million
Total Retail Revenue/Sales	460.4 million	340.45 million
Total Accommodation and Food Service Revenue/Sales	335.1 million	137.7 million
Total Tourist Spending	1.9 billion	62.9 million

The cumulative effects of the economic disruptions in the CNMI have placed the Commonwealth in a precarious position, with economic contraction, reduced labor market participation, and declining business revenue contributing to a prolonged recovery period. Yet, between 2020 and 2024 the economy maintained buoyancy with unprecedented levels of federal assistance in the form of pandemic relief aid (CARES Act, American Rescue Plan Act) and subsequent federal stimulus spending (Inflation Reduction Act, Bipartisan Infrastructure Bill). Through these programs, government spending has stimulated enough aggregate demand to maintain commercial viability in the CNMI.

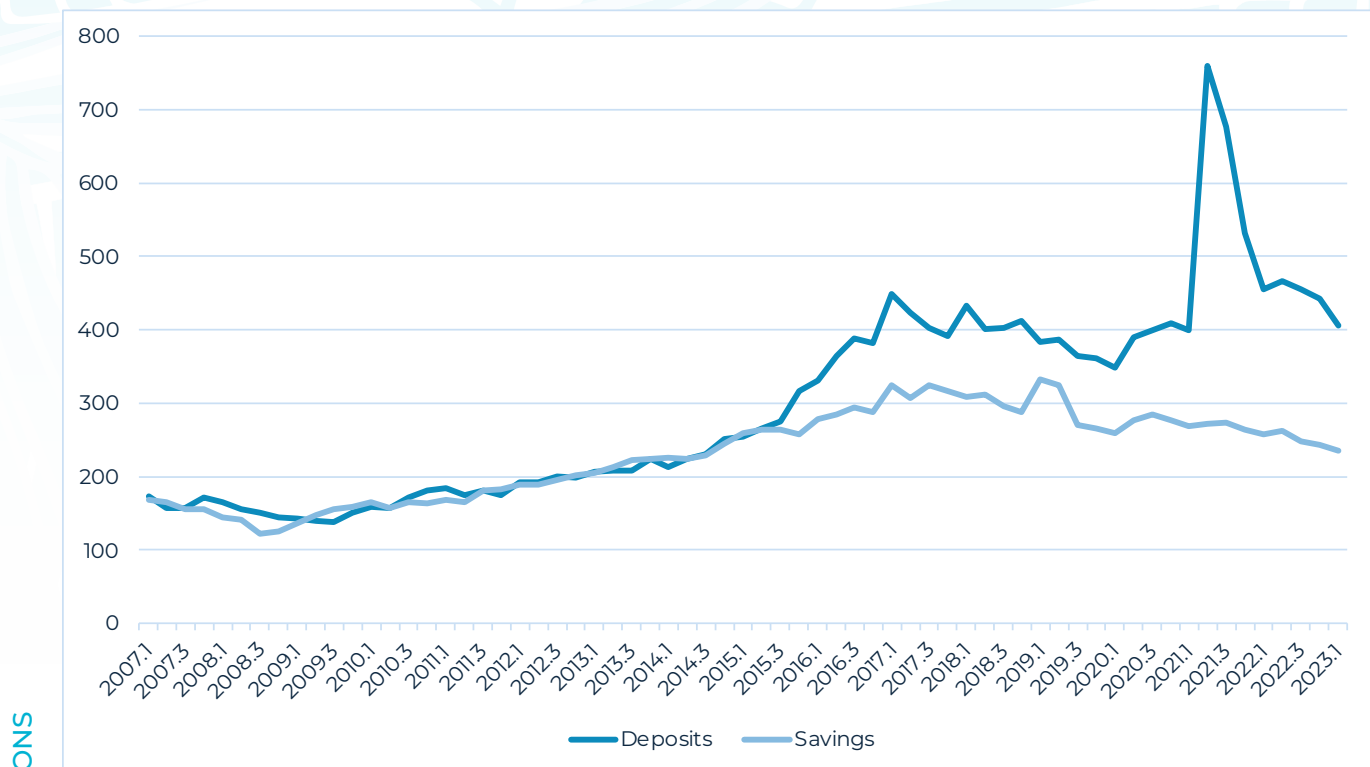
But federal assistance funds are not perpetual, and a closer look reveals an underlying economic vulnerability. Figure 6 shows the inflation adjusted levels of cash amounts in CNMI checking and savings accounts in both private and government accounts, including the large cash deposits from federal relief packages during the pandemic. This money was quickly eroded through spending and the impacts of inflation. At the same time, savings habits remained stationary, and now are

<sup>6</sup> Customer spending data for 2017 and 2022 were obtained from the U.S. Census Bureau's Economic Census reports.



declining from economic peak periods in 2016-2017, highlighting the loss of household liquidity residents experienced. This precariousness is shown in the Economic Recovery Survey showing approximately 54% of residents having a difficult (40%) or very difficult (14%) time meeting necessary monthly expenses such as food, shelter and clothing. With federal relief programs winding down, the full extent of the pandemic's impact on consumer demand and public spending is yet to be fully understood.

*Figure 6: CNMI Banking Deposits and Savings Volumes (base-Q4 2012), Q1 2007 - Q1 2023*

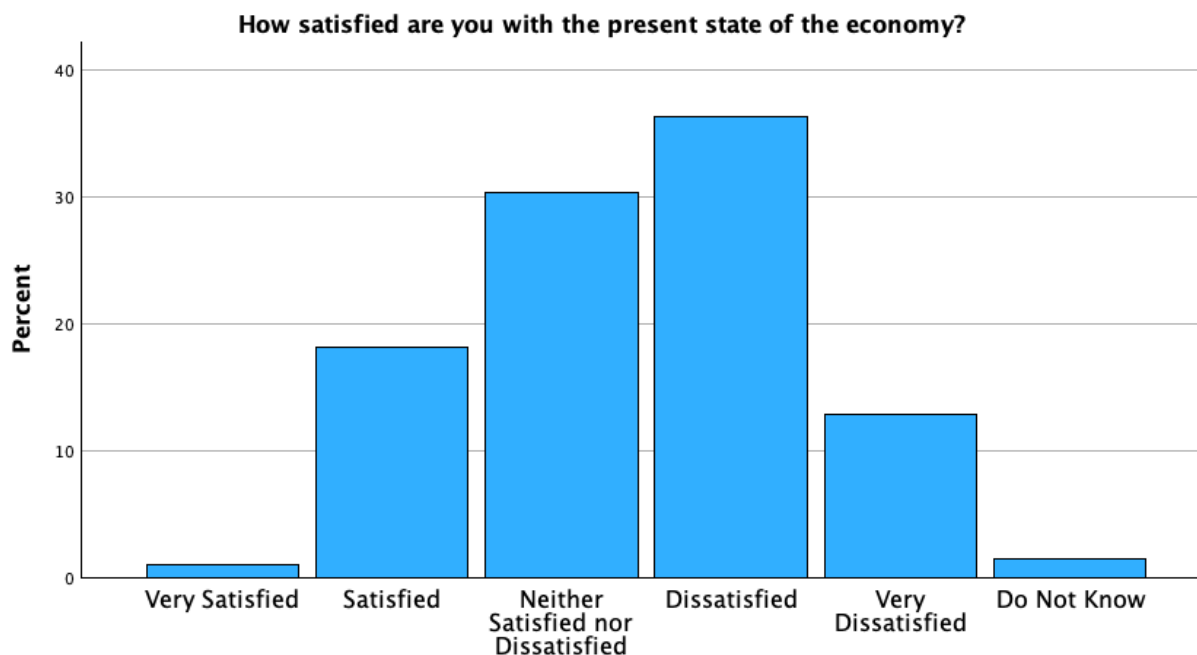


The Preliminary Report provided in **Appendix A**, provides an in depth analysis of the foundations of the CNMI's economy, the institutional underpinnings of the interactions within the economy, the CNMI's current economic profile and preliminary analyses of sectors.



## 2. CURRENT VIEWS OF THE ECONOMY

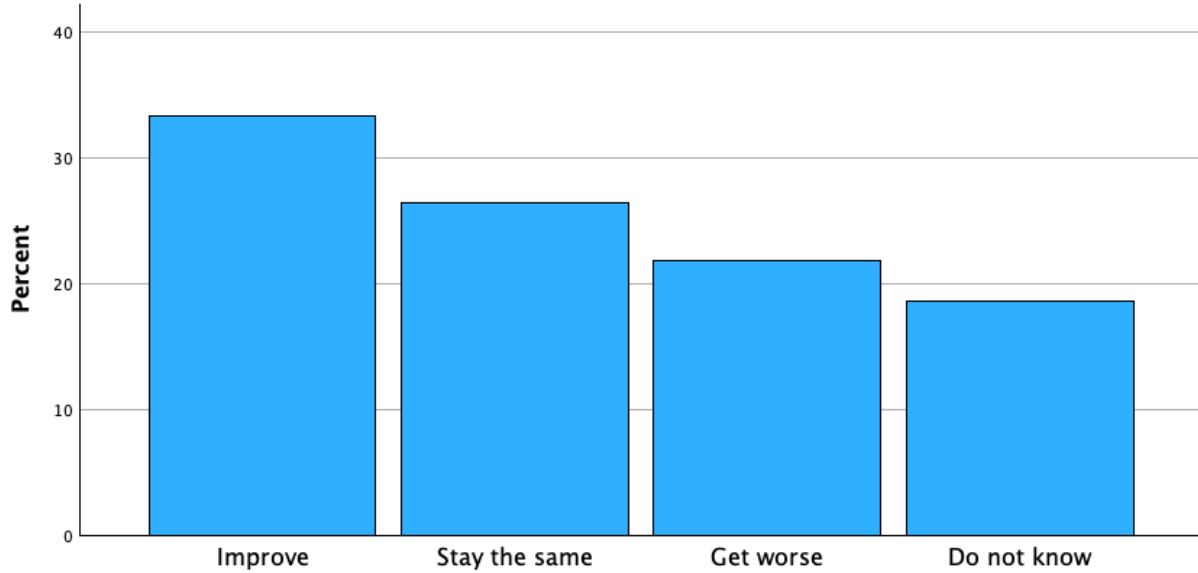
Based on the Economy Recovery Survey, residents exhibit dissatisfaction with the present state of the economy, with only a small percentage expressing satisfaction. Forty-nine 49% of respondents stated they were dissatisfied or very dissatisfied, compared to 19% who stated they were satisfied or very satisfied. Thirty percent (30%) reported being neither satisfied or dissatisfied. The dissatisfaction aligns closely with concerns over limited job opportunities, stagnant incomes, and rising costs of living. These economic pressures are reflected in the survey's findings on relocation considerations. One in five of those surveyed indicated that they had plans to permanently move away from the CNMI in the next 12 months. This could create a severe economic constraint. Those that were planning to leave indicated they were moving for access to better job opportunities and higher incomes (37%).



Despite these challenges, there is a cautious optimism about the future among a third of the residents surveyed. While many respondents believe that the economic situation will remain the same over the next 12 to 24 months (26.3%), a notable fraction expects improvement (33.3%), a plurality among those who are dissatisfied with the current conditions. None-the-less, two thirds of residents feel the economy will either continue to decline or not improve.

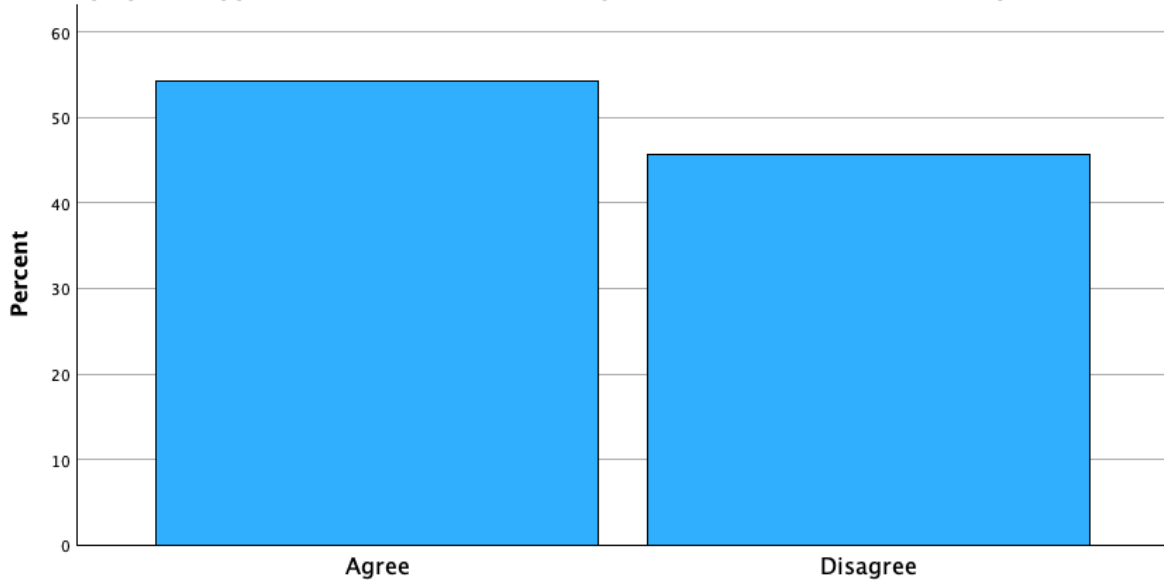


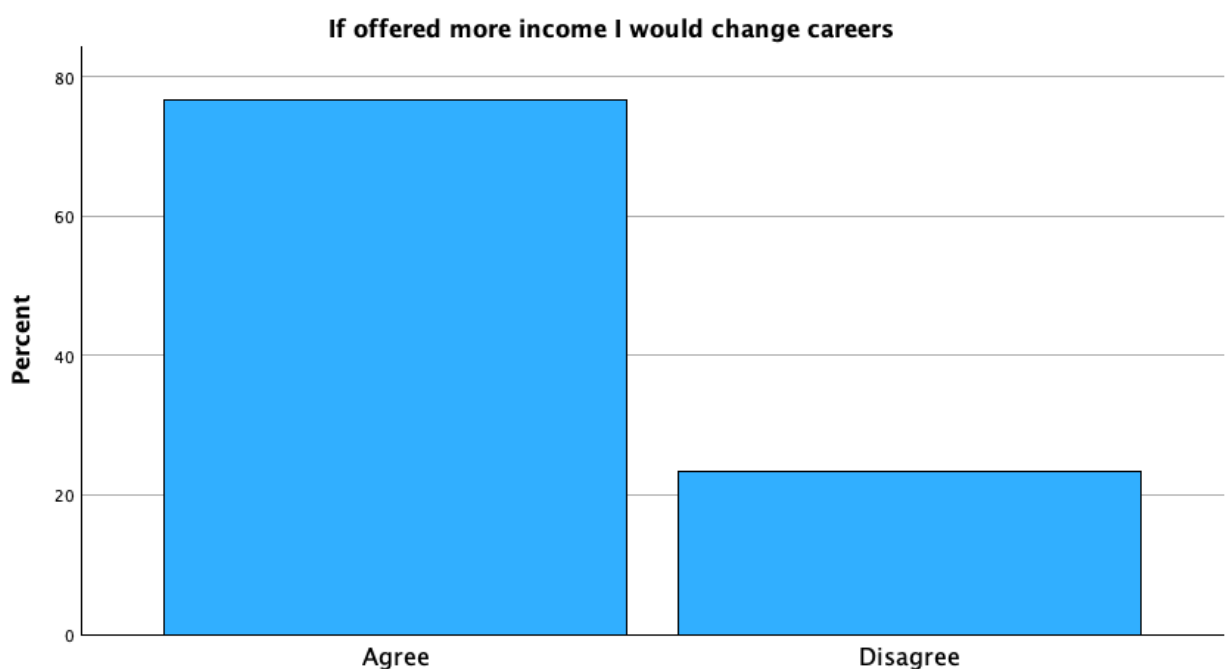
**With that said, do you feel that things will improve, stay the same, or get worse within the next 12 to 24 months?**



The public opinion is less clear in matters related to individual opportunities within the present economy. The survey found that 44% of residents felt that there were inadequate employment opportunities in the CNMI for them to be successful in their careers. If offered more income, 55.8% of respondents would change their careers. And if they were to lose their jobs or income, only 36.4% agreed that they would be able to replace that income in a reasonable amount of time.

**The employment opportunities in the CNMI are adequate for me to be successful in my life or career**





These views indicate the conditions in which the population operates within the economy. Dissatisfaction with individual economic prospects is pronounced, and any optimism that may exist for a potential recovery does not translate to their individual lives.

These individual lives are impacted by financial concerns across several indicators. Among survey respondents, 54% indicated they were finding meeting basic financial needs difficult (40%), very difficult (14%). These difficulties were not isolated among one specific demographic. More than half of those having financial difficulty were Pacific Islanders, and 45% were of Filipino or other Asian ethnicities.

The most frequently mentioned factor affecting household finances in the last 12 months was the cost of living (49%), with loss of employment or hours registering in more than 1 out of 5 respondents. The cost of living is a future concern as well, with 47% reporting that increases to the costs of living is the greatest financial concern in the next 12 months.

One in five of the residents in the CNMI are unemployed and trying to seek a job. Some 20% of those with jobs are seeking to change jobs mostly for better pay and more hours. More than a third of all residents have been working at their jobs for three years or less, a reflection of the disruption in the job market created by the pandemic. With 20% of residents looking for work and an equal number planning to permanently leave the CNMI, the urgency, and the need for economic recovery cannot be overstated.

Nearly all (97%) agreed that the CNMI needs more Asian visitors, to seek federal funding for infrastructure (90%), and foster business diversification (87%). Similarly, many believe the government can help improve economic opportunities (67% agree), but there are concerns about job security (43% disagree) and inadequate employment opportunities (42% disagree). While some feel the government is business-friendly (53% agree), others think more support is needed for small business development (31% disagree). There's a general call for improved wages and job security, with many willing to change careers for higher pay.

The most frequently mentioned factor to improve the economy was to do more to promote tourism (36%). While tourism remains a key economic focus, there is also recognition that sustainable economic growth requires investment in education, skills development (17%), and business incentives (13%). Less frequently mentioned was extending the CNMI-Only Transitional Worker Visa (CW-1) program (11%) and lower business taxes (7%).



Overall, results of the Economic Recovery Survey show individuals are seeking an economy that offers jobs and careers with wages and benefits needed to sustain a better life, one that offers opportunity, better training and education options and better health care services. They are familiar with tourism and believe that the visitor industry enhances their lifestyle and think it is an obvious option for creating jobs and income. At the same time, nearly all welcome the possibility of diversification attracting new businesses and industry to the CNMI, so long as it does not alter or degrade the island's environment or their lifestyle and culture. They are not enthusiastic about industrial development. They are interested in continuing to improve the island's infrastructure. They believe that more federal funding is needed. Without a more prosperous economy that creates a better future for its residents the CNMI will continue to lose its population and decline as a destination and community.



### 3. CNMI'S ECONOMIC ASSETS

The CNMI is endowed with a variety of economic development assets, each playing a critical role in shaping the territory's growth potential. This section outlines the key assets that underpin the CNMI economy, setting the stage for further analysis and development of recommendations for economic recovery.

#### A. GEOGRAPHY

The CNMI's location is both an advantage and a challenge. It is close to major Asian tourism and trading markets, including Japan, South Korea, and China. It is also understood to be a favorable landing platform for transpacific fiber optic telecommunications cables. The CNMI also is considered strategically important for U.S. national security interests and it remains a valuable national defense asset for the United States. The favorable climate and natural beauty of the islands support the tourism sector, which remains the primary driver of the economy. Despite these advantages, the CNMI's relative geographic isolation means that transportation costs to the islands are high. This has and will continue to challenge the CNMI's ability to diversify its economy and engage in broader regional trade.

#### B. NATURAL RESOURCES

The CNMI is home to valuable natural resources that have the potential to support diverse economic activities. The islands' rich marine ecosystems and areas of fertile lands create opportunities in agriculture, fisheries, and eco-tourism. Additionally, the CNMI possesses geological resources, including quarry materials, that could support future infrastructure projects. Despite this potential, sustainable management of these resources remains a challenge, particularly in the face of climate change and competing land use interests.

#### C. POPULATION AND LABOR

The labor market in the CNMI faces significant constraints, largely due to a declining population and increasing reliance on foreign workers. The limited availability of a skilled local workforce has made it difficult for businesses to scale their operations, particularly in labor-intensive industries such as construction and tourism. This challenge is further exacerbated by outmigration and a rapidly aging population, which threaten the long-term sustainability of the workforce and the availability of services and goods. It also compounds the existing challenges of obtaining benefits of scale among consumers within the Commonwealth's commercial sectors.

Simply put, businesses rely on customers to obtain a profit for their operations. The greater level of customers in a market, the higher the likelihood profit can be achieved. With more customers comes the incentive to expand product or service offerings. Greater rates of sales leads to higher volumes of imports, which decreases the cost of shipment. Lower shipping costs, translate to lower prices at the market, further incentivizing sales. With ever increasing sizes of the market, a virtuous circle appears in which activity self-reinforces in positive feedback loops toward ever greater outcomes.

The CNMI is experiencing the opposite condition. The most recent census showed a population decline of 12.4% between 2010 and 2020. Recent data derived from the Economic Recovery Survey indicates that a further 20% of respondents had plans on permanently relocating from the CNMI in the next 12 months, and another 5% did not know whether they were going to stay or move in that period. With such a significant reduction in the population, businesses have fewer customers, lower revenue, and decreased opportunity to obtain profit. With reduced sales, fewer shipments are required, increasing the costs of transportation to the import-dependent Commonwealth, further challenging individual's ability to afford consumption. In other words, a vicious circle, in



which negative reinforcement loops, create cascading challenges for businesses and individuals living in the CNMI and increasing motivation to relocate.

This pernicious challenge will remain unless there are greater levels of customers, through potentially higher tourism arrivals, that will tip the balance and maintain an economy that provides greater incentive for individuals to stay in or relocate to the CNMI.

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This pernicious challenge will remain unless there is a significant increase in demand for CNMI goods and services,, through potentially higher tourism arrivals, that will tip the balance and maintain an economy that provides greater incentive for individuals to stay in or relocate to the CNMI. At the same time, by diversifying within the current industrial base, increasing productivity and attracting outside investment because of improved productivity and better marketing of the assets and opportunities the CNMI has to offer, the potential for economic growth is feasible.



PHOTO CREDIT: UNITED AIRLINES ([WWW.MEDIA.UNITED.COM](http://WWW.MEDIA.UNITED.COM))

## D. EDUCATION AND TRAINING PROGRAMS

The CNMI has made progress in expanding access to education and vocational training through institutions such as the CNMI Public School System, Northern Marianas College and the Northern Marianas Technical Institute. These institutions are critical in developing a skilled workforce capable of improved productivity, meeting the needs of key industries. However, gaps remain in specialized training programs that are aligned with emerging sectors, which limits the potential for workforce diversification. Already, significant federal investment on the part of the U.S. Economic Development Administration (EDA) has been dedicated to addressing the workforce development needs of the economy. To date, EDA has actively funded the following programs toward developing this critical asset:

- \$6 million for constructing a technical and career education center at Marinas High School. This project is funded with \$6,000,000 in 2019 Disaster Supplemental funding, matched by \$6,000,000 in local investment. It aims to provide career and technical education opportunities, increasing the skilled labor pool for the region's employers.
- \$10.3 million for a new training facility at the Northern Mariana Training Institute. This EDA grant will support workforce education and training through the construction of a new facility for the school's trades program.
- \$13.2 million for the Cooperative Research, Extension, and Education Services Center at Northern Marianas College (NMC). Funded with \$13,190,280 in 2019 Disaster Supplemental funds, this project with no local match will build a research, extension, and development center at NMC.
- \$10.7 million for a Workforce Development and Training Center at Northern Marianas College. Funded with \$10,681,796 in 2019 Disaster Supplemental funding with no local match, this project will support the construction of two educational and workforce training facilities dedicated to food science, plant biotechnology, entomology, and anthropometry.

Continuing to strengthen these educational assets will be vital to supporting both immediate labor market needs and long-term economic diversification efforts.

## E. PORTS OF ENTRY AND GENERAL AVIATION

The CNMI's ports of entry, including Saipan International Airport and its seaports, are essential gateways for both tourism and trade. The airport serves as the main entry point for tourists from neighboring countries, while the seaports facilitate the movement of goods between islands and external markets. However, the capacity of these facilities is constrained by aging infrastructure and limited expansion efforts. Modernizing and upgrading these critical assets is necessary to enhance the CNMI's connectivity, support higher volumes of tourism, and improve logistical efficiency.

## F. TELECOMMUNICATIONS INFRASTRUCTURE

Recent improvements in telecommunications, notably the installation of the ATISA submarine fiber optic cable in 2016, have strengthened the CNMI's connection to global digital networks. This infrastructure is pivotal for enabling business activities, supporting remote work, and facilitating the growth of the digital economy. Additionally, a landmark partnership with Google has introduced the first-ever transpacific fiber optic cable, named "Proa," which will directly link the CNMI to Japan and Guam, further enhancing connectivity and reducing reliance on Guam as the sole internet gateway. This new cable system is expected to provide CNMI businesses and households with more reliable, high-speed internet, positioning the islands to better participate in the global digital marketplace. However, high costs and occasional service disruptions continue to hamper the full utilization of telecommunications as an economic driver. Investments aimed at



enhancing reliability and reducing costs could unlock further economic opportunities in sectors such as information technology and e-commerce.

The CNMI is taking significant steps to address persistent connectivity challenges by leveraging \$81 million in federal funding from the Broadband Equity, Access, and Deployment (BEAD) program. Guided by a detailed five-year action plan, this initiative aims to improve broadband accessibility, adoption, and affordability across the islands.

Currently classified as unserved and underserved due to high latency and limited infrastructure, the CNMI is prioritizing investments to establish reliable broadband services that meet federal standards. The plan outlines goals to expand infrastructure, reduce service costs, and ensure that all households and businesses have access to affordable, high-speed internet.

A critical component of this plan is addressing the geographical challenges that contribute to high latency. By shifting the edge of the internet from the mainland United States to the CNMI, the plan seeks to improve connectivity and internet performance for residents and businesses. This infrastructure upgrade is expected to address long-standing issues while supporting local economic development and community needs.

#### KEY OBJECTIVES OF THE BEAD PLAN INCLUDE

- **Universal Service:** Achieve broadband coverage for 100% of households and businesses by 2028.
- **Affordability:** Implement programs to define and support equitable service costs, ensuring broadband remains accessible to all income levels.
- **Digital Inclusion:** Provide resources and training to promote digital literacy and enable effective use of broadband services across the islands.

The CNMI Broadband Policy and Development Office (BPD), tasked with overseeing these efforts, has emphasized the importance of sustainable and measurable progress. By 2025, the office aims to finalize plans to ensure that infrastructure, affordability programs, and digital literacy initiatives align with federal standards and community needs.



VIEW OF BIRD ISLAND LOOKOUT, SAIPAN.

## G. TRANSPORTATION NETWORKS

The CNMI's internal transportation network, including its roadways and public transport systems, plays an integral role in facilitating the movement of people and goods. While Saipan has a well-developed road system, road infrastructure on Tinian and Rota requires significant upgrades to support economic activities. The lack of reliable public transportation further limits mobility, particularly for workers commuting between islands. Enhancing transportation infrastructure is critical for improving economic integration across the islands and ensuring the efficient operation of key sectors. Currently, limitations on surface shipping and air service between the islands and internationally affect the potential for economic growth. Recently, the CNMI was awarded federal aid from the Federal Transit Administration to produce an Inter-Island Ferry Feasibility Study that is anticipated to be completed later this year.

## H. UTILITIES

Reliable access to utilities, including water, electricity, and wastewater management, is a foundational element of economic development. The Commonwealth Utilities Corporation (CUC) operates the majority of utility services in the CNMI, though it faces ongoing challenges related to outdated infrastructure and dependency on imported diesel for power generation. Efforts to transition to renewable energy have been slow, yet they remain a strategic priority for reducing operational costs and improving the long-term sustainability of the CNMI's utility infrastructure.

## I. POLITICAL STATUS

The CNMI's political status as an unincorporated territory of the United States of America is a key asset. Upon joining the United States as a Commonwealth in 1978, the CNMI received the stability and strength of U.S. political and economic institutions. These institutions supported by the U.S. and CNMI Constitutional protections on property and commerce represent key incentives for business development. Territorial status, however, comes with decreased representation in the federal government through the inability to vote for President and the Commonwealth's non-voting delegate status in the U.S. Congress. Yet, despite the limited representation, the CNMI's status has provided access to the range of federal aid and grant programs available to the states which have supported critical infrastructure developments along with key social services to the population.

With alignment with the United States and the unique position within federal laws, the CNMI has obtained special treatment under certain critical federal programs. These specific institutions provided through the Covenant agreement and the CNMI Constitution are covered in more detail in the Preliminary Report **Appendix A**. While significant, many of these incentives are unknown to U.S. and Asian investors. These incentives include:

- Unlimited Access to H1-B/H2-B visa workers outside of the national caps
- Preferential tax treatment of CNMI-sourced income
- Option to abate/rebate CNMI taxes through the Qualifying Certificate Program
- CNMI is exempt from the Jones Act
- Exports from CNMI to the United States are tariff-free, if in compliance with certain U.S. Customs requirements (Headnote 3(a))
- Protections present for intellectual property rights and copyrights provided under the U.S. Constitution
- American judicial system



Particularly important will be determining how these incentives might have heightened value due to evolving U.S. trade and immigration policies.

*Table 3: Economic Assests - Advantages, Challenges, Potential Impact*

Economic Asset	Advantages	Challenges	Potential Impact
Geography	Strategic location near major Asian markets (Japan, South Korea, China).	Geographic isolation increases transportation costs and limits regional trade.	Attracts tourism and trade but requires infrastructure investments to capitalize fully.
Natural Resources	Rich marine ecosystems, some fertile land, and geological resources.	Climate change, resource depletion, and competing land use interests.	Supports agriculture, fisheries, eco-tourism, and infrastructure development.
Population and Labor	Local workforce supported by foreign labor.	Declining population, aging workforce, reliance on foreign labor, and outmigration.	Limits growth in construction, tourism, and other labor-intensive industries.
Education and Training	Presence of Northern Marianas College and Northern Marianas Technical Institute.	Gaps in specialized training programs for emerging sectors.	Critical for workforce development and long-term economic diversification.
Ports of Entry & Aviation	Existing Airport and seaports as main entry points for tourism and trade. Jones Act exemption	Aging infrastructure, limited capacity for expansion.	Essential for tourism, trade, and improved logistical efficiency.
Telecommunications	Recent installation of ATISA and Proa subsea fiber optic cables.Federal investment.	High costs and occasional service disruptions.	Increased reliability and internet speeds; opens doors to IT, e-commerce, and global markets.
Transportation Networks	Well-developed road systems, particularly on Saipan.	Road maintenance challenges, particularly on Tinian and Rota, and lack of reliable public transport.	Critical for inter-island mobility and efficient economic operations.
Utilities	Utilities managed by Commonwealth Utilities Corporation (CUC).	Outdated infrastructure, reliance on imported diesel, slow transition to renewable energy.	Affects cost of living and business operations; key to sustainable economic growth.
Political Status	Strong institutional protections of rights and property.	Limited political representation in the federal government	Investor confidence and assurances bolstered by American institutions.

## 4. MAJOR SECTORS - EXISTING INDUSTRY ANALYSIS

This section discusses the most recent data and trends of the CNMI's primary industries. For additional information on the existing industries in the CNMI, please refer to the Preliminary Report in **Appendix A**.

### A. TOURISM

The tourism industry in the CNMI has historically been the backbone of the economy. Represented largely by accommodation and food services, tourism in the CNMI consists of 184 establishments. Saipan hosts the large majority (173), generating \$134.2 million in revenue and employing 2,249 people in 2022. Tinian's tourism sector is much smaller, with only 6 establishments generating \$2.05 million in revenue. Its reliance on food services and accommodation is reflected in its 35 employees. Similarly, Rota has 5 establishments contributing \$1.5 million in revenue, with a workforce of 34 employees. Employment across the CNMI's tourism sector is split, with 1,053 working in accommodation and 1,266 in food services and drinking places in 2022.

Though not entirely connected to tourism, the food services and drinking places sector in the CNMI consists of 151 establishments, with 144 located in Saipan, 4 in Tinian, and 3 in Rota. This sector generated \$76.7 million in revenue, with the majority (\$61.6 million) coming from restaurants and other eating places, reflecting the strong reliance on food service establishments to meet the needs of both local residents and tourists. Operating expenditures for the sector totaled \$59.4 million, and the annual payroll amounted to \$17.2 million, spread across 1,266 employees. The sector is further divided into sub-sectors, including special food services, which covers food service contractors and caterers and generated \$13.5 million in revenue, and drinking places (alcoholic beverages), which generated \$1.6 million, indicating a niche but important segment of the hospitality industry, especially in serving the tourist market.





## TOURISM IN THE CNMI IS SHAPED BY SEVERAL KEY ELEMENTS

### PRIMARY SOURCE MARKETS AND MARKET SEGMENTATION

The Marianas Visitors Authority (MVA) has traditionally focused on three primary source markets: Korea, Japan, and China. These countries have been the largest contributors to the visitor count, with Korea and China dominating the market share by the late 2010s. In 2019, Korea accounted for 45% of visitors, followed by China at 44%, with Japan making up a much smaller share after years of decline.

According to MVA visitor entry surveys, Korean visitors tend to travel for pleasure, golf, and diving, while Japanese and Chinese visitors are more diverse, with significant segments focused on honeymoons, group travel, and family vacations. Notably, Chinese tourism grew rapidly between 2012 and 2016, supported by direct charter flights, Approved Destination Status designation from the Chinese government, U.S. government authorized discretionary parole of Chinese visitors, unlimited scheduled air route authority between mainland China and the CNMI via the U.S.-China Air Transport Agreement, and increased marketing efforts in mainland China. The sector faced significant challenges due to the COVID-19 pandemic, which disrupted global travel and tourism flows and altered tourist preferences and travel behavior internationally.

In addition, travel to the CNMI from China is constrained by U.S. Department of Transportation restrictions that have superseded the unlimited scheduled air service authority provided under Annex VI of the U.S.-China Air Transport Agreement. The inability to schedule air service within the reduced cap on flights between the two countries has inhibited air service options for a sector that once contributed more than 40% of total arrivals to the CNMI.

### ACCOMMODATION AND HOTEL INDUSTRY

The structure of the CNMI's tourism sector is heavily dependent on its accommodation offerings. The CNMI has 33 establishments in the accommodation sector, with the majority (29) located in Saipan, along with smaller facilities in Rota and Tinian. In 2022, traveler accommodation, including hotels and motels, generated \$60.6 million in revenue, with hotels accounting for \$60.3 million, underscoring the sector's crucial role in the CNMI's tourism industry, particularly in Saipan. The sector incurred \$69.3 million in operating expenditures and paid \$20.1 million in annual payroll to its 1,053 employees. These high operating expenses reflect the costs of maintaining large hotel operations, such as utilities, maintenance, and service provision. The accommodation sector provides steady employment for 1,053 individuals, although a significant portion of the workforce is likely to consist of foreign workers under the CW-1 visa program due to the CNMI's limited local workforce.

Saipan, the most developed island, houses the majority of hotel rooms, with notable properties such as the Crowne Plaza Resort, Kensington Hotel, and formerly the Hyatt Regency Saipan. These hotels are often at high occupancy rates, sometimes reaching over 85% during peak periods between 2016 and 2019. However, many of these properties are outdated, having been constructed in the 1980s, and are in dire need of renovation to remain competitive in the regional market.

The overall tourism product in Saipan, and the broader Marianas, has remained heavily reliant on traditional tour groups and wholesale demand. This has affected the destination's ability to attract higher-yield Free Independent Travelers (FIT), a more lucrative market segment. As a result, there has been a push to introduce internationally branded hotels and refurbish existing properties to compete with newer resort destinations in Southeast Asia. The decline in importance of group and travel agent organized travel has created significant challenges for attractions, shopping and food and beverage organizations not connected to hotels to attract visitors to their establishments. Learning to market within the new digital age of individually organized travel has been difficult for small businesses in the CNMI to adapt to. These second tier businesses are a significant contributor to local employment.

## TOURISM AS A MULTI-ISLAND DESTINATION

One of the Marianas' unique advantages is its potential to develop into a multi-island destination, leveraging the distinct offerings of Saipan, Tinian, Rota, and the Northern Islands. While Saipan has traditionally been the hub of tourism activity, smaller islands like Tinian and Rota present opportunities for niche market development. Tinian, for example, has the potential to become a day-trip destination, with historical sites from World War II and beautiful beaches. Rota, with its untouched natural beauty, is viewed as a location for rustic luxury retreats, targeting high-end, eco-conscious travelers.

## AIR ACCESS AND INFRASTRUCTURE

The success of the CNMI's tourism industry is closely tied to air access, which has fluctuated over the years. During the industry's peak in the 1990s, Saipan received over 700,000 visitors, supported by multiple daily flights from Japan. However, the loss of major air carriers like Japan Airlines in the mid-2000s and Delta's pullout in 2018 severely impacted visitor numbers.

By 2021, air access had declined sharply, with only a few flights operating from Korea, China, and Guam due to the COVID-19 pandemic. The lack of consistent and reliable air service remains a critical issue that must be addressed to ensure the long-term viability of the tourism industry. Additionally, the infrastructure supporting tourism, such as airport facilities, roads, utilities, and public services, is often stretched beyond capacity during peak visitor periods and is in need of significant upgrades.

## AFFORDABILITY OF TRAVEL

The macroeconomic conditions of source markets are also impactful in relation to the conditions and policies of the United States. The CNMI's economy operates under the monetary policy of the United States, and as such, exchange rates between the U.S. dollar (USD) and the currencies of the CNMI's source markets, impact the cost of travel. The international foreign exchange market is a complex, rapidly evolving space with innumerable inputs influencing exchange rates between currencies. However, there are country-level monetary policy actions that have pronounced impacts. Most recently, the decisions of the U.S. Federal Reserve Board to control the rates of inflation through the mechanism of adjusting the Federal Funds Rate, has rippling impacts across the U.S. economy, with one repercussion being higher interest rates drawing greater levels of foreign interest in securing higher yields denominated in USD. The draw of higher yields increases demand for USD-based investments, which in turn increases the value of the dollar relative to other currencies. A higher-valued dollar reduces the cost of importing goods in lower-valued currencies for U.S. consumers but increases the costs of exports as more foreign currency is required to purchase USD-based products. The CNMI as an exporter of services in the tourism space, denominated in USD, sees, during periods of high interest rates and appreciation of the dollar, its accommodation offerings more expensive in relative value even without changing the nominal value of the services.



VIEW OF EASTERN SAIPAN FROM MOUNT TAPOCHAU, THE HIGHEST PEAK IN THE NORTHERN MARIANA ISLANDS, STANDING AT 474 METERS.



## A CHANGING ECONOMY - ECONOMIC CONDITIONS BETWEEN 2017 & 2022

### ECONOMIC CONDITIONS IN 2017

In 2017, the CNMI's accommodation and food services sector was a dominant driver of economic activity, generating \$341.5 million in revenue across all classes of customers. The sector saw strong visitor arrivals and spending, with tourists contributing \$96.6 million to sales. Household consumers held a significant role, accounting for \$58.9 million in expenditures, while travel agencies and related services added another \$55.7 million. This period was the peak of the modern era of tourism-driven expansion, supported by a surge of private investment, robust air service connections, and consistent demand from regional markets.

The accommodation sector alone generated \$234.3 million, with visiting tourists contributing \$68.1 million. Travel agencies were a major source of revenue, generating \$53.3 million through their role within the package tourism and wholesale tour group booking segment. Household consumers accounted for \$11.9 million in the sector, and government spending amounted to \$3.3 million.

Food service and drinking places generated \$107.2 million, \$46.9 million of which came from household consumers and \$28.5 million from tourists. This was alongside local government and business expenditures in the sector.

The broader revenue structure in 2017 showed the nature of the CNMI economy as a tourism-driven market. The industry was well-integrated with international travel and a supply chain that relied on a mix of external demand and local spending.

### ECONOMIC CONDITIONS IN 2022

By 2022, the economic landscape had shifted significantly. The total revenue of the accommodation and food services sector had declined to \$137.7 million - nearly 60% below 2017 levels - showcasing the severity of the external shocks experienced by the tourism economy. The most significant drop was in revenue from visiting tourists, which fell to \$23.5 million, a sharp decline exacerbated by the prolonged travel restrictions and slow return of international arrivals. Household consumer revenue, however, remained a source of stability at \$79 million in revenue for the sector as it adapted to a more localized demand base.

The accommodation sector bore the brunt of the downturn, with total revenue falling to \$61 million. Tourist-generated revenue fell to \$15.3 million for the sector, and travel agency contributions, once significant, declined dramatically. Household consumer spending buoyed accommodation revenues as local residents filled gaps left by absent international visitors.

Food services and drinking places experienced a similar contraction, with total revenue decreasing to \$76.7 million. In the sector, household consumer spending rose to \$56.6 million, while tourist spending collapsed to \$5.99 million. Local government spending in the sector was halved, further contributing to the revenue declines.

### ADAPTATION AND RESILIENCE IN THE TOURISM SECTOR

These figures illustrate the fundamental changes in the CNMI's economic composition by 2022. With tourism operating at a fraction of its previous scale, household consumption played an increasingly crucial role in sustaining businesses, while government and business expenditures remained stable but insufficient to offset broader declines. The economic downturn exposed vulnerabilities in the sector's reliance on external demand and reinforced the urgency of economic diversification and resilience-building efforts.



TOURIST ENJOYING THE CLEAR WATERS ON MAÑAGAH ISLAND THIS PHOTO WAS PROVIDED BY © TURNKEY SOLUTIONS, LLC



## CHALLENGES

- **Dependence on a Limited Number of Source Markets** - The CNMI has historically relied heavily on visitors from Korea, Japan, and China. While these markets remain important, economic fluctuations, geopolitical tensions, and policy changes—such as China’s flight restrictions—demonstrate the risks of overdependence on a narrow customer base.
- **Workforce Shortages and Visa Constraints** - The CNMI’s hospitality sector relies heavily on foreign labor through the CW-1 visa program. Continued uncertainty regarding program caps and renewal limitations poses a challenge for businesses trying to recruit and retain a skilled workforce.
- **Airline Connectivity and Travel Costs** - The CNMI’s limited flight options and high ticket prices create accessibility challenges for potential visitors. The inability to restore pre-pandemic air service levels has slowed the industry’s recovery and may continue to restrict growth.
- **Rising Operating Costs** - Hotels, restaurants, and tourism businesses face increasing costs in utilities, labor, and imported goods. The high cost of doing business makes it difficult for smaller establishments to remain profitable, limiting the sector’s overall growth potential.
- **Shifting Traveler Preferences** - Global travel trends have evolved, with more emphasis on sustainability, health and wellness, and personalized experiences. The CNMI must adapt its tourism offerings to align with these preferences while balancing environmental conservation and development.

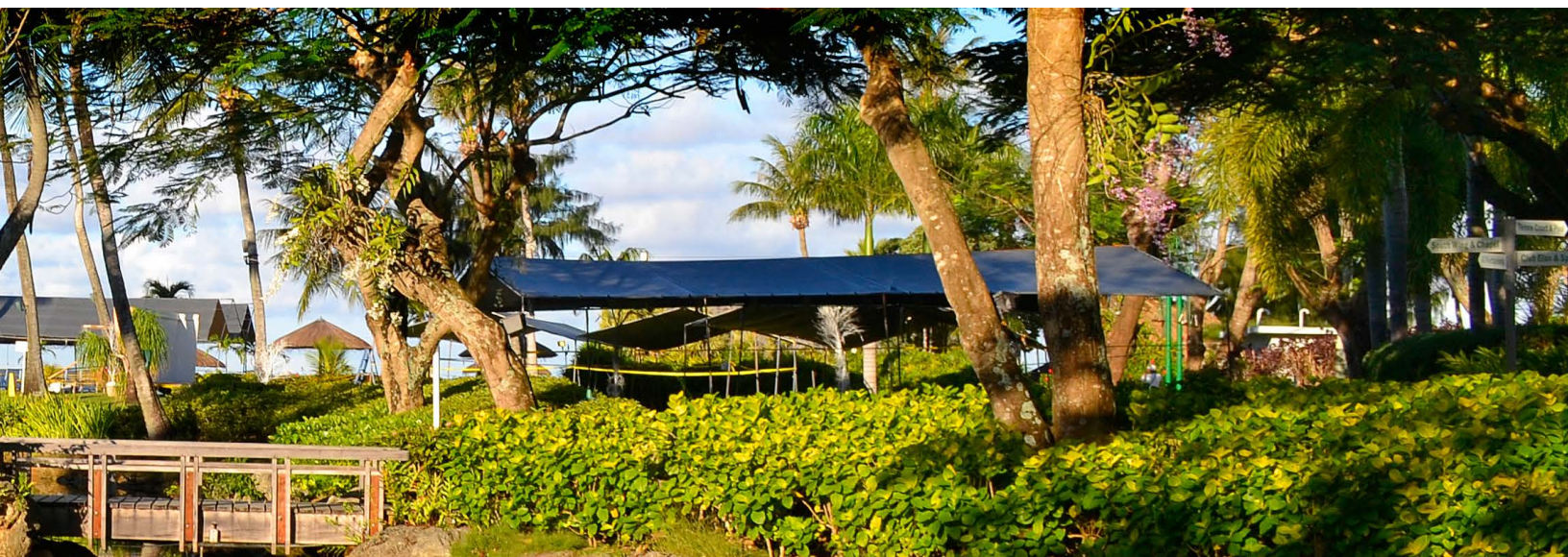


LUSH GARDENS OF MARIANAS BEACH RESORT IN GARAPAN, SAIPAN (FORMERLY THE HYATT REGENCY SAIPAN).



## OPPORTUNITIES

- **Diversification of Tourism Offerings** - The CNMI has the potential to expand its tourism product beyond traditional package tours by targeting niche markets such as eco-tourism, adventure tourism, cultural and historical tourism, and sports tourism. These segments cater to higher-yield visitors who seek unique experiences and are willing to spend more per visit.
- **Development of a Multi-Island Tourism Model** - Tinian and Rota remain underutilized tourism assets. By improving inter-island connectivity, the CNMI can market itself as a multi-island destination, encouraging longer stays and greater spending across all islands. Tinian's World War II historical sites and Rota's pristine natural environment provide distinct offerings that can be leveraged to diversify the visitor experience.
- **Investment in Hotel and Accommodation Modernization** - Many of the CNMI's hotels were built in the 1980s and are in need of renovation to meet modern traveler expectations. The introduction of internationally branded hotels and upgrades to existing properties can improve competitiveness, attract higher-spending travelers, and enhance overall visitor satisfaction.
- **Air Access Expansion and Market Recovery** - The CNMI can actively work to reestablish and expand direct flights from key markets, including Korea, Japan, and China. Partnering with airlines, negotiating air service agreements, and providing incentives for new routes are critical steps toward rebuilding visitor arrivals.
- **Exchange Rate and Economic Tailwinds** - While a strong U.S. dollar has made the CNMI a more expensive destination for foreign visitors, future shifts in global exchange rates could create more favorable conditions. Monitoring macroeconomic trends and adjusting marketing efforts accordingly can help maximize growth opportunities when currency values align favorably for inbound travel.







## B. DEFENSE

The CNMI has seen significant investments from the U.S. Department of Defense (DoD) as part of the broader strategy to maintain American influence in defense of a free and open Indo-Pacific region. A major focus of these defense activities is the island of Tinian, which has been identified as a critical site for military infrastructure development and training exercises. The defense sector in the CNMI is not only focused on operational readiness and strategic military objectives but also on economic growth, as federal investments bring substantial business and employment opportunities to the islands.

### 1. U.S. DEPARTMENT OF DEFENSE INVESTMENTS IN THE CNMI

A total of \$2.6 billion in military and federal investments has been allocated to Tinian as part of the U.S. military buildup. The largest expenditure includes over \$1 billion for the Tinian Joint U.S. Military/Civilian Infrastructure Upgrades, followed by \$700 million for the U.S. Naval Divert Facility/Port Upgrade. These infrastructure projects are currently in the pre-decisional stage, indicating that plans for substantial improvements are underway. Other significant projects include the \$450 million U.S. Air Force Divert Facility and \$420 million North Field Resurfacing Runway/Taxiway Upgrades, which are expected to be completed by 2025 and beyond.

In FY 2022, the DoD's defense spending in the CNMI amounted to \$57.7 million. This includes \$55.6 million in contracts, making up 1.5% of defense spending across the five U.S. territories. The majority of the defense contract funds went to construction (70%) and supplies and equipment (30%). Additionally, the CNMI saw \$1.9 million in defense personnel spending, which supported a total of 81 defense personnel, including both civilian and reserve members.

The bulk of this spending was allocated to construction projects, which made up 70% of the total defense contracts in the CNMI, followed by 30% for supplies and equipment. Key contractors included Black Micro Corporation and Mobil Oil Mariana Islands, Inc., which were awarded contracts worth \$40.5 million and \$14.2 million, respectively.

Outside of direct military spending, the CNMI has been the recipient of financial assistance from the Department of Defense Office of Local Defense Community Cooperation (OLDCC) to support infrastructure development and planning throughout the Commonwealth. Recently, OLDCC announced \$4.2 million to prepare a Commonwealth Utilities Corporation Master Plan and \$3.5 million to the Commonwealth Ports Authority for the development of Seaports and Airport Terminal Infrastructure Master Plans.

## 2. STRATEGIC IMPORTANCE OF TINIAN FOR U.S. MILITARY OPERATIONS

Tinian plays a crucial role in U.S. military strategy, particularly as an alternative location for military operations in the event that Andersen Air Force Base in Guam becomes inoperable. The Tinian Divert Facility will serve as an alternative airfield, ensuring that the U.S. military can maintain combat readiness in the region. The U.S. military currently leases two-thirds of the land on Tinian, facilitating the expansion of joint military training capabilities. Programs such as the Mariana Islands Range Complex (MIRC) and the CNMI Joint Military Training (CJMT) will be expanded on Tinian to include live-fire military training.

## 3. PROJECTED ECONOMIC IMPACT OF DEFENSE ACTIVITIES

Tinian is expected to benefit from an estimated \$200 million annually in military-related expenditures. This influx of federal funds will drive local business opportunities, particularly in the construction, maintenance, and services sectors. Up to three military installations will require continuous contracting for operations, creating substantial opportunities for local businesses to engage in federal contracting and support services.

### **The top forecasted business opportunities in Tinian include:**

- Construction and engineering services
- IT consulting and security services
- Environmental and biological consulting
- Trucking, logistics, and warehousing services
- Medical services and suppliers
- Food services, wholesale grocery, and accommodations
- Facility management, waste disposal, HVAC repair, and equipment rental

Discussions continue on the expansion of military investment and training on the islands of Rota and Saipan, with additional details, scope and benefits being developed presently.

Recently, the DoD awarded contracts to provide logistical support in sourcing local products and services for training activities in the CNMI and the region. Contracts that ease simplicity in acquiring local services can reduce the administrative burden and hassle costs of federal contracting compliance to ensure greater linkages and broader defense-driven commercial activity.

## 4. MILITARY OPERATIONAL SUPPORT

The CNMI offers significant potential to support U.S. military operations in the region, with its proximity to Guam making it a complementary location for various military activities. Key areas of focus include airfield and port operations, joint logistics exercises, and the prepositioning of military supplies. The CNMI's airfield and seaport infrastructure provide essential logistical support for contingencies, training, and the daily functions of U.S. military operations. This includes potential opportunities for training exercises, staging operations, and supply chain management functions, with the islands serving as an alternate staging ground to reduce the strain on Guam's infrastructure. Additionally, the CNMI's relatively undeveloped landmass and diverse terrain offer excellent opportunities for live-fire and other military exercises. Proposals to develop training facilities, particularly in Tinian, emphasize the CNMI's strategic importance as a vital training ground for U.S. forces.



## 5. SUPPLY AND MAINTENANCE SUPPORT

Supply and maintenance are key logistical components that the CNMI can offer to the U.S. military, including opportunities for depot-level maintenance of vehicles and support equipment, as well as the potential development of warehousing and logistics centers. By leveraging local resources and capabilities, the CNMI can provide complementary services that enhance military readiness. These services could range from logistical support to human capital provision in critical sectors such as air traffic control, ground maintenance, and terminal operations, further integrating the CNMI into the broader U.S. military supply chain.

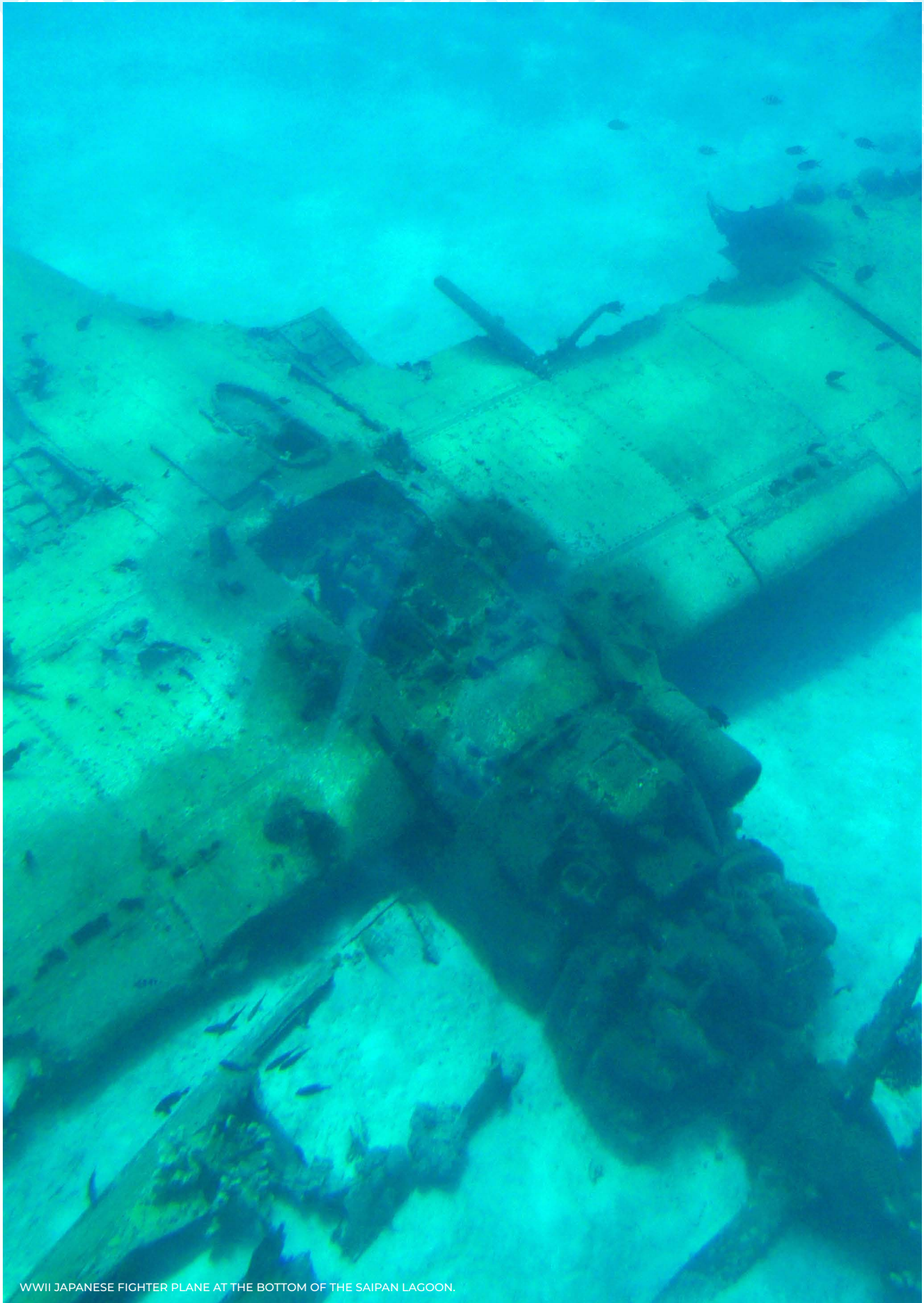
## 6. QUALITY OF LIFE (QOL) SERVICES

The military's presence in the CNMI also has been developing the capability to enhance the quality of life for service members and their families. The islands offer numerous natural and recreational resources that can be utilized for rest and relaxation, making the CNMI an attractive destination for off-duty activities. Additionally, the tourism infrastructure in the CNMI has attempted to repurpose or expand to cater specifically to military personnel during their leisure time. Morale, Welfare, and Recreation (MWR) programs can benefit from the CNMI's pristine beaches, historical sites, and recreational activities such as water sports, offering unique experiences for service members. These programs could simultaneously boost local businesses while providing valuable services to military personnel.



WWII JAPANESE CANNON.





WWII JAPANESE FIGHTER PLANE AT THE BOTTOM OF THE SAIPAN LAGOON.



## CHALLENGES

- **Capacity Constraints in Workforce and Housing**

The CNMI's labor market remains limited, with a heavy reliance on the CW-1 visa program for skilled foreign labor. An influx of defense-related jobs may create labor shortages in other industries, and existing housing infrastructure may be insufficient to accommodate a growing workforce.

- **Bureaucratic and Compliance Barriers for Local Businesses**

Navigating federal procurement regulations and compliance requirements for military contracts can be a barrier for local businesses. The complexity of DoD contracting processes may limit the participation of small and medium-sized enterprises (SMEs) in defense-related economic opportunities.

- **Environmental and Land Use Considerations**

Military expansion, particularly in Tinian, raises concerns regarding environmental sustainability, land use conflicts, and historical preservation. Local stakeholders must balance economic benefits with environmental and cultural protections.

- **Dependence on Federal Appropriations**

The longevity of defense-related economic benefits is tied to federal budget allocations and shifting military priorities. While current investments are substantial, future appropriations will depend on geopolitical developments and national defense strategies.

- **Limited Supply Chain Infrastructure**

The CNMI lacks the industrial base to fully support military operations without reliance on external suppliers. Developing warehousing, maintenance, and supply chain capabilities will require additional investments in logistics and local production capacity.



TAGA BEACH, TINIAN.

## OPPORTUNITIES

- **Expansion of Military-Driven Economic Activity**

The DoD has committed significant funding to infrastructure projects in the CNMI, with over \$2.6 billion allocated to military developments on Tinian. These projects, including the Tinian Divert Facility and North Field runway upgrades, create extensive contracting opportunities for local businesses in construction, engineering, and logistical support.

- **Local Business Integration into Federal Contracting**

With an estimated \$200 million in annual military-related expenditures, the defense sector offers new commercial opportunities in logistics, transportation, facility maintenance, and supply chain management. The expansion of government contracts for local businesses can provide a steady stream of revenue and promote long-term economic stability.

- **Workforce Development and Skilled Labor Growth**

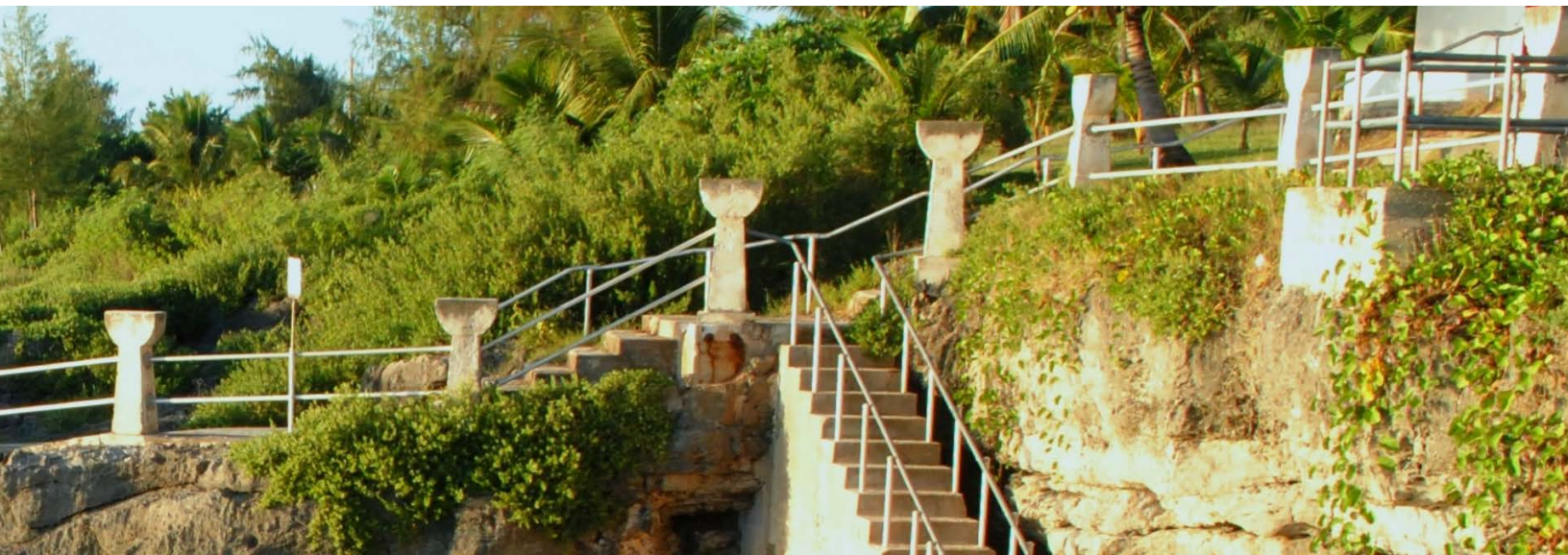
The defense sector's increasing presence can create incentives for workforce training programs in specialized fields such as security, logistics, construction management, and IT services. Establishing workforce training partnerships with local educational institutions can prepare residents for high-demand positions in military contracting and support services.

- **Enhanced Infrastructure and Utility Investments**

Federal funding from the DoD and the Office of Local Defense Community Cooperation (OLDCC) is supporting infrastructure development, including upgrades to seaports, airports, and public utilities. These investments improve the CNMI's overall infrastructure, benefiting both military operations and civilian economic activities.

- **Strategic Military and Civilian Coordination**

The military's long-term presence can serve as a stabilizing economic force, ensuring that the CNMI remains relevant in regional security discussions. Collaboration between the DoD and local governments can help maximize benefits for both defense operations and community development initiatives.







## C. PUBLIC SECTOR

The public sector in the CNMI represents a significant portion of employment, economic output, and public service delivery. The CNMI government, alongside the U.S. federal government, plays a central role in the management of public resources, infrastructure development, social services, and defense activities.

### 1. GOVERNMENT EMPLOYMENT AND REVENUE CONTRIBUTION

The public sector is one of the largest employers in the CNMI, encompassing employees in both the CNMI government and federal government institutions. According to the latest available data from the U.S. Census Bureau and CNMI government financial statements, the CNMI government contributes \$256 million in employee compensation and \$170.9 million in receipts from domestic consumption in 2022. This sector provides essential services such as healthcare, education, social services, and public safety. The federal government, on the other hand, contributes \$19 million in employee compensation and \$85.4 million in receipts from domestic consumption in 2022. Key federal institutions include the U.S. Postal Service, the Department of Defense (DoD), and various administrative and public service agencies.

### 2. GOVERNMENT FINANCIAL HEALTH

The CNMI government continues to face fiscal challenges, largely driven by a reliance on federal funds and an underdeveloped revenue base. In FY 2021, the CNMI reported a net position deficit of \$580.1 million, down 20.9% from the previous year. The General Fund experienced a 55% increase in its deficit, reaching \$209.4 million. This highlights ongoing fiscal pressure on the Commonwealth, which has struggled to balance revenue generation with expenditure needs across its public service obligations.

### 3. PUBLIC SERVICES AND INFRASTRUCTURE

The CNMI government is responsible for delivering a broad range of public services, including healthcare, education, infrastructure development, and utilities. In FY 2021, the government's major expenses, heavily influenced by federal assistance, were as follows<sup>7</sup>:

- **Economic development:** \$197 million, inclusive of payments to the Marianas Visitors Authority
- **Healthcare:** \$133.7 million
- **Community and social services:** \$76.7million
- **General government services:** \$63 million

These services are essential for maintaining public welfare and supporting economic activities in key sectors such as tourism, construction, and retail.



<sup>7</sup> Categories are defined by the CNMI Department of Finance and reported within the audited financial statements of the CNMI government.



## CHALLENGES

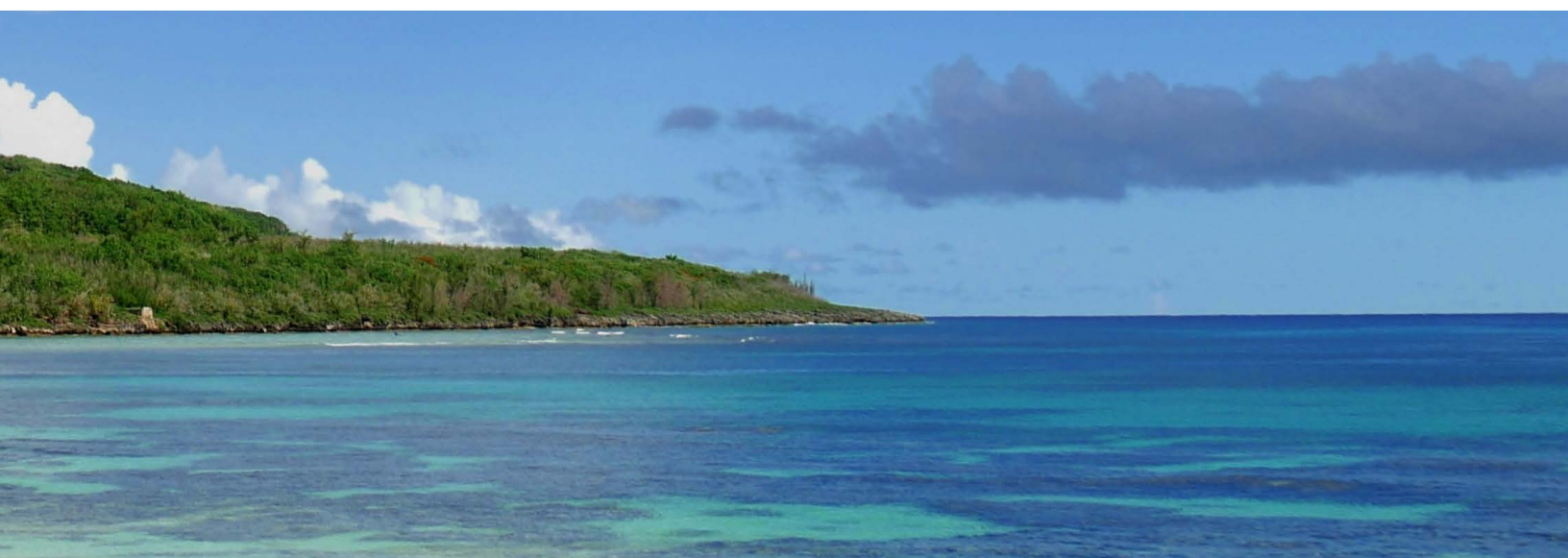
- **Fiscal Sustainability and Deficit Management** - The CNMI government continues to operate under significant financial constraints, with a net position deficit of \$580.1 million in FY 2021. The growing deficit in the General Fund underscores the need for fiscal responsibility, better revenue management, and expenditure control.
- **Aging Infrastructure and Service Delivery Constraints** - The demand for upgraded utilities, transportation, and public facilities continues to outpace available funding. While federal investments are improving select infrastructure projects, broader modernization efforts remain underfunded, affecting service delivery efficiency.
- **Workforce Shortages in Key Government Sectors** - Recruiting and retaining qualified personnel in healthcare, education, and public administration remains a persistent challenge. The public sector competes with private employers and federal agencies for a limited skilled workforce, necessitating better training incentives and career development programs.
- **Dependence on Federal Aid for Essential Services** - A significant portion of CNMI government spending is supported by federal funds, making the Commonwealth vulnerable to shifts in U.S. budgetary priorities. Reduced federal allocations or delays in funding could disrupt essential public services and infrastructure projects.
- **Economic and Administrative Efficiency** - Streamlining bureaucratic processes, improving government transparency, and enhancing public sector efficiency are critical to fostering economic stability. Administrative reforms that reduce inefficiencies and improve service delivery can contribute to long-term economic resilience.



VIEW OF OBYAN BEACH, SAIPAN.

## OPPORTUNITIES

- **Sustained Federal Funding and Investments** - Federal financial assistance remains a critical pillar for the CNMI government, supporting infrastructure, healthcare, and economic development initiatives. Military investments and federal grants provide avenues for improving public services and upgrading critical infrastructure, including roads, utilities, and public facilities.
- **Expansion of Public Infrastructure Projects** - Investments in public utilities, water systems, and transportation networks can enhance the quality of life for residents and support economic growth. Ongoing and future federal infrastructure funding creates opportunities to modernize aging facilities and improve the resilience of government services.
- **Workforce Development in Public Administration** - Strengthening workforce training programs in key government sectors—such as healthcare, education, and administration—can address staffing shortages and improve service efficiency. Expanding local recruitment efforts and leveraging federal workforce development programs can enhance public sector capacity.
- **Fiscal Reform and Revenue Diversification** - Improving tax collection efficiency, exploring new revenue sources, and optimizing government spending can help address persistent fiscal deficits. A more diversified revenue base, supported by sustainable economic policies, can reduce reliance on unpredictable external funding.
- **Public-Private Collaboration for Service Delivery** - Partnering with private sector entities for infrastructure development, public service enhancements, and economic initiatives can improve efficiency and reduce financial burdens on the government. Public-private partnerships (PPPs) in areas such as utilities, tourism, and digital services can provide innovative solutions to long-standing public sector challenges.







## D. CONSTRUCTION

The construction sector in the CNMI is a critical driver of economic development, especially given the increased focus on infrastructure and military projects in the region. The construction industry is characterized by a diverse set of activities ranging from building construction, civil engineering, utility system construction, and specialty trades, providing essential services to both public and private sectors.

### 1. OVERALL INDUSTRY STRUCTURE

Based on the latest available data, the construction sector in the CNMI consists of 95 establishments, generating \$153.7 million in total revenue. The industry employs 1,176 workers, with an annual payroll of \$26.7 million and total operating expenses of \$117.3 million, making construction a major economic contributor and one of the largest employers on the islands. The sector is divided into several sub-sectors. Building construction includes both residential and non-residential projects, with 57 establishments generating \$125.6 million in revenue. Heavy and civil engineering construction focuses on infrastructure development, such as road, water, and utility systems. Specialty trade contractors handle a range of specialized activities, including plumbing, electrical work, and HVAC services, providing essential expertise across construction projects.

### 2. REVENUE BY CUSTOMER CLASS

Revenue in the construction industry is generated from a variety of customer classes. Household consumers play a significant role, with residential construction accounting for \$22.2 million, reflecting strong demand for housing and home improvements. Hotels and restaurants, essential to the CNMI's tourism-dependent economy, contribute \$25.5 million in revenue for construction projects. The federal and commonwealth governments are major drivers of demand, with the federal government generating \$40.1 million and the commonwealth government contributing \$44.5 million. The remaining revenue is sourced from other businesses and service establishments, reflecting the ongoing need for commercial and institutional developments in the region.

### 3. BUILDING CONSTRUCTION SUB-SECTOR

The building construction sub-sector is the largest component of the industry, with 57 establishments generating \$125.6 million in revenue. This sector includes both residential and non-residential projects. Residential building construction, comprising 35 establishments, focuses on homes and apartments, generating \$24.3 million in revenue and employing 192 workers. Non-residential building construction, which includes commercial and institutional projects, is a more substantial contributor, generating \$101.3 million in revenue from 22 establishments.

### 4. SPECIALTY TRADES AND SUBCONTRACTING

Specialty trade contractors form another critical part of the industry, providing focused services like plumbing, electrical installations, and carpentry. With 32 establishments, this sub-sector generates \$20.3 million in revenue, employing 230 workers. The growing demand for specialty trade contractors is closely tied to new developments in tourism, military infrastructure, and public works.

### 5. TRENDS IN CONSTRUCTION REVENUE (2012–2023)

The reported revenue from construction contractors has shown considerable fluctuations over the years, reflecting the dynamic nature of the industry and the influence of large-scale projects. Revenue peaked during periods of significant infrastructure development, particularly in 2015 and 2022, which saw major investments in public and military infrastructure. In 2022, construction revenue reached \$22.6 million, driven largely by defense-related projects and federal funding for local infrastructure.

- 2021 saw a notable spike in revenue, with totals exceeding \$22.8 million in November, reflecting a surge in military and infrastructure-related activity.
- Revenue has remained relatively strong into 2023, although the figures suggest some stabilization following the peak activity of previous years.





## CHALLENGES

- **Labor Shortages and Workforce Constraints** - The construction industry in the CNMI faces a persistent labor shortage, particularly in specialized trades such as plumbing, electrical work, and masonry. Heavy reliance on foreign workers, coupled with immigration restrictions under the CW-1 visa program, creates uncertainty for workforce planning and project completion.
- **High Costs of Construction Materials and Logistics** - The remote location of the CNMI increases the cost of importing construction materials, equipment, and machinery. Rising global supply chain disruptions and high shipping costs add to project expenses, making construction less cost-effective compared to other markets.
- **Limited Workforce Mobility Between Islands** - Large-scale construction projects on Tinian and Rota are constrained by a lack of available skilled labor willing to relocate from Saipan. The logistical challenges of worker mobility—such as transportation limitations and housing shortages—hamper the ability to meet construction demands outside the main island.
- **Capacity Limitations for Large-Scale Projects** - While federal and military investments provide opportunities for growth, local contractors often lack the resources, manpower, or technical expertise to handle high-value projects. As a result, many large-scale contracts are awarded to off-island firms, limiting the economic benefits to the local industry.
- **Regulatory and Permitting Delays** - The construction sector faces regulatory challenges, including lengthy permitting processes and bureaucratic inefficiencies. Streamlining approvals for development projects and reducing administrative burdens on contractors could enhance project timelines and attract more investment.



## OPPORTUNITIES

- **Continued Military and Federal Investments** - Large-scale defense projects, particularly in Tinian, present significant opportunities for construction firms. The U.S. military buildup, coupled with ongoing federal infrastructure funding, will sustain high demand for contractors, engineers, and specialty trade workers in the coming years.
- **Expansion of Public Infrastructure** - The need for improved roads, water systems, and utility infrastructure across the CNMI offers long-term growth potential. Federally funded initiatives, including the Commonwealth Utilities Corporation Master Plan and the Commonwealth Ports Authority's infrastructure projects, will generate consistent demand for construction services.
- **Growth in Commercial and Residential Construction** - Increased investment in tourism-related facilities, such as hotels and restaurants, supports commercial construction activity. Additionally, rising demand for residential housing presents opportunities for homebuilders and developers, particularly as economic recovery efforts progress.
- **Opportunities for Workforce Development and Training** - The construction sector presents an avenue for local workforce development, with potential programs to upskill workers in specialized trades. Collaborations with vocational training centers and apprenticeship programs can help address labor shortages while providing stable, well-paying jobs for local residents.
- **Public-Private Collaboration on Development Projects** - Partnerships between the government and private sector can enhance project efficiency and financing. Encouraging private-sector investment in infrastructure projects through incentive programs or streamlined permitting processes can accelerate development efforts.



AERIAL VIEW OF SAIPAN INTERNATIONAL AIRPORT RUNWAY AND SOUTHERN VILLAGES OF SAIPAN.





## E. AGRICULTURE

Agriculture in the CNMI plays a modest yet important role in the local economy. The sector primarily serves local markets, including households, hotels, restaurants, and government institutions. While agriculture's contribution to the economy has fluctuated, it continues to provide employment and support food security efforts in the region. Below is a detailed analysis of the agricultural sector based on recent data, including the IMPLAN model and historical trends.

### 1. OVERVIEW OF AGRICULTURAL ACTIVITY AND REVENUE TRENDS

The reported revenue from agricultural businesses in the CNMI has shown fluctuations over time, with peak periods often coinciding with favorable agricultural conditions and local demand surges. The agriculture, forestry, fishing, and hunting sector generated a total output of \$53,644.91 in a recent analysis. This figure highlights the modest contribution of agriculture, though its impact extends beyond direct revenue generation. The monthly revenue from agricultural activities over the past decade has ranged from \$104,322 to \$424,649, indicating that the sector is reactive to both internal and external influences:

- **In 2022, agricultural revenue peaked at \$424,649 in December, while earlier months, such as June 2022, saw \$330,514 in revenue.**
- **The lowest revenue recorded in recent years was \$104,322 in November 2014.**

Agriculture also interacts with related industries, contributing \$57,651.34 to transportation and warehousing services and \$91,388.94 to retail trade.

### 2. FARMS AND LAND USE

According to the 2018 Census of Agriculture, the CNMI had 253 farms covering 1,515 acres of farmland, representing a 62% decrease in land use since 2007. The average farm size in 2018 was 6.0 acres, down from 15.7 acres in 2007. This shift toward smaller farms suggests a transition toward more intensive, small-scale farming operations, likely driven by the growing demand for fresh produce, poultry, and other goods in local markets. Small farms (<2 acres) grew in number, while larger farms (40+ acres) decreased by 71%, reflecting the increasing dominance of smallholder farming in the CNMI.

### 3. PRIMARY AGRICULTURAL COMMODITIES

The top commodities produced in the CNMI include:

- **Bananas:** 118 farms grow bananas, making it the most common crop.
- **Chickens:** 115 farms producing layer chickens, poultry farming.
- **Coconuts, mangoes, and papayas:** These tropical fruits are widely cultivated, contributing to both domestic consumption and local market sales.

Other important agricultural outputs include:

- **Vegetables and melons:** The value of sales reached \$638,609 in 2018, a slight increase from 2007.
- **Nursery crops:** These contributed \$186,390 to the economy, showing a growth of landscaping and ornamental plant demand potentially corresponding with increases in new developments.
- **Livestock:** Livestock farming declined, with sales dropping to \$134,175, down from \$279,485 in 2007.

### 4. WORKFORCE DEMOGRAPHICS

The agricultural workforce is predominantly male, with 80% of farmers identifying as men. The sector also skews older, with 60% of farmers aged between 45 and 64, and only 18% under the age of 45. This aging workforce presents challenges in sustaining agricultural output and encouraging new entrants into farming. 68% of farmers report that farming is their primary occupation, while 32% have other primary jobs. The workforce is ethnically diverse, with 60% Chamorro, 14% Filipino, and 6% Chinese farmers.

### 5. REVENUE TRENDS AND SECTOR GROWTH

The agricultural sector has experienced fluctuations in revenue, influenced by environmental factors, market demand, and local economic conditions. For example:

- **Revenue growth was most significant in 2022**, with the sector peaking at \$424,649 in December. This uptick can be attributed to increased agricultural demand amid broader economic recovery efforts.
- Several periods, particularly **from 2014 to 2015, saw a decline in revenue**, driven by reduced land use and potential disruptions in farming practices. The lowest point of revenue was \$104,322 in November 2014, reflecting difficulties faced by farmers during that time.



## CHALLENGES

- **Limited Land Availability and Declining Farm Acreage** - The reduction in farmland—from 4,011 acres in 2007 to 1,515 acres in 2018—limits the sector's growth potential. As land use priorities shift, agriculture faces competition from other economic activities, further constraining expansion efforts.
- **Aging Agricultural Workforce and Labor Shortages** - With 60% of farmers aged 45-64 and a low rate of younger entrants, the sector faces long-term sustainability risks. Encouraging youth engagement in agriculture and providing incentives for new farmers is crucial for continuity.
- **Market Access and Distribution Constraints** - While local agricultural goods serve households and businesses, challenges persist in scaling operations to consistently supply larger buyers. Strengthening distribution infrastructure and formalizing supply agreements with major food retailers and hospitality providers can enhance stability.
- **Vulnerability to Environmental and Economic Shocks** - The sector is highly susceptible to typhoons, droughts, and supply chain disruptions. Ensuring access to financial support, crop insurance, and disaster mitigation programs will be essential in building resilience.
- **Cost of Inputs and Infrastructure Gaps** - Farmers face high costs for imported seeds, fertilizers, and equipment. Expanding access to affordable agricultural inputs and developing local resources for feed and soil enhancement can reduce dependence on external suppliers.

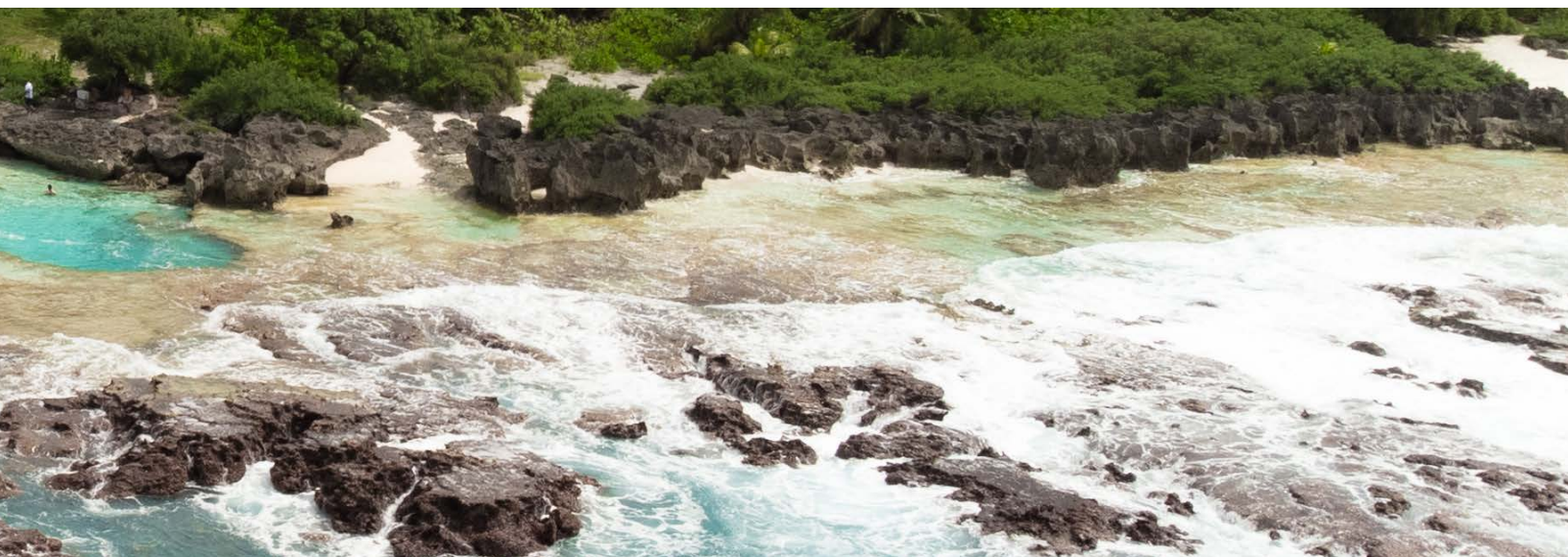


SWIMMING HOLE IN AGUSAN, ROTA. THIS PHOTO WAS PROVIDED BY © TURNKEY SOLUTIONS, LLC



## OPPORTUNITIES

- **Expanding Market Linkages with Tourism and Hospitality** - The tourism industry remains a major consumer of local agricultural products. Strengthening partnerships between farmers, hotels, restaurants, and food service providers can increase demand for locally sourced produce, poultry, and specialty crops, reducing reliance on imported food.
- **Growth in Small-Scale and Niche Farming** - The rise of small farms (under two acres) presents an opportunity for specialized, high-value agricultural production, such as organic fruits and vegetables, artisanal goods, and specialty crops. These niche products can cater to health-conscious consumers and premium market segments.
- **Government and Federal Support for Food Security** - Various federal and local initiatives aim to support smallholder farmers and enhance food security. Expanding agricultural assistance programs, technical training, and access to microfinancing can strengthen the sector and improve long-term sustainability.
- **Integration with Supply Chain and Retail Expansion** - Agriculture interacts with other sectors, including transportation, warehousing, and retail. Strengthening logistics and distribution networks can improve market access, allowing farmers to reach a broader customer base and stabilize income streams.
- **Sustainable and Climate-Resilient Farming** - Given the CNMI's vulnerability to climate variability, investments in climate-smart agricultural practices, such as hydroponics, aquaponics, and greenhouse farming, can improve resilience and yield consistency. Diversification of crops and improved water management strategies can further enhance sustainability.







## F. HEALTHCARE

The healthcare sector is critical in the overall well-being of its residents, yet it faces significant challenges in terms of resources, infrastructure, and workforce. The Commonwealth Healthcare Corporation (CHCC) serves as the primary provider of healthcare services in the territory, with a strong emphasis on public health and Medicaid programs. The CHCC's operations include the sole hospital on Saipan, community health centers, and clinics on Tinian and Rota. The sector's importance extends beyond basic healthcare, as it supports a growing population with diverse needs, especially in light of the CNMI's aging population and the increasing burden of non-communicable diseases.

### 1. HEALTHCARE REVENUE TRENDS

Revenue from medical services has fluctuated significantly over the years. This fluctuation reflects both external factors such as federal funding, local economic conditions, and internal shifts within the healthcare system:

- From 2012 to 2023, monthly revenues ranged from \$1.78 million to as high as \$8.44 million. Notably, March 2022 saw the highest revenue spike, likely due to expanded healthcare services and an increase in patient volume.
- COVID-19 had a major impact on the healthcare sector, both in terms of demand and funding. During the pandemic, revenues spiked, particularly from 2021 onwards, where monthly revenues consistently surpassed \$3 million, and peaked at \$6.44 million in March 2021.

The increasing revenue post-2020 reflects enhanced Medicaid reimbursements, federal assistance, and the gradual reopening of the CNMI post-pandemic. These funds allowed for expansion in healthcare services, infrastructure improvements, and staffing.

## 2. HEALTHCARE INFRASTRUCTURE AND SERVICES

Over the years, the CHCC has expanded its services to include oncology care, which has reduced the need for off-island referrals, and orthopedic surgery, which addressed a critical gap and led to a dramatic decrease in off-island referrals for orthopedic procedures. Additionally, tele-health services were rapidly expanded during the pandemic, providing access to specialties that are otherwise unavailable locally. Despite these expansions, CHCC still faces considerable barriers. The healthcare infrastructure is aging, with significant capital needs for maintenance and upgrades. Much of the CNMI's hospital and clinic infrastructure was built decades ago and now requires modernization. Workforce shortages also remain a persistent issue, with the healthcare sector struggling to recruit and retain professionals due to visa challenges, an aging workforce, and competition from other U.S. territories and states, contributing to high turnover rates.

## 3. MEDICAID AND FEDERAL FUNDING

The CNMI's healthcare system is heavily reliant on Medicaid, which accounts for a significant portion of CHCC's operating revenue. In recent testimony before Congress, the CHCC emphasized that Medicaid funding caps and the Federal Medical Assistance Percentage (FMAP) structure place immense pressure on the local government's ability to provide adequate services.

- The CNMI Medicaid Program covers about 40% of the population. The FMAP for the CNMI was only 55%, meaning the local government must match 45% of the costs, despite limited fiscal capacity. In 2024, this was amended to permanently provide for a FMAP of 83%.
- The Medicaid expansion under the Affordable Care Act temporarily increased funding, but long-term sustainability remains uncertain as funding caps are scheduled to return, creating potential fiscal cliffs for the healthcare sector.

## 4. PUBLIC HEALTH AND DISEASE BURDEN

The CNMI faces a high burden of non-communicable diseases (NCDs), particularly diabetes, hypertension, and cardiovascular diseases. These conditions disproportionately affect the CNMI's older population and place a strain on healthcare resources.

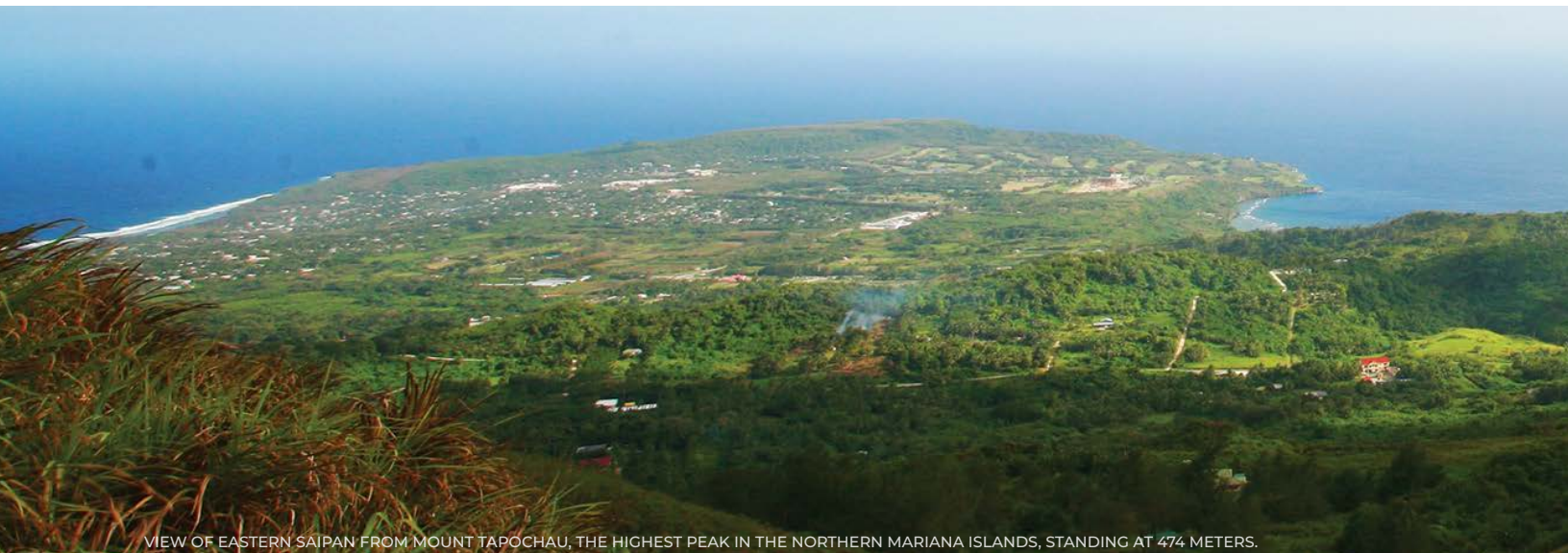
- Diabetes prevalence in the CNMI is three times the rate of the U.S. mainland, and cardiovascular diseases are a leading cause of morbidity and mortality.
- Tuberculosis (TB) remains a significant public health issue, with a rate of 70 cases per 100,000 in the CNMI, compared to 2.8 per 100,000 on the U.S. mainland.

CHCC has ramped up public health programs to address these challenges, focusing on preventive care, screening, and community-based interventions. However, due to workforce shortages, these programs are often understaffed and unable to reach the full population that requires services.



## CHALLENGES

- **Workforce Shortages and Retention Issues** - Recruiting and retaining skilled healthcare professionals remains difficult due to geographic isolation, visa restrictions, and competition from other U.S. territories and states. High turnover rates add further strain to the system.
- **Aging Infrastructure and Equipment Limitations** - Many of the CNMI's healthcare facilities were built decades ago and are in urgent need of modernization. Limited funding for capital improvements affects the quality and range of services available.
- **High Burden of Non-Communicable Diseases (NCDs)** - Chronic illnesses such as diabetes and cardiovascular disease are prevalent at rates significantly higher than the U.S. mainland. Addressing these conditions requires sustained investment in public health education, early intervention, and treatment programs.
- **Limited Specialty Care and Dependence on Off-Island Referrals** - The CNMI lacks sufficient specialty care services, requiring patients to seek treatment off-island. Expanding local specialty care—particularly in areas such as cardiology, oncology, and orthopedics—could improve patient outcomes and reduce costs associated with medical travel.



VIEW OF EASTERN SAIPAN FROM MOUNT TAPOCHAU, THE HIGHEST PEAK IN THE NORTHERN MARIANA ISLANDS, STANDING AT 474 METERS.

## OPPORTUNITIES

- **Modernization and Federal Support** -The CNMI's healthcare system has benefited from increased federal investments, including the higher Federal Medical Assistance Percentage (FMAP) rate of 83% for Medicaid. This presents an opportunity to improve infrastructure, expand services, and strengthen financial stability.
- **Telehealth Expansion** - The rapid adoption of telehealth during the COVID-19 pandemic has demonstrated its potential to address specialist shortages and improve access to care, particularly for remote islands. Continued investment in telemedicine can reduce reliance on costly off-island referrals.
- **Preventive Care and Public Health Initiatives** - With non-communicable diseases (NCDs) such as diabetes and cardiovascular conditions placing significant strain on the healthcare system, expanding preventive health programs and early screening efforts can help reduce long-term costs and improve patient outcomes.
- **Workforce Development and Recruitment Strategies** - Investing in medical education, scholarships, and incentive programs for healthcare professionals—such as loan forgiveness for those who commit to working in the CNMI—can help address workforce shortages. Strengthening partnerships with U.S. medical institutions can also facilitate recruitment pipelines.
- **Infrastructure Investment and Hospital Upgrades** - Aging hospital and clinic infrastructure remains a pressing concern. Accessing federal grants and financing mechanisms for modernization projects could enhance service delivery and patient care capacity.







## G. RETAIL

The retail sector in the CNMI is a vital component of the local economy, serving as a key provider of goods and services to both residents and tourists. It contributes significantly to employment, with over 2,000 jobs across various segments, including food and beverage, motor vehicles, and general merchandise. The sector generates substantial revenue, exceeding \$340 million annually, driven by household consumption, government purchases, and the tourism industry.

The retail industry is particularly significant due to the islands' dependence on imports, making it a crucial link in ensuring access to everyday necessities and specialized products. Moreover, with the tourism sector gradually rebounding, retail plays a central role in enhancing the visitor experience, contributing to overall economic growth. Its diverse offerings, from essential goods to luxury items, make the retail sector a fundamental pillar of both local economic stability and the broader consumer market in the CNMI.

### 1. REVENUE TRENDS OVER TIME

The revenue trends from January 2012 to June 2023 for retail businesses show significant growth alongside seasonal variations. During the period of growth (2012–2016), retail revenues started at around \$39.8 million in January 2012, growing steadily through 2013 and peaking in December 2014 at around \$47.3 million. This was followed by a moderation and plateau (2017–2019), where revenues fluctuated around \$50 million monthly, with peak revenues in December 2019 reaching \$60.7 million, indicating strong end-of-year sales. The pandemic impact (2020–2021) saw revenues plummet, with a low of \$21.3 million in April 2020. However, recovery began in 2021, and by May, revenues returned to pre-pandemic levels, reaching \$29.2 million. The post-pandemic recovery (2022–2023) saw a sharp rebound, with revenues averaging between \$37 million and \$47 million in 2022, stabilizing at approximately \$36.7 million by mid-2023.

## 2. CUSTOMER SEGMENTATION BY SUBSECTOR

Customer classes for retail trade reveal that household consumers and individuals (excluding visiting tourists) are the dominant customer base, contributing over \$248 million in revenue. Other notable segments include visiting tourists, who generated \$15.4 million in revenue, a crucial contribution given the CNMI economy's reliance on tourism. Hotels and restaurants contributed \$12.2 million, highlighting the close relationship between the retail and hospitality sectors. Local government and the Commonwealth each contributed around \$11.3 million and \$12.4 million, respectively, underscoring government spending as a key driver of retail sales. Lastly, construction contractors accounted for \$7.8 million in retail purchases, reflecting the importance of construction-related demand for hardware, materials, and equipment to the retail sector.

## 3. PERFORMANCE BY RETAIL SUBSECTOR

The analysis by retail subsectors provides further insight into the retail sector's diversity and the distribution of economic activity. Motor vehicle and parts dealers generated \$57.3 million in sales, with household consumers accounting for \$46.5 million, indicating high local demand for vehicle sales and maintenance services. Building materials and supplies recorded \$20.7 million in sales, significantly supported by construction contractors, who contributed \$3.8 million, underscoring the close link between the retail and construction sectors. Food and beverage retailers, the largest and most stable subsector, generated \$120.4 million, with household consumers contributing \$94.9 million, reflecting strong local consumer demand. General merchandise retailers brought in \$27 million in revenue, with household consumers accounting for \$20 million, showing steady local demand for a variety of consumer goods. Finally, health and personal care retailers accounted for \$16.7 million in sales, largely driven by household consumers (\$15.1 million), demonstrating the strong demand for pharmaceuticals and personal care products.

## 4. COMMONWEALTH-WIDE ANALYSIS

The breakdown of retail trade activity by municipality highlights the dominance of Saipan, which accounted for \$317 million in total retail sales across 278 establishments. Saipan's retail sector significantly outperforms Rota and Tinian, which together generated approximately \$13 million in retail revenue. As a hub for retail activities, Saipan's larger population and concentration of businesses drive its economic activity. In contrast, the retail sectors in Rota and Tinian are much smaller, with Rota generating around \$10 million and Tinian \$12.9 million. These islands rely heavily on essential retail services, particularly food, beverages, and convenience goods.

## 5. OPERATING EXPENDITURES AND EMPLOYMENT

Retail businesses in the CNMI incur significant operating costs, totaling \$266.6 million, which reflects the large-scale nature of operations, logistics, and supply chain management. The retail sector is also a major employer, providing 2,068 jobs with an annual payroll of \$37.5 million. Most of these jobs are concentrated on Saipan, while Rota and Tinian have smaller retail workforces, reflecting their lower levels of retail activity.



LAULAU BAY, SAIPAN (MAGICIENNE BAY).



## 6. KEY RETAIL SEGMENTS

The food and beverage retail subsector, including grocery and convenience stores, is the largest, followed by motor vehicle dealerships and general merchandise retailers. Specialty stores such as jewelry, furniture, and electronics retailers also contribute significantly to the retail landscape but are smaller in scale.

### FOOD AND BEVERAGE RETAILERS

The largest and most stable segment in the CNMI's retail sector, food and beverage retailers accounted for \$120.4 million in revenue. This subsector includes grocery stores, convenience stores, supermarkets, and specialty food retailers. Household consumers dominate the customer base, contributing \$94.9 million, or nearly 79% of total sales. Other significant customers include hotels and restaurants, which contribute \$5.5 million, and visiting tourists, who account for \$5.1 million. The segment employs 673 people across 93 establishments, with an annual payroll of \$9.5 million. The sector's focus on essential goods for local consumption provides stability, making it one of the least volatile retail sectors. Supermarkets and grocery stores form the core of the food retail sector, generating \$87.6 million in sales from 50 establishments, playing a crucial role in supplying essential goods, especially given the CNMI's island geography and dependence on imports. Convenience stores generate \$26 million in revenue, serving as accessible options for everyday purchases.

### MOTOR VEHICLE AND PARTS DEALERS

This segment generates \$57.3 million in revenue across 24 establishments, encompassing new car dealerships, used car dealers, and auto parts retailers. Household consumers are the primary contributors, spending \$46.5 million, while businesses, construction contractors, and government agencies are also key clients, highlighting the CNMI's reliance on vehicles for transportation and commercial activities. The segment employs 284 workers with an annual payroll of \$8.7 million, reflecting the labor-intensive nature of vehicle sales and maintenance services. Automobile dealers contribute \$48.1 million in sales, with new car dealers dominating the segment, making it essential to the CNMI's logistics and transportation infrastructure. Auto parts and accessories generate \$9 million in sales, supporting ongoing vehicle maintenance and repairs, which are particularly critical on islands where shipping delays can impact vehicle repair supply chains.

### BUILDING MATERIAL AND GARDEN EQUIPMENT RETAILERS

With \$20.7 million in sales, this segment supplies essential materials for the construction and maintenance of homes, commercial properties, and infrastructure. Construction contractors are key customers, contributing \$3.8 million in sales, while household consumers also play a significant role, spending \$11.6 million on building and maintenance supplies. The segment employs 153 people across 19 establishments, underscoring its importance in supporting the construction industry and home improvement projects. Hardware retailers represent a significant portion of this segment, generating \$18.9 million in sales, which indicates high demand for tools, construction materials, and supplies.

### GENERAL MERCHANDISE RETAILERS

General merchandise stores, including warehouse clubs and supercenters, generate \$27 million in sales. Household consumers contribute the majority of sales, at \$20 million, while businesses and government agencies also make significant purchases. This segment provides 170 jobs with an annual payroll of \$2.4 million. Warehouse clubs and supercenters contribute \$25.1 million in sales.

## HEALTH AND PERSONAL CARE RETAILERS

This growing segment generates \$16.7 million in revenue and is driven by local demand for pharmaceuticals, health products, and personal care items. Household consumers dominate this segment, contributing \$15.1 million in sales. The segment employs 90 people with an annual payroll of \$2.9 million. Its growth potential is linked to the aging population and increasing demand for health services. Pharmacies and drug retailers account for \$14.7 million of the segment's revenue.

## CLOTHING, ACCESSORIES, AND SHOE RETAILERS

The clothing, accessories, and shoe retailers segment generated \$13.5 million in revenue, catering to both local consumers and tourists seeking apparel and accessories. Household consumers contribute \$10 million to this segment, while tourists play a significant role as well, spending \$2.2 million. This segment provides 143 jobs across 41 establishments, with an annual payroll of \$1.9 million. Within the segment, clothing and accessories retailers contribute \$7.9 million in sales, followed by shoe retailers, which generate \$2.7 million in sales.

## SPORTING GOODS, HOBBY, MUSICAL INSTRUMENT, AND BOOK RETAILERS

The Sporting Goods, Hobby, Musical Instrument, and Book Retailers segment generates \$34.6 million in sales, with household consumers contributing the largest share at \$21.5 million. In addition to household spending, tourists play a significant role in this segment, contributing \$5.8 million. This segment employs 253 workers, making it one of the larger employment sectors in retail. Within this segment, the subsegment related to outdoor and recreational activities is particularly notable, generating \$3.7 million, which highlights the popularity of such activities in the region.





## 7. STRUCTURE OF THE RETAIL SECTOR

The retail sector in the CNMI is highly diversified, encompassing everything from essential food and beverage retailers to niche markets like clothing and sporting goods. The structure of the sector is shaped by several key factors:

- The majority of retail activity is concentrated on Saipan, which accounts for 93% of total retail revenue. This concentration is supported by the island's larger population, greater tourism traffic, and more developed infrastructure.
- Rota and Tinian, while contributing less to the overall retail economy, are essential for providing goods and services to the local populations. These islands rely heavily on grocery stores and convenience retailers, given their geographic isolation and smaller consumer bases.
- The retail sector is heavily reliant on imported goods. This is particularly true for food, clothing, and household items. The islands' remote location necessitates a robust supply chain, which can be vulnerable to global disruptions, as seen during the COVID-19 pandemic.
- While local consumers are the primary revenue source, tourism significantly boosts spending, particularly in segments like clothing, jewelry, and sporting goods. The \$15.4 million in spending by tourists reflects the importance of retail to the broader tourism sector.
- The retail sector spans a wide range of goods, from everyday necessities like food and fuel to more specialized products like electronics, clothing, and sporting equipment. This diversity allows the sector to cater to both local and tourist demands, contributing to its resilience.
- Local government and construction contractors are significant contributors to retail sales, particularly in segments like motor vehicles and building materials. Government spending and construction activity are important drivers of demand for retail goods.







THE TINIAN BLOWHOLE. THIS PHOTO WAS PROVIDED BY © TURNKEY SOLUTIONS, LLC



## CHALLENGES

- **High Dependence on Imports and Supply Chain Vulnerabilities** - The retail sector is largely dependent on imported goods, making it vulnerable to global supply chain disruptions, shipping delays, and price fluctuations. Strengthening logistics networks and exploring local sourcing alternatives could mitigate these risks.
- **Labor Shortages and Wage Pressures** - Staffing remains a persistent challenge, particularly in customer service and retail management. High turnover rates and limited local workforce availability create hiring difficulties, increasing labor costs for businesses.
- **Retail Market Fragmentation and Limited Economies of Scale** - The small consumer base in the CNMI restricts the potential for large-scale retail operations, making it difficult for businesses to achieve economies of scale. This, in turn, results in higher prices for consumers and limits competition.
- **Changing Consumer Behavior and Preferences** - The rise of online shopping and shifts in consumer habits could challenge traditional retail models. Businesses must adapt by improving their digital presence, offering better customer experiences, and diversifying product selections.
- **Cost Pressures and Operational Challenges** - High utility costs, regulatory compliance, and limited access to capital can make it difficult for businesses to expand or invest in new retail opportunities. Addressing these barriers will be essential for fostering a more resilient retail sector.



CHAMORRO CULTURAL DANCERS AT A FESTIVAL. THIS PHOTO WAS PROVIDED BY © TURNKEY

## OPPORTUNITIES

- **Tourism-Driven Retail Growth** - As the tourism sector continues to recover, visitor spending on retail goods—including apparel, souvenirs, and specialty items—will likely increase. Expanding retail offerings that cater to high-end and niche tourist markets could help capture additional spending.
- **Increased Local Production and Sourcing** - The CNMI's heavy reliance on imported goods presents an opportunity for local businesses to develop niche products that reduce dependence on external suppliers. Expanding local agricultural, artisanal, and specialty food production could support a more self-sustaining retail sector.
- **Integration with Military and Government Procurement** - Federal military investments and ongoing government projects present opportunities for retail businesses to secure contracts for supplying goods and services. This includes provisions for construction projects, defense personnel, and public-sector operations.
- **Infrastructure and Commercial Space Development** - Expanding and modernizing retail spaces, including shopping centers and mixed-use developments, could enhance the consumer experience and attract higher-value tenants, boosting economic activity and demand.

Sector	Challenges	Opportunities
Tourism	Delayed Recovery of arrivals. Flight restrictions. Underutilized tourism infrastructure	Well developed tourism infrastructure, new federally supported infrastructure, high potential revenue with resumption
Defense	Labor access, local business economic linkages	Large planned federal expenditures, diversification of revenue sources, ability to capture skill and funding spillovers
Public Sector	Historical instability in financial conditions, labor access, workforce development	Strong ability to set priorities and influence economic activity
Construction	Labor access, high transportation costs, workforce mobility	Large planned federal expenditures, ability to capture skill and funding spillovers
Agriculture	Limited land, aging farmer population, market access	Commercial linkages with tourism sector, food security initiatives
Healthcare	Labor access, infrastructure, federal program funding,	Changes in federal policy, local workforce development pipelines
Retail	Large concentration in Saipan, import reliant, high costs of transportation, low customer base without tourism	Highly specialized, consistent customer base among households, rooms for greater specialization with increased demand





## 5. SUPPLY CHAIN ANALYSIS OF EXISTING INDUSTRIES

A supply chain analysis offers an essential framework for understanding the flow of goods, services, and labor across various sectors of the economy. By mapping the interconnected relationships between suppliers, producers, distributors, and consumers, this analysis highlights the strengths and vulnerabilities within each sector's supply chain. In the context of economic recovery, a detailed supply chain analysis is particularly valuable as it helps identify inefficiencies, bottlenecks, and opportunities for improvement, laying the groundwork for strategic interventions that can enhance overall economic resilience of both existing industries and potential new entrants into the CNMI.

In the case of the CNMI, a supply chain analysis is crucial to developing a roadmap for recovery. As the CNMI seeks to stabilize and grow its economy following recent shocks, understanding how each sector operates and interacts with its supply chain partners is fundamental to ensuring long-term sustainability. Key sectors described above—labor, tourism, construction, retail, and infrastructure—are integral to the CNMI's economy. Each of these sectors relies on complex networks that connect local, regional, and global suppliers to end-users in the CNMI. By examining the supply chains within these critical areas, this analysis provides insights into how best to support sectoral growth, strengthen resilience, and position the CNMI for sustained economic recovery.

The sectors discussed below were selected for their important role in the CNMI's economic landscape. Labor serves as the backbone for all other industries, with tourism historically being the largest economic driver for the islands. Construction plays a critical role in rebuilding and expanding infrastructure, while the retail sector supports both residents and visitors. Finally, infrastructure underpins the functionality of all sectors, making it a key area of focus. Each of these pipelines presents unique challenges and opportunities, and understanding their respective supply chains is essential to formulating effective recovery strategies.

### A. LABOR PIPELINE

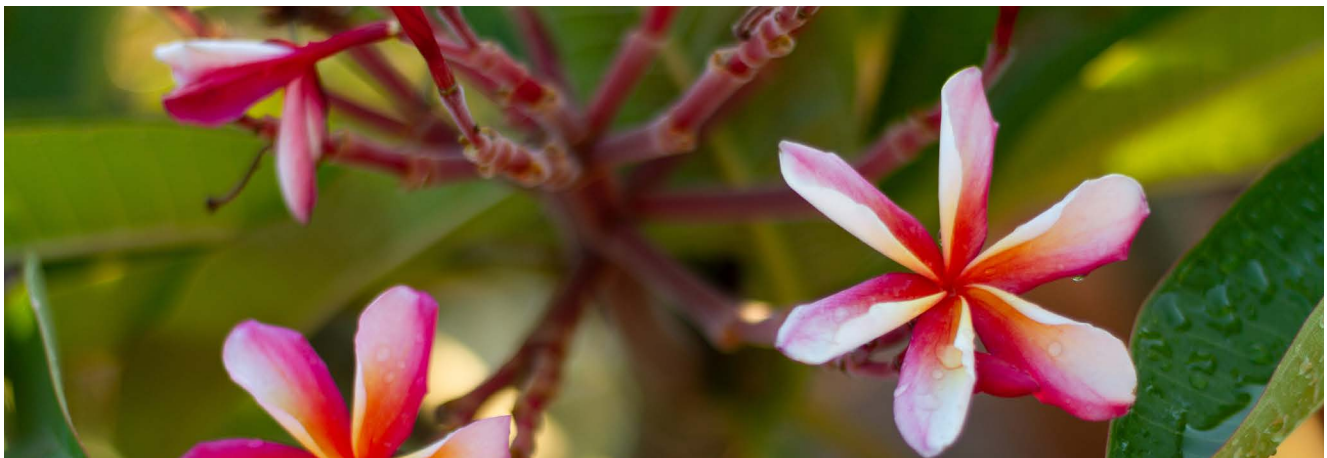
The labor pipeline serves as a cornerstone for the economic recovery of the CNMI, supporting critical sectors such as tourism, construction, retail, and infrastructure. As the CNMI continues to recover from economic disruptions and builds a more resilient future, understanding and addressing the components of the labor supply chain is essential to ensuring a sustainable workforce that can meet current and future demands.

## 1. KEY STAKEHOLDERS

- **CNMI Department of Labor (DOL)** oversees workforce training, recruitment, and regulation. Its role has been critical in supporting the CW-1 visa program that enables foreign labor to fill gaps in the local workforce through the Job Vacancy Announcement (JVA) posting function.
- **Employers** in key industries such as tourism and construction, employers rely heavily on both local and foreign workers, especially for positions that require skilled or manual labor.
- **U.S. Department of Homeland Security (DHS)** manages the CNMI-Only Transitional Worker (CW-1) program, which allows temporary foreign labor to work in the CNMI.
- **Educational and Vocational Institutions** play a role in developing local human capital, aligning education and training programs with the needs of the local labor market. These institutions include the Northern Marianas College, the Northern Marianas Technical Institute and the Public School System.

## 2. SUPPLY CHAIN COMPONENTS

- **Recruitment** - Local labor shortages in key sectors (such as construction and tourism) make the recruitment of foreign workers under the CW-1 visa program critical. The CNMI DOL and DHS coordinate the annual quota for CW-1 visas, which has been reduced over time but remains essential.
- **Workforce Training** - Efforts are underway to increase vocational and skills-based training in the local population, particularly in industries like construction and tourism, to reduce reliance on foreign workers over the long term.
- **Visa Management** - CW-1 visa workers are essential to many sectors, but the complexity of the visa process, including annual caps and eligibility criteria, introduces challenges in securing a stable workforce.
- **Job Market Opportunities** - the labor pipeline relies on a market of sufficient amounts of skilled workers and a suitable demand for workers within the economy. Providing greater numbers of job opportunities for local residents to utilize the skills they develop through education and vocational training will require a commercial environment where businesses have an increased demand for that labor.





### 3. KEY CHALLENGES

- **Dependence on Foreign Labor** - The CNMI remains heavily reliant on foreign labor, especially through the CW-1 visa program. With the number of approved CW-1 permits decreasing from a high of 13,685 in 2017 to 5,365 in 2021, this reliance makes the labor pipeline vulnerable to reductions in visa quotas, especially as the economy recovers from the impacts of the pandemic.
- **Workforce Gaps** - Industries such as construction and tourism continue to face shortages of local skilled workers. Even with the gradual increase in U.S. workers (reaching 59% of the workforce in 2020), the reduction in foreign labor availability remains a critical challenge.
- **Wage Pressures** - The 2021 CNMI Prevailing Wage Study showed that 94% of workers earn above the federal minimum wage of \$7.25 per hour, but many sectors still struggle to offer competitive wages that attract local talent.

### 4. OPPORTUNITIES FOR IMPROVEMENT

- **Enhancing Local Workforce Development** - Expanding vocational training and educational programs that align with the needs of industries like construction and tourism could help bridge the gap between local talent and job market demands. Workforce development efforts must be both tailored to meet evolving labor demands within the market and done in preparation for new industries identified as targets for industrial solicitation.
- **Increasing CW-1 Visa Utilization** - Continued improvements in the CW-1 program, such as simplifying the application process for employers and ensuring timely visa renewals, can stabilize the foreign labor supply.
- **Sectoral Diversification** - The CNMI economy can reduce its vulnerability to external labor shocks by targeting low-labor intensive sectors such as cyber security and information technology, which require less reliance on foreign labor and can develop a more self-sufficient workforce.
- **Private Sector Employment Focus** - More information can be obtained on the employment conditions for CNMI residents in the private sector. The collection and analysis of employment trends in the private sector or its major industries would provide greater insight into the economic conditions facing employers and provide avenues for public policy to support worker retention.

### 5. INDUSTRIES IMPACTED

**All existing and future industries of the CNMI will require a stable and sizable labor supply chain. This will be particularly important for the core industries like tourism, construction, and services.**



## B. TOURISM PIPELINE

The tourism sector is the most significant contributor to the CNMI economy, representing over 70% of Gross Domestic Product. A robust and efficient tourism supply chain is essential to supporting sustainable growth and recovery in the sector, particularly as the CNMI transitions into a post-pandemic tourism landscape. The tourism pipeline involves multiple stages and stakeholders, each playing a critical role in the delivery of services to visitors. A well-functioning supply chain ensures that the CNMI can meet current demand while positioning itself for long-term growth.

### 1. KEY STAKEHOLDERS

The tourism supply chain is driven by a diverse group of stakeholders, each contributing to the flow of goods, services, and people:

- **Airlines** - Air service providers have played a crucial role in linking the CNMI to its primary visitor markets of Korea, Japan, and China. Pre-pandemic, there were 44 direct flights from Korea, 24 from China, and 7 from Japan, which facilitated the majority of tourist arrivals.
- **Hotels and Resorts** - Accommodation providers, including both large-scale resorts and boutique hotels, form a key part of the pipeline. The sector has faced challenges related to aging infrastructure, but ongoing efforts to improve and expand facilities are critical to tourism recovery.
- **Tour Operators and Activity Providers** - Businesses offering tours, excursions, and cultural activities that cater to both individual travelers and groups. These operators are integral to enhancing the visitor experience by providing authentic, culturally immersive activities.
- **Government Agencies** - The Marianas Visitors Authority (MVA) plays a pivotal role in marketing the CNMI as a destination, managing visitor experiences, and coordinating with other government bodies to ensure the sustainability of tourism.
- **Local Communities** - The Chamorro and Carolinian communities are increasingly being integrated into tourism through cultural offerings that promote the CNMI's heritage.



## 2. SUPPLY CHAIN COMPONENTS

The tourism supply chain involves several key stages:

- **Marketing and Demand Generation** - The MVA's efforts to market the CNMI as a destination through digital and traditional channels help drive demand from key markets. The MVA's 2021-2031 Strategic Plan emphasizes the need to diversify tourism markets and attract higher-yielding Free Independent Travelers (FIT). Marketing by MVA is funded through an earmarked percentage of the CNMI's Hotel Occupancy Tax receipts.
- **Air Access and Transportation**- The availability of relatively short, direct flights from key markets such as Korea, Japan, and China are essential for ensuring visitor arrivals. Pre-pandemic, air access was robust, but the current limited flight options highlight the vulnerability of the sector to external shocks.
- **Accommodation and Services** - The quality and availability of hotels and resorts are key drivers of the visitor experience. With 88% occupancy rates pre-pandemic, many properties in the CNMI were operating at full capacity, which strained the aging infrastructure. The refurbishment and development of new accommodation are necessary to meet future demand.
- **Experiential Services** - Activities such as diving, hiking, cultural tours, and eco-tourism offerings are central to the visitor experience in the CNMI. These services are managed by local operators and are essential for differentiating the CNMI from competing destinations.





### 3. KEY CHALLENGES

The tourism supply chain in the CNMI faces several challenges:

- Limited air access due to suspended flights from key markets has severely impacted visitor arrivals. Restoring and expanding air routes will be essential for recovery.
- Many hotels and tourism facilities are outdated and in need of renovation. Without significant improvements, the CNMI risks losing competitiveness in attracting high-value tourists.
- Prior to the pandemic, CNMI relied heavily on tourists from Korea, Japan, and China. This dependency exposes the sector to external risks, such as geopolitical issues or economic downturns in these markets. In the post-pandemic environment, this dependency has tightened to reliance solely on the Korean market, which represents 75% of total arrivals in fiscal year 2024.
- The local workforce is limited, and the tourism sector is heavily reliant on foreign workers through the CW-1 visa program. Labor shortages could hinder the sector's ability to meet rising demand as tourism recovers, especially as the numerical allocation for CW-1 permits continues to see reductions pursuant to the Northern Marianas U.S. Workforce Act (U.S. Public Law 115-218).
- Resources available for the marketing of the CNMI is procyclical, in that as tourism falls as a result of natural disaster or market forces, less Hotel Occupancy Taxes are generated and less funding is provided to the CNMI's lead tourism marketing agency MVA who would seek to rebuild demand.



OLD WWII JAPANESE TANK ON SAIPAN BY THE AIRPORT



## 4. OPPORTUNITIES FOR IMPROVEMENT

Several opportunities exist to strengthen the tourism supply chain:

- **Diversification of Markets** - Expanding beyond the CNMI's traditional visitor markets of Korea, Japan, and China can reduce vulnerability to external shocks. Markets in the U.S., Australia, Europe, and other parts of Asia present opportunities for growth.
- **Sustainable Tourism Initiatives** - Integrating Chamorro and Carolinian cultural experiences and promoting eco-tourism can differentiate the CNMI as a unique destination. This aligns with global trends toward more meaningful and authentic travel experiences.
- **Infrastructure Upgrades** - Investing in the refurbishment of hotels, upgrading airport facilities, and improving public utilities can help the CNMI accommodate increased tourism demand while enhancing the visitor experience.
- **Enhanced Marketing** - Digital marketing efforts, particularly through social media and data-driven campaigns, can increase visibility in key markets and attract new segments, such as Free Independent Travelers.
- **Stabilizing Tourism Marketing Resources** - Tying Hotel Occupancy to the operational budget of MVA provides appropriate incentives for success in increasing tourist demand for the CNMI, but is not resilient to external shocks. A baseline level of funding from alternative sources should be considered to ensure that in the event of an external shock to the CNMI's tourism market, MVA would have the resources to react and respond.

## 5. INDUSTRIES IMPACTED



TOURISM



CONSTRUCTION



PUBLIC  
SERVICES



RETAIL



## C. CONSTRUCTION PIPELINE

The construction sector in the CNMI plays a vital role in infrastructure development and is pivotal to the territory's long-term economic recovery and growth. The construction pipeline encompasses a complex supply chain involving labor, materials, and logistics that must be carefully managed to ensure efficiency and minimize delays. This section evaluates the key components of the construction pipeline and identifies opportunities to improve the supply chain to support the CNMI's infrastructure needs.

### 1. KEY STAKEHOLDERS

The construction supply chain in the CNMI involves several key stakeholders, including:

- **Contractors, subcontractors and Developers** - Both local and international construction firms that oversee large-scale projects.
- **Suppliers and Distributors** - Companies that provide the essential materials such as cement, steel, and aggregate, most of which are imported.
- **Government Entities** - The Department of Public Works (DPW), Bureau of Environmental and Coastal Quality (BECQ), and Historic Preservation Office (HPO) which regulate aspects related to construction projects, issue permits, establish mitigation requirements for impacts to environmental and historic resources, and ensure adherence to safety and environmental standards.
- **Local Labor Force** - Construction workers sourced both locally and from abroad under programs such as the CW-1 visa, which allows foreign labor to fill gaps in the local workforce.



## 2. SUPPLY CHAIN COMPONENTS

The construction pipeline involves several stages, from sourcing materials to the final completion of projects. Each stage plays a critical role in ensuring that projects are completed on time and within budget.

### 1. SOURCING MATERIALS

Most construction materials, such as concrete, asphalt, and steel, are imported from regional suppliers in Guam, the U.S. mainland, and Asia. Quarries are present and utilized on Saipan to fulfill much of the aggregate demand for the island, however the islands of Tinian and Rota operate smaller quarries that produce aggregate, concrete, and asphalt, which provides some local supply but is insufficient to meet large-scale demands.

### 2. SHIPPING AND TRANSPORTATION

Imported materials are shipped to the CNMI, primarily via the Port of Saipan and Port of Tinian. The limited capacity of Tinian's harbor and wharf presents challenges in handling the volume of materials necessary for large construction projects.

### 3. LABOR AND EQUIPMENT

The CNMI construction workforce is heavily reliant on foreign labor through the CW-1 visa program. Equipment, such as heavy machinery, is often rented or imported for specific projects, which can introduce delays in project timelines if not properly managed.

### 4. WORKFORCE HOUSING AND LOGISTICS

Temporary housing for construction workers is required for larger projects, particularly on islands like Tinian, where permanent housing is limited. This adds another layer of logistical complexity to managing labor.



FLAME TREES IN FULL BLOOM ALONG AIRPORT ROAD, SAIPAN.

### 3. KEY CHALLENGES

Several challenges currently hinder the construction pipeline's efficiency:

- **Material Sourcing and Costs** - The reliance on imported materials results in high costs and potential delays due to shipping constraints. Weather conditions, geopolitical issues, or disruptions in global supply chains can further exacerbate these challenges.
- **Limited Infrastructure** - The capacity of Tinian's port facilities, roadways, and utilities is insufficient to support large-scale construction projects without significant upgrades. For example, harbor and road improvements are needed to handle increased traffic and material shipments.
- **Labor Shortages** - The construction sector's reliance on foreign labor through the CW-1 visa program presents risks, particularly if visa quotas are reduced or if delays occur in the visa processing system. Additionally, housing and transportation for workers must be carefully managed.
- **Regulatory Bottlenecks** - Obtaining permits and complying with environmental regulations can introduce delays, particularly when federal and local agencies are operating at capacity.

### 4. OPPORTUNITIES FOR IMPROVEMENT

Addressing the challenges in the construction pipeline will require targeted strategies that focus on both short-term and long-term solutions:

- **Expanding Local Material Production** - Increasing the capacity of local quarries and investing in local production of concrete and asphalt could reduce the reliance on imports and lower material costs.
- **Port and Harbor Upgrades** - Improving the capacity of Tinian's port facilities, including upgrades to the quay wall, wharf, and storage areas, would streamline the transportation of construction materials and reduce delays. The Francisco C. Ada Saipan International Airport, the most critical element of public infrastructure for the tourism sector, must similarly be improved to align with visitor expectations.
- **Workforce Development** - Expanding vocational training programs to build a local skilled workforce in construction could reduce reliance on foreign labor. Additionally, streamlining visa processes and ensuring adequate workforce housing would mitigate potential labor shortages.
- **Infrastructure Modernization** - Upgrading utilities such as water, power, and telecommunications to support construction activities would improve the overall efficiency of the pipeline. Strategic investments in roads and transportation networks will be critical to supporting increased construction activity.



## 5. INDUSTRIES IMPACTED



TOURISM



CONSTRUCTION



PUBLIC  
SERVICES



RETAIL



PORT OF SAIPAN. PHOTO CREDIT: [HTTPS://CNMIPORTS.COM/SPNPRT.ASP](https://cnmiports.com/spnpirt.asp)



AERIAL VIEW OF SAIPAN INTERNATIONAL AIRPORT RUNWAY AND SOUTHERN VILLAGES OF SAIPAN.

## D. RETAIL PIPELINE

The retail sector is the largest in terms of revenue in the CNMI economy, providing goods and services to residents and visitors alike and thus is more complex when looking at the wide range of commercial interactions necessary for the sector to function. As a key link between wholesalers, manufacturers, and end consumers, the retail pipeline is central to ensuring that products flow efficiently through the CNMI's supply chain. This section analyzes the key components of the retail supply chain, highlighting the flow of goods through wholesale and resale channels, and identifying the challenges and opportunities within the system.

### 1. KEY STAKEHOLDERS

The retail pipeline is supported by a wide array of stakeholders across different sectors:

- **Other Retailers** - Large-scale retailers, grocery stores, and smaller specialty shops form the backbone of the retail sector. These businesses directly interact with wholesalers, manufacturers, and other retailers to ensure the availability of consumer goods.
- **Wholesalers** - Merchant wholesalers, particularly in durable goods, grocery products, and general merchandise, are integral to supplying retailers with the products needed to meet consumer demand.
- **Manufacturers** - Both local and international manufacturers, especially in food, beverages, and durable goods, supply products that are distributed through retail channels.
- **Government Agencies** - Customs and regulatory bodies play an essential role in ensuring the smooth flow of imported goods into the CNMI, as most retail products are sourced from outside the islands.

### 2. SUPPLY CHAIN COMPONENTS

The retail pipeline includes several interconnected stages:

#### 1. MANUFACTURING AND WHOLESALE TRADE

Retailers in the CNMI primarily source goods through wholesalers, who act as intermediaries between manufacturers and retailers. Wholesale trade accounts for the largest volume of goods flowing into the retail pipeline, with grocery-related wholesalers dominating the market.

- Total for all sectors: \$103,012 (in thousands)
- Wholesale trade: \$75,674 (in thousands), with significant volumes in grocery products (\$43,629 in thousands) and other nondurable goods (\$66,840 in thousands).



## 2. RETAIL TRADE

Retailers then resell these products to consumers, covering a wide variety of goods ranging from motor vehicles to health and personal care items. The retail pipeline is diverse, serving customer needs across multiple sectors such as food and beverage, automotive parts, and general merchandise.

- Retail trade: \$6,490 (in thousands), with grocery and convenience retailers accounting for \$2,463 (in thousands), followed by motor vehicle parts (\$1,288 in thousands) and general merchandise retailers (\$225 in thousands).

## 3. TRANSPORTATION AND WAREHOUSING

Efficient transportation and warehousing are crucial for maintaining a smooth flow of products. Support activities for transportation, such as freight arrangement and water transport, play an important role in ensuring goods reach retailers without delay.

- Support activities for transportation: \$2,655 (in thousands)
- Freight transportation arrangement: \$849 (in thousands)



MODERN CHAMORRO SAKMAN. PHOTO CREDIT: 500SAILS (WWW.500SAILS.ORG)

### 3. KEY CHALLENGES

Several challenges currently affect the retail pipeline in the CNMI:

- **Dependence on Imports** - The CNMI retail sector is heavily reliant on imported goods, particularly in food, beverages, and durable goods. This dependence on external suppliers introduces vulnerabilities related to shipping delays, customs clearance, and global supply chain disruptions.
- **Shipping and Logistics Constraints** - Limited shipping options and high freight costs pose challenges for retailers, particularly when dealing with bulk orders or perishables that require timely delivery. Any delays in shipping can lead to stock shortages and affect consumer availability.
- **Wholesaler Dependency** - With grocery and related product wholesalers accounting for the largest share of the pipeline, retailers face potential risks if there are disruptions in supply from key wholesalers. Diversifying wholesale partnerships could mitigate these risks but would require strategic coordination with suppliers from different regions.

### 4. OPPORTUNITIES FOR IMPROVEMENT

Despite the challenges, there are significant opportunities to strengthen the retail pipeline:

- **Improved Logistics and Inventory Management** - Enhancing transportation and warehousing capabilities could reduce delays and improve inventory turnover. Developing a more robust logistical framework would enable retailers to better manage stock levels and avoid shortages.
- **Diversification of Suppliers** - Expanding the base of wholesale and manufacturer partners would reduce the reliance on specific wholesalers and mitigate risks related to supply disruptions. Exploring regional partnerships within the Pacific or leveraging e-commerce for certain product categories could also support this diversification effort.
- **Digital Retail Expansion** - Increasing the adoption of e-commerce platforms could help local retailers expand their reach, allowing them to offer products beyond the physical limitations of store locations. This would also provide a platform to compete with larger chains or outside sellers more effectively.

### 5. INDUSTRIES IMPACTED



TOURISM



CONSTRUCTION



AGRICULTURE



PUBLIC  
SERVICES



RETAIL





## E. INFRASTRUCTURE PIPELINE

Infrastructure plays a foundational role in the economic development and recovery of the CNMI. The construction, maintenance, and expansion of key infrastructure systems—ranging from transportation networks to utilities—are essential to improving the quality of life for residents and supporting industries such as tourism, construction, and retail. A well-functioning infrastructure pipeline ensures that the physical assets necessary for economic activities are resilient, efficient, and capable of meeting future demand. This analysis breaks down the supply chain of infrastructure development in the CNMI, focusing on the flow of resources, key stakeholders, and the challenges and opportunities in this sector.

### 1. KEY STAKEHOLDERS

The infrastructure pipeline relies on coordination among various public and private stakeholders:

- **Government Agencies** - The Commonwealth Utilities Corporation (CUC), the Department of Public Works (DPW), and the Office of Planning and Development (OPD) are responsible for managing key public infrastructure projects, including roads, water, wastewater, and utilities
- **Private Sector Contractors** - Local and international construction firms that are involved in the execution of infrastructure projects, including roads, port facilities, and utilities upgrades.
- **Funding Agencies** - Infrastructure projects in the CNMI are heavily supported by federal funds from agencies such as FEMA, HUD, U.S. Department of Transportation, and the U.S. Economic Development Administration (EDA). These funds are allocated for recovery efforts, capacity building, and long-term resilience.

## 2. SUPPLY CHAIN COMPONENTS

The infrastructure pipeline includes several interconnected stages:

### 1. PLANNING AND PERMITTING

Infrastructure projects typically begin with feasibility studies and environmental assessments. Permitting can be a lengthy process, as it often involves multiple government agencies, particularly for projects funded by federal grants.

### 2. MATERIALS SOURCING

Most construction materials such as cement, steel, and aggregates are imported, primarily from the U.S. mainland and regional suppliers. Limited local production increases reliance on external sources, driving up costs and introducing potential supply chain bottlenecks.

### 3. CONSTRUCTION AND IMPLEMENTATION

Public and private sector contractors execute the physical construction of infrastructure, from roads and bridges to water treatment plants and utilities upgrades. The availability of skilled labor and equipment is critical at this stage.

### 4. MAINTENANCE AND OPERATIONS

After construction, agencies such as the CUC and DPW are responsible for ongoing maintenance and operations of infrastructure systems. Challenges in maintaining infrastructure are compounded by the frequent occurrence of extreme weather events.

## 3. KEY CHALLENGES

The CNMI infrastructure pipeline faces several challenges:

- **Material Costs and Availability** - Due to the heavy reliance on imported materials, infrastructure projects are vulnerable to global supply chain disruptions and price fluctuations. Shipping delays and increased costs for materials such as cement and steel can slow project timelines and inflate budgets.
- **Workforce Shortages** - The limited local workforce in the CNMI, combined with strict immigration policies affecting foreign labor, presents a significant challenge to infrastructure development. Contractors often face difficulties in recruiting skilled labor for specialized projects.
- **Aging Infrastructure** - Much of the CNMI's existing infrastructure, including roads, utilities, and port facilities, is outdated and in need of modernization. The impact of Super Typhoon Yutu in 2018 exacerbated these issues, leaving many infrastructure assets in need of repair or replacement.
- **Climate Resilience** - As a small island territory, the CNMI is particularly vulnerable to climate change and extreme weather events. Building resilient infrastructure that can withstand typhoons, rising sea levels, and other environmental challenges is a key priority.



## OPPORTUNITIES FOR IMPROVEMENT

Despite the challenges, there are several opportunities to improve the infrastructure pipeline:

- **Investment in Local Material Production** - Increasing local capacity for material production, such as aggregate and concrete, could reduce dependency on imports and lower project costs. Strategic investments in local production facilities would also enhance the resilience of the CNMI's infrastructure supply chain.
- **Streamlined Permitting Processes** - The Infrastructure and Recovery Program (IRP) has already made progress in expediting the permitting process for federally funded projects. Further improvements in this area could significantly reduce project timelines and accelerate recovery efforts.
- **Integration of Climate Resilience** - The CNMI Comprehensive Sustainable Development Plan emphasizes the need for infrastructure that can withstand extreme weather events. Incorporating stormwater management, flood risk reduction, and climate adaptation strategies into infrastructure projects can enhance long-term resilience.
- **Expansion of Federal Funding** - Continued engagement with federal agencies and programs can unlock additional funding opportunities for infrastructure improvements, particularly in the areas of disaster recovery, public facilities, and utilities.

## 5. INDUSTRIES IMPACTED



TOURISM



DEFENSE



CONSTRUCTION



AGRICULTURE



HEALTH CARE



RETAIL





VIEW OF SONGSONG, ROTA, CNMI



## F. CONCLUSION REGARDING ECONOMIC CONDITIONS

The CNMI economy is not simple, but rather a complex web of interdependent industries, policies, and external influences. Despite its small size, it operates within a broader regional and global framework, shaped by persistent structural vulnerabilities, external shocks, and a heavy reliance on a narrow set of industries. This chapter has examined these dynamics in detail, identifying the constraints of the current economic structure and the factors shaping its trajectory. Understanding these realities is crucial—not just to acknowledge the challenges but to clarify the stakes and recognize why a deliberate, strategic response is necessary to secure a more resilient and sustainable economic future for the CNMI.

The CNMI's reliance on tourism has proven to be both a strength and a weakness. While the sector has historically driven growth, it remains highly susceptible to external disruptions such as global travel restrictions, natural disasters, and shifts in consumer preferences. Labor shortages, compounded by an aging population and reliance on foreign workers, have weakened the capacity of industries to adapt and expand. At the same time, aging infrastructure and high operating costs limit the CNMI's ability to attract new industries or scale existing ones.

Yet, despite these constraints, the CNMI possesses significant economic assets. Its strategic location places it at the intersection of major trade and security interests in the Pacific, offering opportunities for defense-related investments and regional trade expansion. Federal funding continues to be a critical resource, supporting infrastructure development, workforce training, and public sector operations. New industry opportunities driven by announced and ongoing infrastructure, telecommunications and workforce development investments provide a pathway for diversification—if the necessary policy frameworks are put in place.

Sectoral analyses reveal an economy at a crossroads. While tourism remains central to CNMI's commercial activity, it struggles to continue as the primary economic pillar without substantial support and structural adaptation. The construction sector, buoyed by defense and public-sector investments, has short-term growth potential but requires long-term workforce development to sustain momentum. Retail and agriculture remain constrained by limited economies of scale and logistical inefficiencies. Healthcare, though critical to quality of life and economic stability, faces persistent funding and labor shortages. The public sector remains a dominant employer but struggles with financial sustainability and operational efficiency. The defense sector, through expanded U.S. military investments, has the potential to provide long-term economic stability but requires careful planning to ensure benefits extend beyond short-term contracts.

Supply chain analysis reveals the vulnerabilities within CNMI's economic infrastructure. Dependence on external labor sources continues to pose a threat to workforce stability. Supply chain bottlenecks, particularly in construction materials and consumer goods, drive up costs and slow economic recovery. Limited inter-island and regional transportation capacity further constrains economic integration and resilience. Addressing these challenges requires a coordinated approach that strengthens supply chain efficiency, reduces reliance on external inputs, and fosters local economic linkages.

The findings of this chapter demonstrate the structural realities shaping the CNMI's economic landscape. The territory's reliance on a few core industries, constrained labor market, and external dependencies create long-term vulnerabilities. While challenges persist, the information presented provides the necessary foundation for assessing the decisions ahead and determining the strategies required to support long-term stability.

To address these concerns, residents show strong support for economic diversification and infrastructure improvements. The survey highlights widespread agreement that the CNMI needs more tourism (97% of respondents) and should pursue federal funding to enhance services and facilities (94% of respondents). Additionally, respondents value access to better goods and services, indicating a desire for improved local economies and supply chains.

This chapter lays out the foundation for the current economic conditions. In the next chapter, a key finding of the study is explored toward the establishment of key recommendations that can establish the framework for economic recovery.

**The key finding of the study recommended for both immediate and long term action is that the CNMI government does not have any existing process for the development, coordination, and implementation of economic development policy.**

Without direction, clear responsibilities, and channels by which the CNMI government can leverage existing assets, or address long-standing challenges explored in this chapter, growth and recovery whenever it arises will be once more outside of the hands and interests of the CNMI people.

(See sample Industrial Solicitation Program in **Appendix C** for a proposed framework to support coordinated investment and development efforts.)









# *Chapter 3.*

## DIVERSIFICATION - SUSTAINABILITY AND EQUITY





## CHAPTER 3 .

### DIVERSIFICATION - SUSTAINABILITY AND EQUITY



TAGA BEACH, TINIAN.

## A. THE QUEST FOR DIVERSIFICATION

Economic diversification has long been a goal of the CNMI government. Since the formation of the Commonwealth government, there have been numerous attempts to seek out alternative industrial developments that would strengthen the resilience of the Commonwealth to external economic shocks. Some of these attempts have seen success, most notably, the development of the CNMI's garment manufacturing sector, which supported the rapid growth of the CNMI economy, its government revenues, and its self-sufficiency alongside the tourism sector. This industry, troubled and now defunct, showed the potential for industrial development through proactive government effort and a keen understanding of the competitive advantages of the CNMI's economic assets.

### 1. WHY DIVERSIFY?

A functioning economy with considerable output can be achieved through development of a single industry by targeting the majority of the economy's resources toward the production of goods and services within that industry. Classic economic models of trade suggest that such a devotion of available resources toward industries in which the economy has the competitive advantage should be pursued and through trade, the goods and services it is less competitive in producing can be obtained.<sup>1</sup> This raises the question, if the CNMI has a competitive advantage in its existing industry, why commit resources away from that sector?

The history of the CNMI's economy can be characterized by the recurring cycles of booms and busts caused by a lack of structural resiliency within its trade of goods and services and the vulnerability the economy has to external factors. In such an environment, diversification of sources of major economic activity, while not preventing significant declines in economic output, can aid in mitigating the impact of such declines.

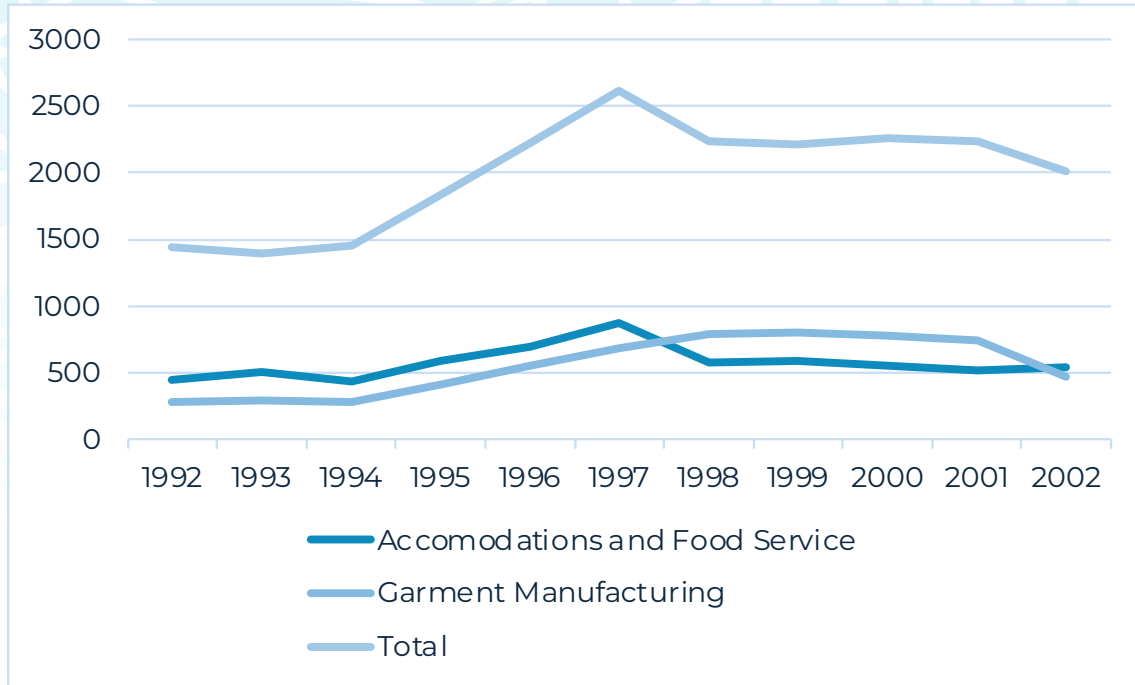
Such an example of the benefits of diversification in the CNMI can be seen during the peak periods of both the tourism and garment manufacturing sectors. Between 1992 and 2002, the CNMI had two strong drivers of economic activity. By 1997, total business revenue peaked at \$2.61 billion (\$5.1 billion in 2024 dollars), of which 33% was attributed to accommodation and food service related businesses (hotels, restaurants, and retail) and 26% was in the garment manufacturing sector.<sup>2</sup>

<sup>1</sup> Deardorff, A. 2007. "The Ricardian Model," Working Papers 564, Research Seminar in International Economics, University of Michigan

<sup>2</sup> Bank of Hawaii. 2003. Commonwealth of the Northern Mariana Islands Economic Report. East West Center.

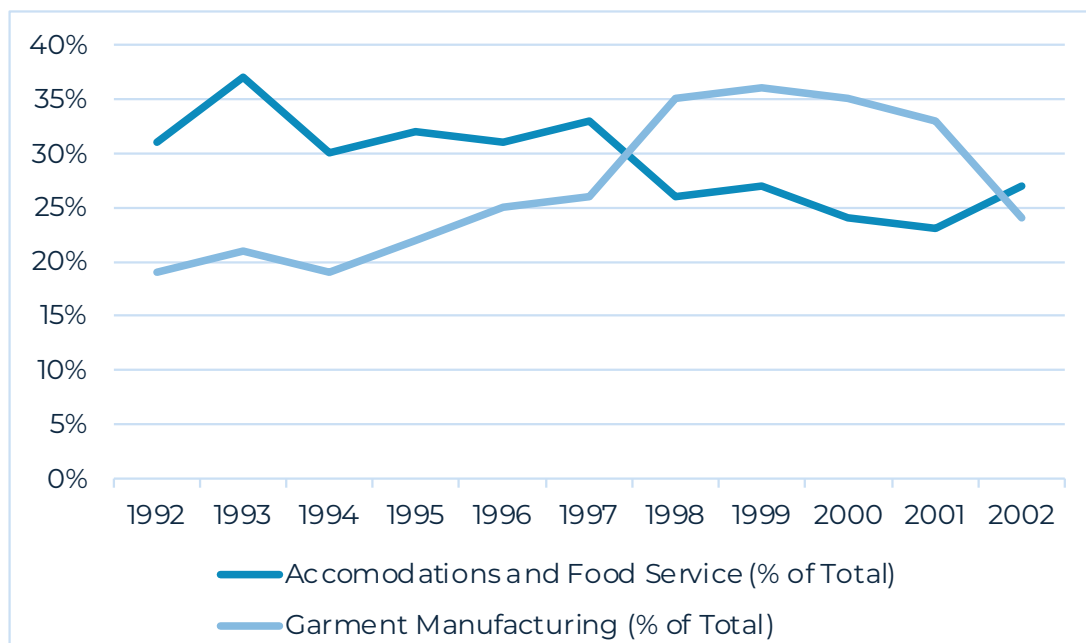


Figure 7: Gross Business Revenue (Nominal Dollars), 1992-2002



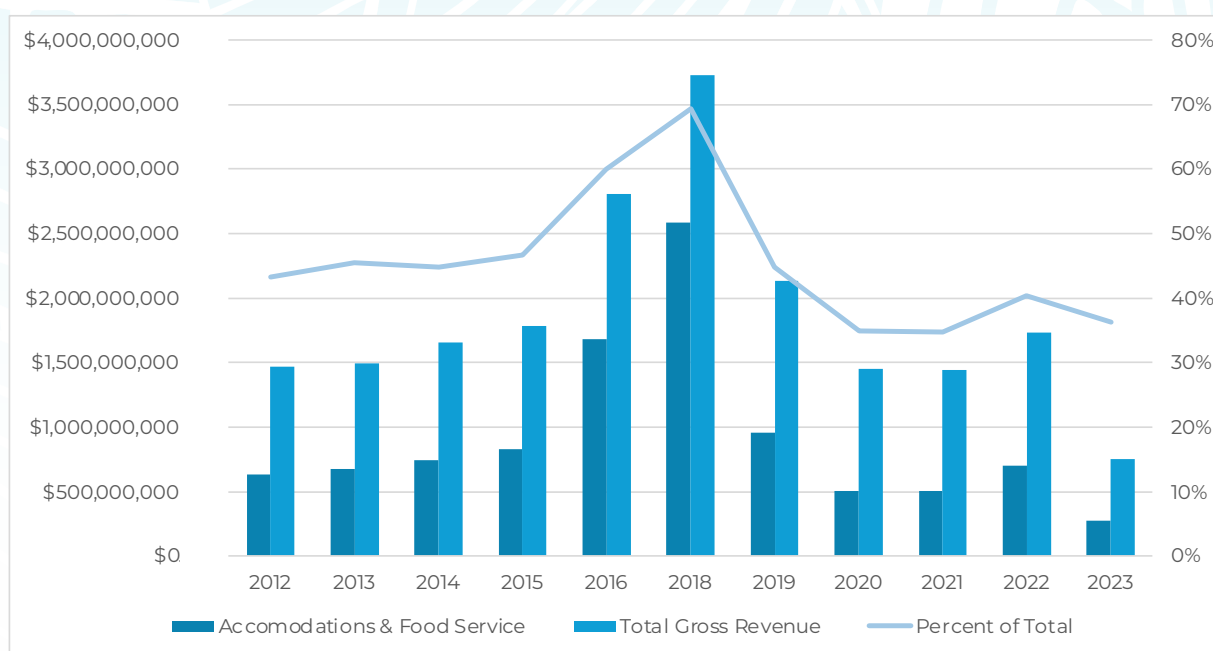
By 1998, the tourism sector was impacted by growing economic turmoil in Asia and the crash of Korean Air Flight 801 in Guam. The declining visitor arrivals persisted in subsequent years; however, total business revenue experienced a slight decline due to revenue increases in the garment manufacturing sector which represented a larger share of total business revenue.

Figure 8: Gross Business Revenue (Accommodations & Food Service, Garment Manufacturing) as a Percent of Total Gross Revenue, 1992-2002



Ultimately with the collapse of the garment industry, the economy became increasingly reliant on tourism to support commercial activity – a reliance that has led to significant economic disruptions when the visitors were unable to enter the CNMI as a result of Super Typhoon Yutu and the COVID-19 pandemic.

*Figure 9: Accommodations & Food Service, Total Revenue and the Percent of Accommodation & Food Service to Total Revenue, 2012 - 2023*



When, in good times, economic output is high in a single sector there is theoretically little concern as indicators of import to the CNMI remain positive, such as Gross Domestic Product being high, government revenue being strong. However, diversification is more indicative of long-term stability, and economic development initiatives catered to the goal of stability over development when pursuing diversification may be more productive in the long-term.<sup>34</sup>

Even as it is productive toward long-term stability, economic diversification is not without costs and tradeoffs. In an area such as the Northern Mariana Islands where resources are limited and the factors of production are constrained, **for the CNMI to commit to a trajectory of diversification it will be potentially pulling resources away from an existing and historically productive industry.** Additionally, diversification and establishing the factors necessary to support alternative industries may bear financial costs. New industries may require different workforce skills, reshaping the training funds available to workforce development institutions, or government planners may have to decide whether to compete for limited federal funding by pursuing the strength of existing sectors or building the infrastructure in anticipation of a new industry.

Finally, achieving diversification will take time. As a study of the CNMI economy performed by the Northern Marianas College noted in 1999, “With few exceptions, the industries will take time to develop. In most cases this means a number of years. Therefore, they will not provide the ‘quick fix’ that may be needed in the near-term to mitigate the economic and political difficulties that the CNMI is currently facing. Nevertheless, decisions regarding which of these industries should be pursued and actions designated to attract them should commence immediately. Otherwise, the CNMI may find itself in a downturn once again in several years, without having performed the preliminary work to protect against recession.”<sup>5</sup>

3 Hesse, H. 2008. Export Diversification and Growth. Growth Commission Working Paper. No. 21

4 Lederman, D. and Maloney, W. eds. 2007. Natural Resources: Neither Curse nor Destiny. World Bank and Stanford University Press.

5 Northern Marianas College. 1999. An Economic Study of the Commonwealth of the Northern Mariana Islands.



## 2. TYPES OF DIVERSIFICATION

Diversification comes in many forms, and with many outcomes and diversification does not have a universal definition. The actions and goals of diversification depend on how the CNMI chooses to define and alter the current character of economic activity. Pursuing alternative industries as a means for maintaining certain levels of government revenue, Gross Domestic Product, or employment all have differing characteristics when it comes to the types of industries pursued and the tradeoffs required to secure them.

Much discussion about economic diversification in the CNMI has been centered about the diversification of exports the CNMI sells to the world. Tourism is the largest and most ingrained export of the CNMI, with well developed supply chains that have established a level of external economies of scale that make the tourism product competitive. As such diversification of the CNMI's exports would require the development of the production of goods (raw, intermediate, or finished goods) or the development of alternative services, such as financial services, business process outsourcing, or software production services for example.

At the heart of the pursuit toward diversification is resilience and growth. This can be accomplished in a number of ways, and the following sections explore the various ways diversification can be conceptualized within the CNMI's specific context.

### DIVERSIFICATION WITHIN EXISTING INDUSTRIES

Diversification does not necessarily mean moving away from established industries. Diversification can instead focus on strengthening and expanding their scope. In the CNMI, key sectors such as tourism, military investment, and telecommunications present opportunities for internal diversification that can be meaningful.

Tourism can benefit from product diversification aimed at attracting new visitor segments and increasing per visitor expenditure. This can be from expanding into niche markets within the space, such as sports tourism, agri-tourism, eco-tourism, and adventure tourism. Each segment targets different source markets and preferences, reducing reliance on traditional package tour groups and short-haul, low-spend travelers. A shift to higher-end tourism can similarly create spillover benefits for other industries by driving demand for more premium services, high-quality dining, and retail offerings, which are also necessary for attracting professionals in non-tourism related industries.

The presence of the military in the CNM is set to grow through expanded investments by the U.S. Department of Defense, particularly on Tinian. Diversification within this sector involves maximizing the economic linkages between military-related activities and the broader economy. This would involve developing supporting industries such as logistics, maintenance services, and professionally trained contracting support that extend beyond the direct federal contracts and can integrate more local businesses into the defense supply chain. The need for more information sharing with the local government and private industries is critical in developing this sector. Businesses, especially those based in the CNMI, need projections of planned or scheduled investments to adequately position their services to meet specific federal requirements.

Telecommunications and digital infrastructure are critical to many industries and present opportunities for diversification. Building on recent investments in broadband expansion and fiber optic connectivity, the CNMI could support the growth of data services, cloud computing, and remote work industries that leverage existing assets and products within the existing tourism infrastructure.



## INDUSTRIAL DEVELOPMENT - LEVERAGING LOCAL ASSETS IN EXISTING SECTORS

A second avenue for diversification involves the creation of industries that leverage the CNMI's existing economic assets. Given the challenges caused by geographic isolation, high import dependence and costs, and a small labor pool, successful diversification efforts will have to be those that complement rather than compete with established sectors.

The strategic location of the CNMI, coupled with improved connectivity, presents opportunities in specialized logistics and regional trade facilitation. While the CNMI does not possess the infrastructure to serve as a primary transshipment hub, there is potential to develop industries that support and enhance trade operations in the region.

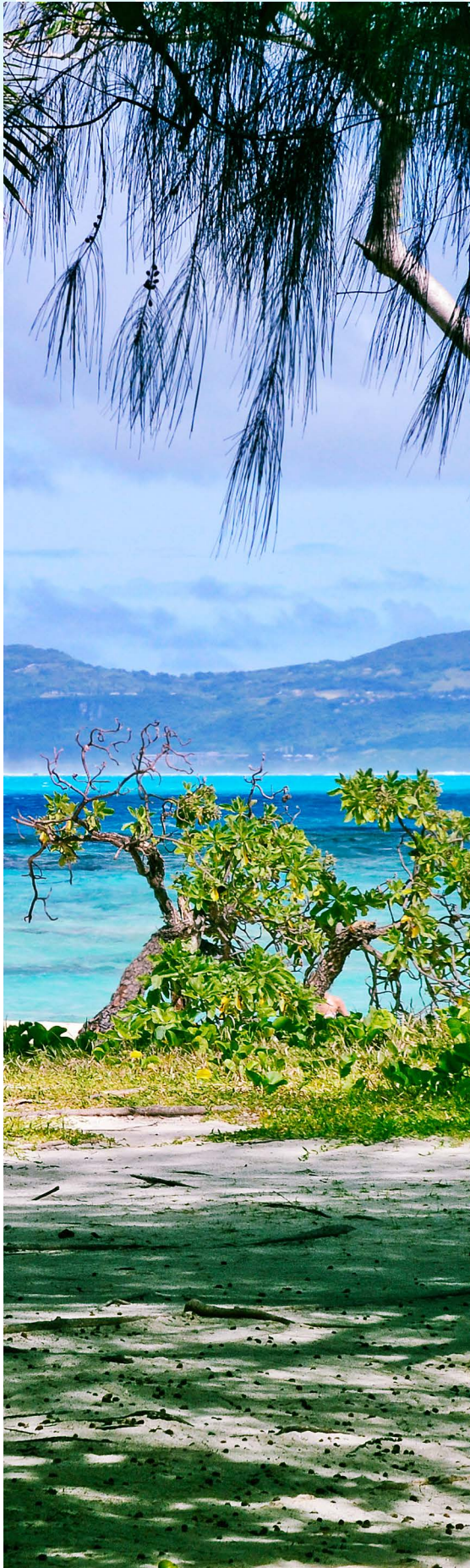
One emerging opportunity is in trade facilitation services, which encompass customs brokerage, logistics coordination, regulatory compliance consulting, and digital trade platform development. As global trade shifts toward efficiency within supply chains, the CNMI can position itself as a regional service provider for companies engaging in Pacific trade, offering expertise in customs documentation, tariff structuring and logistics management.

This is complementary to opportunities in specialized warehousing and inventory management, particularly for companies seeking secure, strategically located facilities to manage inventory flows between Asian suppliers and regional consumers. This could include bonded warehousing, just-in-time inventory hubs, or value-added logistics services, like packaging, labeling and assembly that could take advantage of the CNMI's unique treatment under Headnote 3(a).<sup>6</sup>

Additionally, agriculture and aquaculture present opportunities for industrial expansion. This development would, by necessity given the limited land availability, be catering to niche agricultural products, including high-value crops, organic produce, and specialty seafood. Regional export markets can be found or components can enter into larger international supply lines toward the development of final products.

<sup>6</sup> Under general Headnote 3(a)(iv) of the U. S. Harmonized Tariff Schedule the designation, products that are assembled or manufactured in the CNMI may enter the customs territory of the United States free of duty as long as they are in compliance with General Headnote 3(a)(iv) and applicable customs regulations.





## NEW INDUSTRIES AND STRUCTURAL CHANGES

The development of new industries in the CNMI depends on the capacity and success of the CNMI addressing its structural constraints that inhibit growth. Labor force limitations, high operating costs, and regulatory challenges must be addressed in order to create the environment conducive to alternative industrial development. If these underlying conditions change - whether through change in policy, surges in workforce development and attraction, or dramatic infrastructure improvements- new industries could emerge in areas where the CNMI presently lacks a competitive advantage.

If labor policies were to recognize the need to support higher-skilled immigration or incentivize workforce development and attraction in technical fields, the CNMI could attract investments in higher-wage, knowledge-based fields such as cybersecurity, software development or financial services. These industries require stable digital and physical infrastructure, a skilled workforce, and a favorable business climate - all areas where targeted improvements could create opportunities.

These areas are not existing assets of the CNMI. **Attempting diversification toward new industries in which existing assets are not present will struggle to find success.**

## DIVERSIFICATION AS A MEASURED STRATEGY

The CNMI has not explicitly defined the metrics it is seeking to gauge diversification. However, the CNMI's Comprehensive Sustainable Development Plan of 2019 suggests that the CNMI's future economy will be one focused on tourism, as reflected in the following 10-year goal:

*Tourism remains a robust contributor to CNMI's economy with ongoing positive growth and a GDP contribution of at least 65% over a ten-year average between 2020 and 2030.*

A contribution goal of 65% would signal a heavy reliance on tourism as a primary driver of the economy, but diversification options within the sector exist, and can be capitalized upon toward the goal of long-term stability.

### 3. PRIOR EFFORTS TOWARD DIVERSIFICATION

Diversification of the CNMI economy has been a long-standing objective, even during years of relative economic success. Reviewing past initiatives is helpful in considering recovery strategies going forward.



#### A. PRIOR STUDIES

##### 1. ECONOMIC STUDY FOR THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, NORTHERN MARIANAS COLLEGE – 1999

In 1999, prompted by the dramatic decline in visitation from Japan, the Asian Financial Crisis and amidst the upcoming inclusion of China to the WTO and the threat of federal action to remove local immigration control, the Northern Marianas College led an ambitious and community supported effort to assess, understand, and analyze the CNMI economy, marking out points of weaknesses and opportunities for growth. In listing the target industries the CNMI should pursue, the study offered a wide range of development concepts possible for the islands at the time.

#### THESE INDUSTRY TARGETS INCLUDED:

##### FINANCIAL SERVICES INDUSTRY

The 1999 report identified the potential to develop a financial services industry in the CNMI, though it acknowledged that doing so would be challenging. At the time, the financial sector in the CNMI was centered primarily on banking, with much smaller and less developed insurance and brokerage operations, all of which served mostly the local market. Despite this, the CNMI's proximity to Asia, along with the application of U.S.-based banking, insurance, and securities regulations, was seen as an opportunity to provide financial services to Asian markets.

The report emphasized the importance of creating supportive infrastructure to facilitate the growth of the financial services sector. It highlighted the need for legislative stability, noting that a predictable and fair regulatory environment was essential for attracting major financial institutions. The CNMI would need to undertake initiatives to restore legislative credibility to become a competitive destination. Additionally, the report stressed the necessity of establishing responsive regulatory bodies capable of addressing new financial proposals effectively. A skilled workforce, especially in international finance, accounting, and law, was also deemed critical to the industry's success.

The report pointed out that regular, direct flights to major Asian financial hubs and the U.S. mainland would be an important competitive factor. While the CNMI had the infrastructure to support such flights, the lack of a carrier hub placed it at a disadvantage compared to competitors like Guam.



The report drew parallels with successful financial service centers in small insular economies such as the Bahamas and Cayman Islands, which had developed financial industries catering to U.S. and European business communities. These jurisdictions benefited from political stability and tax incentives, including exemptions from corporate and payroll taxes. The CNMI would require significant legislative development and the establishment of ancillary services to follow in their footsteps.

### CAPTIVE INSURANCE INDUSTRY

The 1999 study also highlighted the potential for establishing a captive insurance industry in the CNMI. Captive insurance allows companies to self-insure, reducing their reliance on third-party insurers. The success of such an industry, the report noted, would depend largely on how the jurisdiction's legal framework was structured, and it would require competitive laws compared to nearby countries. At the time, captive insurance had seen varying success across different locations, with the Bahamas cited as an example of a jurisdiction where the industry had flourished.

The report suggested that the CNMI could focus on attracting captive insurance companies from Asia, given the geographical proximity and shared time zones. However, the study emphasized the need for careful evaluation of insurance laws in Asia to ensure the CNMI's legal framework would offer advantages. The strengths and limitations of developing a captive insurance sector were considered similar to those of other financial services industries.

### TELECOMMUNICATIONS INDUSTRY

Telecommunications was identified as a potentially pivotal industry in the 1999 report, though it was viewed more as an essential infrastructure rather than a standalone economic driver. The report noted that while the CNMI's local market was relatively small, telecommunications could serve as a foundation for the growth of other industries, such as data processing, financial services, and telemarketing. The sector had the potential to create high-paying jobs and generate substantial revenues for both the private and public sectors, while also having minimal environmental impact.

However, the report acknowledged significant challenges to developing the telecommunications industry. Legislative instability and high tariffs imposed by the monopoly service provider, MTC, were seen as major obstacles. These factors, combined with the CNMI's lack of competitive advantages in this area compared to Guam, hindered the potential for growth. The study concluded that while the CNMI had the capacity to support telecommunications-based industries, its competitive disadvantages made the prospect unlikely without substantial reforms.

### DATA PROCESSING INDUSTRY

In the 1999 report, data processing was identified as a potential industry for development, though significant challenges were acknowledged. Data processing, like telecommunications, was seen as an industry that could be located almost anywhere due to its reliance on electronic data transmission. However, human resources were considered a critical factor in determining whether the CNMI could support a data processing industry.



The report highlighted the need for a highly skilled local workforce, including systems operators, computer technicians, and programmers. At the time, the CNMI did not have a sufficient number of workers with these skills, making it unlikely that the islands could support a major data processing investment in the near future. However, the report suggested that U.S. data processing firms serving Asian clients might consider establishing operations in the CNMI, initially bringing in personnel from the mainland and gradually training local workers. The industry was seen as a good fit for the CNMI because of its low land and resource requirements and minimal environmental impact, though challenges related to communication costs and workforce development remained significant barriers.

### SOFTWARE PRODUCTION INDUSTRY

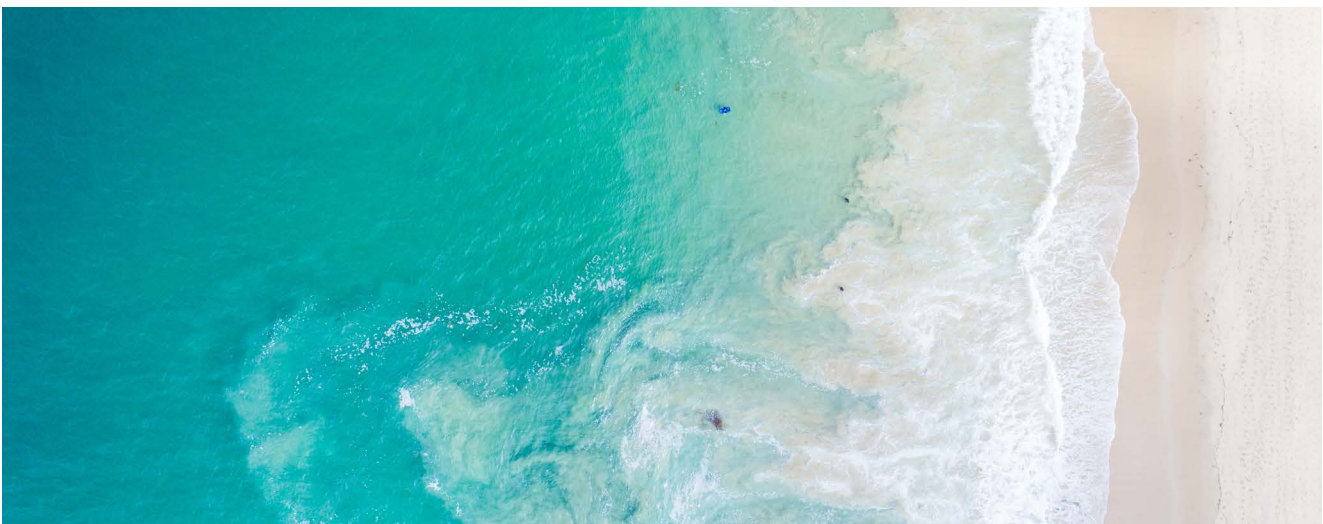
The report discussed the potential for the CNMI to develop a software production industry, though it noted that the islands offered few advantages compared to other locations. While modern communications made it possible for software production to occur in a variety of settings, the CNMI lacked the highly educated workforce typically required by this industry. Additionally, the need to import skilled labor and the uncertain control over immigration posed significant challenges.

The 1999 study suggested that software production might initially rely on foreign workers with specialized skills, who could eventually train local residents in key areas. However, this approach was seen as resource-intensive, and the necessary infrastructure to support the industry, including housing and recreational amenities, would require substantial investment. The study concluded that, while software production was a possibility, it would take time to develop the necessary conditions for this industry to thrive in the CNMI.

### STORE-AND-TRANSFER SHIPPING

The 1999 report identified store-and-transfer shipping as a promising opportunity for economic diversification and growth in the CNMI. This concept involved warehousing U.S.-manufactured goods in the CNMI before shipping them to Asian markets. The industry was seen as a way to create jobs, generate income and government revenues, and take advantage of the CNMI's exemption from the Jones Act, which restricted shipping between U.S. ports.

Store-and-transfer shipping was viewed as a strong candidate for tenancy in a Free Trade Zone and could benefit from government land leases. However, the report noted that additional port infrastructure, including loading and unloading equipment, might be necessary, and transshipment from Guam could be required under certain circumstances. The exemption from the Jones Act could potentially reduce shipping rates, making the CNMI more competitive. Despite these advantages, the report also acknowledged that Guam's larger port facilities and more stable business climate posed challenges for the CNMI's efforts to attract this industry.







## 2. OFFICE OF INSULAR AFFAIRS - BUSINESS OPPORTUNITIES REPORT - 2007

In 2007, the CNMI's Business Opportunities Report, prepared for the U.S. Department of the Interior's Office of Insular Affairs, outlined several sectors that could support the diversification of the economy. This included tourism, education, island products, and infrastructure, each with unique strengths and challenges.

### TOURISM

Tourism remained central to the CNMI's economic strategy. The report highlighted opportunities for expanding theme tourism, eco-tourism, and developing high-end resorts and golf courses. Despite setbacks in the industry, particularly following the withdrawal of major airlines and economic crises in source markets like Japan, the CNMI was positioned as an attractive destination for niche tourism markets, including wedding tourism and eco-tourism, particularly on Tinian and Rota.

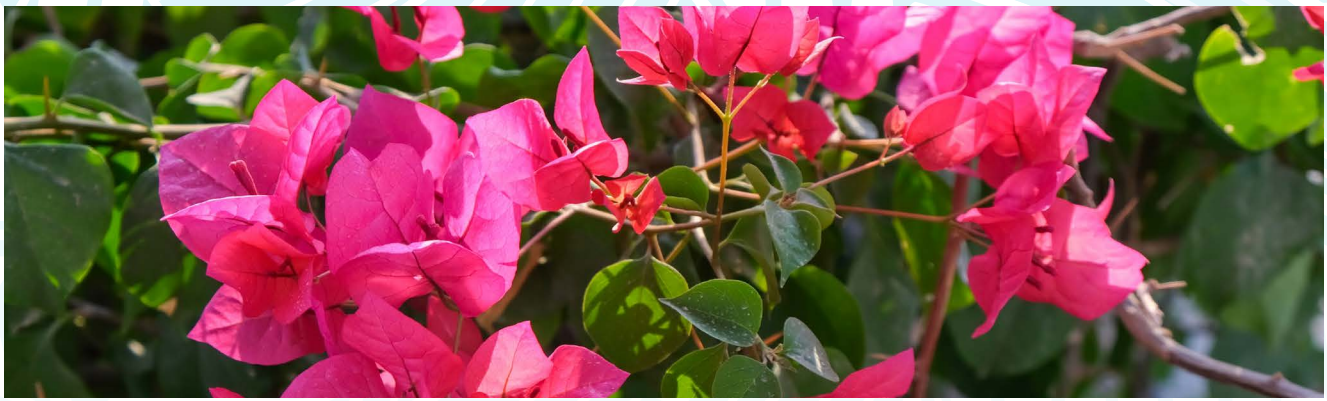
### EDUCATION

Education was identified as a promising growth area. The CNMI's proximity to Asia, its U.S. territorial status, and English-speaking environment provided advantages for developing educational programs aimed at international students. The report suggested expanding English as a Second Language (ESL) programs and distance learning opportunities in partnership with U.S.-accredited universities. Additionally, there was potential for specialized programs, such as nursing, to cater to the growing demand for U.S.-certified professionals in Asia.

### ISLAND PRODUCTS

Island Products offered another pathway for diversification. The CNMI's favorable climate and available land created opportunities in agriculture and aquaculture. Products like noni, tropical fruits, and fresh seafood were highlighted for their export potential to Asian markets. The report noted that with proper investment in infrastructure and technology, these sectors could be expanded to reduce reliance on imports and serve both local and regional markets.

Infrastructure development was identified as critical to unlocking these opportunities. The CNMI's reliance on imported fossil fuels for electricity, combined with outdated infrastructure, was seen as a major hurdle to attracting investment. The report called for investments in renewable energy—such as solar and wind power—to reduce costs and improve reliability. Additionally, upgrading sewage systems, enhancing transshipment capabilities, and leveraging the CNMI's exemption from the U.S. Jones Act to attract shipping and logistics businesses were noted as key areas for development.



## THE 2007 REPORT PROVIDED A FURTHER ASSESSMENT OF POTENTIAL OPPORTUNITIES WHICH INCLUDED:

### FILM INDUSTRY

The CNMI's natural beauty, including tropical landscapes and pristine underwater environments, was identified as a strong potential draw for film production and post-production. Recent productions, such as the Japanese and Chinese versions of "Survivor" and a Korean drama, demonstrated the appeal of the islands as a filming location. The Northern Marianas College's Film & Arts Department further supported this sector with modern production and post-production facilities. By marketing itself as a prime filming destination and improving its infrastructure, the CNMI could attract both Asian and Western production companies.

### HEALTHCARE

There is a significant opportunity to develop a hospital that caters to both locals and tourists. This could also attract health insurance providers and service operators from neighboring countries like the Philippines. Developing healthcare infrastructure would not only meet local needs but also position the CNMI as a potential destination for medical tourism.

### FINANCIAL SERVICES

The CNMI's favorable tax environment provides a unique opportunity to develop wealth management and financial trading companies. Establishing financial institutions that benefit from the CNMI's tax advantages could attract international clients and high-net-worth individuals, boosting the local economy.

### UTILITIES

With an increasing need to modernize the CNMI's aging utility infrastructure, there is a significant opportunity for the privatization of energy, water, and sewage services. Private investors or contractors could help upgrade these essential services, reducing costs and improving reliability, particularly in renewable energy projects.

### LOGISTICS

The CNMI's strategic location could allow it to develop a thriving mail forwarding industry for the Pacific islands. This would not only improve trade and communication for the CNMI but also serve as a regional hub for shipping and logistics.

### TELECOMMUNICATIONS

There are opportunities to invest in a fiber-optic connection between Saipan and Guam, which would improve the CNMI's internet infrastructure. Additionally, the CNMI's time zone and competitive labor costs make it an ideal location for call center operations.



## SECURITY SERVICES

As new industries develop, demand for security services will grow. This presents opportunities for partnerships with local security companies to provide physical and cyber security solutions for businesses.

## CONSULTING SERVICES

As businesses grow, so too will the demand for consulting services. Partnering with local consultants will help new companies navigate the CNMI's regulatory environment and establish operations, supporting long-term economic development.

The report also emphasized that the military buildup in Guam would present significant opportunities for the CNMI. As thousands of military personnel and their families relocated to Guam, the CNMI could benefit from increased demand for tourism, housing, and services. Tinian and Rota, in particular, were seen as potential destinations for military personnel seeking nearby leisure activities.





### 3. REPORT ON THE ECONOMIC RESTORATION SUMMIT 2009

In an effort to revitalize efforts aimed at developing new industries and finding ways to stimulate the economy, the CNMI government hosted the Economic Restoration Summit on April 2 and 3, 2009, on Saipan. The primary goal of the Summit was to gather public input, validate, and discuss potential new industries identified through prior economic research, analysis, and public consultation. Attendees included government officials, business leaders, members of the public, and students. The Summit garnered extensive media coverage, with multiple outlets reporting on both the Pre-Summit activities and the event itself, underscoring the perception of importance as a platform for shaping the future economic direction of the CNMI.

The 2009 Economic Restoration Summit report highlighted several key areas for potential industrial development aimed at diversifying the CNMI economy and driving long-term growth. The identified sectors included:

#### AGRICULTURE AND AQUACULTURE

These sectors were recognized as having significant potential, especially in addressing local food security and reducing dependence on imports. The report noted that while agricultural activities in the CNMI were primarily subsistence-based, with proper investment in infrastructure, technology, and training, these sectors could be expanded to serve both local and regional markets, particularly the tourism and hospitality industries.

#### CALL CENTERS AND OUTSOURCING

The CNMI's strategic location in the Asia-Pacific region, coupled with its relatively low labor costs, was highlighted as an advantage in attracting call centers and other outsourcing activities. The report suggested that with targeted legislative incentives, the CNMI could attract foreign companies looking for lower operational costs, thereby creating jobs and building a skilled workforce in the process. Reliable telecommunications infrastructure was identified as a key component to the success of this industry.



## EDUCATION TOURISM

The summit underscored the potential for expanding education tourism, capitalizing on the CNMI's existing private schools and institutions like Northern Marianas College. By improving the quality and reputation of its education offerings, the CNMI could position itself as a destination for international students, particularly from neighboring Asian countries. The development of education tourism was seen not only as a source of revenue but also as a way to boost the islands' tourism sector by attracting long-term visitors.

The Summit report emphasized the need for strategic planning, outlining the importance of master plans for each of these industries to guide development efforts. However, it also identified critical challenges, including infrastructure deficiencies, regulatory hurdles, and the need for workforce development.

One of the primary obstacles is the state of essential infrastructure. Reliable and affordable utilities, especially electricity, water, and wastewater services, are crucial for attracting and retaining businesses. However, the CNMI has experienced significant issues in maintaining dependable electricity, with power outages and equipment failures being common occurrences. The high cost and unreliable nature of these services present a considerable deterrent to investors.

The regulatory environment also poses challenges. Investors often assess the stability of a government and its policies before committing to a new market. In the CNMI, a history of unstable governance, unclear policies, and difficulties in maintaining positive relations with federal agencies have created uncertainty. These factors make the region less attractive compared to other locations where more predictable and business-friendly environments exist.

Additionally, workforce availability and expertise are critical limitations. While foreign workers fill many of the gaps in skilled labor, changes to U.S. immigration laws, particularly the transition of immigration control under U.S. Public Law 110-229, have created uncertainty regarding the availability of these workers. At the same time, the local workforce lacks sufficient training and expertise in many emerging industries, further complicating efforts to successfully realize diversification.



## B. LESSONS LEARNED – COMPONENTS FOR SUCCESSFUL DIVERSIFICATION

Despite the promising ideas proposed in past studies and summits, several factors have consistently undermined the success of diversification efforts:

- **Lack of Predictable Regulatory Environment.** Nearly every report emphasized the need for legislative reform and a predictable, stable regulatory environment. Without these reforms, investors were hesitant to commit to long-term projects. The CNMI's uncertain relationship with federal agencies, unclear policies, and frequent governance issues created a perception of risk that deterred many potential investors.
- **Inadequate Infrastructure.** Whether in tourism, financial services, agriculture, or data processing, inadequate infrastructure was a recurring problem. The CNMI's unreliable electricity, water, and telecommunications systems were identified as significant barriers to attracting and retaining business. High tariffs imposed by monopolistic providers, combined with frequent power outages and insufficient port facilities, further limited growth.
- **Shortage of Skilled Labor.** The CNMI has long struggled with a shortage of skilled labor in key areas, such as technology, finance, and healthcare. This problem was compounded by immigration restrictions, particularly the transition of local immigration control to federal authorities. The reliance on foreign workers and the lack of skilled local professionals made it difficult to develop industries like software production, financial services, or data processing.
- **Global Economic Forces.** Global events such as the Asian Financial Crisis, the rise of China's economy, the 2008 financial crisis, and geopolitical uncertainties often derailed economic strategies reliant on external markets. For example, the development of a financial services industry was significantly impacted by global financial trends and competition from other insular financial hubs.
- **Inadequate Strategic Planning.** Many of the proposed industries, such as agriculture, healthcare, and education, required substantial long-term investments in infrastructure, training, and policy support. However, there was often a lack of follow-through and strategic planning. The failure to create master plans and secure sustained funding meant that these sectors never developed into major economic pillars.

A consistent overarching recommendation in past economic reports was the need for a more coordinated and proactive government approach to secure investment and drive diversification. The failure to establish clear, strategic plans for economic development left many initiatives unfocused and short-lived.

The reports align with the concept that coordinated economic policy would set clear economic priorities, identifying which sectors to target for growth and creating measurable benchmarks to track success. The reports stressed that such coordination would offer much-needed confidence to investors, providing both local and international stakeholders with a clear, stable framework that demonstrates the government's commitment to diversification. Importantly, the reports also recognized that institutionalizing economic policy could help ensure continuity across political cycles, mitigating the disruptions often caused by leadership changes—a recurrent challenge in the CNMI's economic development.





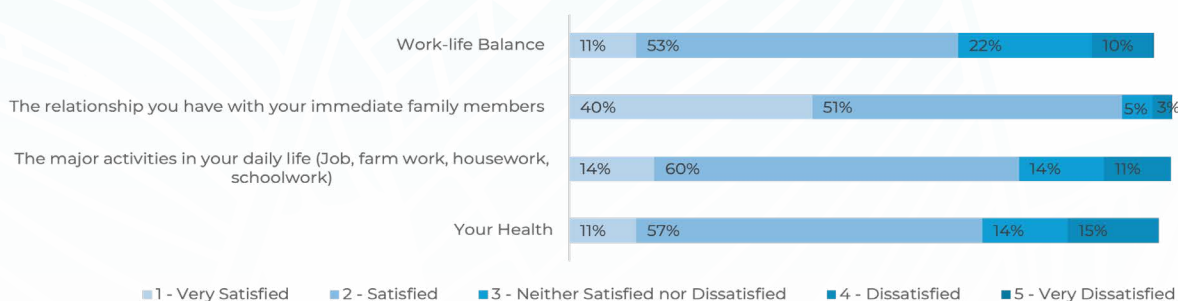


## B. SUSTAINABLE, INCLUSIVE, AND EQUITABLE GROWTH

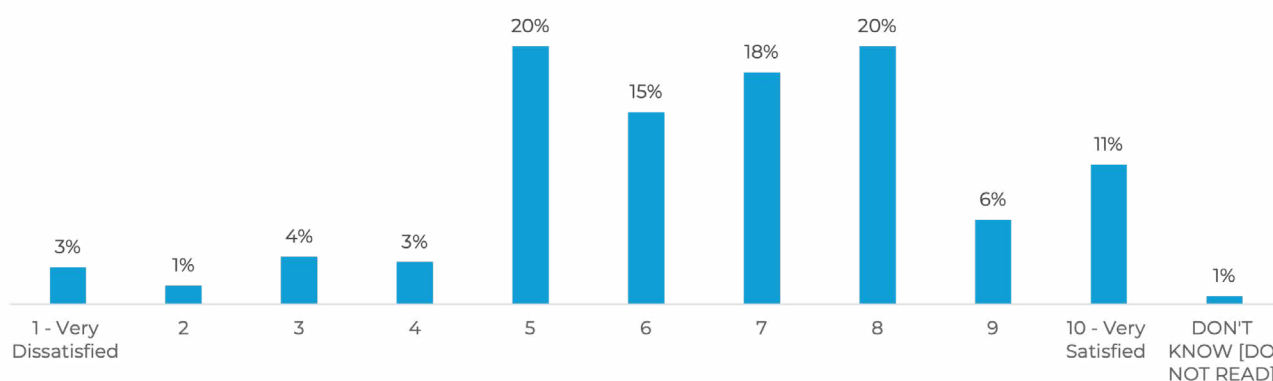
The people of the CNMI define their quality of life through a combination of deeply personal, social, and economic dimensions. In line with the pursuit of an economic recovery that speaks to the holistic perceptions of the economy on individual lives, the quality of life of individuals within the CNMI is an important, but complex concept to measure. To do so, the survey attempted to uncover the primary factors that contribute to a perceived level of life quality among residents.

**Survey responses reveal that residents place immense value on strong family connections, a sense of belonging within their community, and the preservation of cultural traditions. These intangible assets create a cohesive community that anchors many residents to the islands, even amidst economic challenges. Overall, respondents reported a relatively high level of satisfaction with their present quality of life, built upon the strength of these values.**

How Residents Feel With The Following Aspects



How Residents Are Satisfied With Their Quality Of Life In The CNMI



At the same time, respondents emphasize the importance of tangible factors such as economic stability, safety, and access to essential goods and services. Economic security—defined by stable jobs, sufficient income, and the ability to afford basic needs—emerges as a cornerstone of well-being. However, dissatisfaction with limited employment opportunities and financial challenges highlights a significant area for policy intervention.

Additionally, the CNMI's unique lifestyle, characterized by its natural beauty and cultural richness, is a major draw for residents. Yet, concerns about healthcare access, education, and the availability of goods and services indicate areas where strategic investments could significantly enhance overall satisfaction. Respondents also prioritize safety and security, reflecting a desire for physical and economic stability as key contributors to their daily lives.



## 1. EMERGING VISION FOR ECONOMIC DEVELOPMENT

The findings from the public outreach survey area foundation for shaping a cohesive and forward-looking vision for economic development in the CNMI—one that aligns with residents' priorities, addresses critical challenges, and capitalizes on existing strengths that speak to the sustainability and inclusivity of desired growth.

### GUIDING VALUES FOR ECONOMIC DEVELOPMENT

Building on the survey results, the following principles can inform the emerging vision for economic development in the CNMI:

- **Diversification and Resilience.** Tourism remains a cornerstone of the CNMI economy, but overreliance on a few source markets creates vulnerability to external shocks. A diversified approach—targeting new markets and developing complementary industries—will enhance economic resilience. This includes pursuing sectors such as sustainable agriculture, fisheries, renewable energy, and digital services, leveraging the islands' unique assets and strategic location.
- **Economic Stability and Job Creation.** Stabilizing the economy and creating quality jobs are paramount for fostering household security and long-term prosperity. This requires strategic investments in workforce development, small business support, and infrastructure projects that generate employment opportunities while building capacity for sustained growth.
- **Reducing Costs of Living and Doing Business.** High utility costs are a significant burden on residents and businesses. Prioritizing investments in renewable energy, energy efficiency, and utility modernization can lower costs while supporting environmental sustainability. By reducing the cost of living and operational expenses, the CNMI can improve quality of life and attract investment.
- **Streamlined Governance and Coordination.** Simplifying and improving the coordination of government services is essential to fostering trust and efficiency. Clear lines of responsibility and enhanced interagency collaboration will ensure that economic development initiatives are effectively implemented and accessible to all stakeholders.
- **Preserving Community and Cultural Values.** Economic growth must not come at the expense of the social and cultural fabric that defines life in the CNMI. Policies should actively protect and promote family values, community cohesion, and cultural heritage as intrinsic components of development.







The background of the slide features a close-up photograph of a coconut palm tree. The green, feathery fronds of the tree are visible in the upper and left portions of the frame. In the lower right, a large, brown, husked coconut is prominently displayed. The entire image is overlaid with a semi-transparent dark teal filter, which provides a high-contrast background for the white text.

# *Chapter 4.*

GOVERNANCE -  
CHALLENGES & OPPORTUNITIES





## CHAPTER 4. GOVERNANCE - CHALLENGES & OPPORTUNITIES



### A. INSIGHTS OF GOVERNMENT STAKEHOLDERS

In both the internal stakeholder interviews and in the external stakeholder interviews, a number of key issues of significance impacting the CNMI economy were uncovered. Several key findings emerged from this process, which are critical to shaping the CNMI's future economic strategies.

- More up-to-date data on the CNMI's Economic Conditions is needed
- Business revenues are declining
- Tourism arrivals are beneath pre-pandemic levels
- The economy is undiversified and centered on tourism
- Business optimism is low
- Industrial sectors, such as construction and agriculture, lack capital and manpower resources
- Access to financial markets is limited
- High costs of transportation
- Maintenance and improvements to infrastructure are needed
- Government budget priorities are encumbered by mandatory earmarks
- Natural Disasters and Climate Change present growing vulnerabilities
- Coordination on government economic policy among agencies and between the private and public sector could be strengthened



Stakeholder Engagement also identified some higher-level themes that suggest the pathway to economic recovery.

- **The need for the CNMI to diversify its economy beyond its heavy reliance on tourism**

Stakeholders agreed that while tourism has long been the primary economic driver, this dependency has left the CNMI vulnerable to external shocks, such as the COVID-19 pandemic and natural disasters. There was strong consensus that the CNMI must explore new sectors for growth. Agriculture and aquaculture were identified as potential industries that could reduce reliance on imported goods and create new export markets. These sectors were highlighted as key areas where modern techniques and infrastructure could significantly enhance local production and sustainability. Renewable energy also emerged as a critical sector, with stakeholders discussing the potential for solar and wind power to reduce the CNMI's dependence on imported fossil fuels. Renewable energy projects could also generate employment opportunities in areas such as construction, maintenance, and technical services. Educational tourism was another sector identified, with the CNMI's proximity to Asia and its U.S.-accredited education system offering unique advantages for attracting international students. Cybersecurity and digital services were raised as potential growth sectors, particularly in light of the global shift towards digitalization. These industries could create high-value jobs and position the CNMI as a hub for business process outsourcing and other tech-driven services.

- **The need for significant investment in infrastructure to support economic growth**

Stakeholders emphasized that infrastructure improvements are foundational to any development strategy. Transportation and port facilities, in particular, were identified as critical areas in need of modernization to enable more efficient imports and exports. Without improvements to air and sea connectivity, the CNMI would struggle to attract both tourists and investors. Utilities, particularly the cost and reliability of electricity and water, were another major concern. High utility costs and frequent disruptions were seen as barriers to business development and a deterrent to potential investors. Modernization efforts that integrate renewable energy sources into the grid were considered essential. Telecommunications infrastructure also emerged as a key area requiring improvement, with stakeholders underscoring the importance of expanding broadband access. Reliable internet is critical for industries such as digital services, educational tourism, and call centers to thrive in the CNMI.

- **Government involvement in economic development needs greater coordination**

Stakeholders voiced concerns about the lack of coordination among government agencies responsible for economic policy and investment promotion. Many called for a more centralized approach, possibly through the creation of a task force or central authority, to streamline processes, reduce bureaucratic delays, and attract investment more effectively. Public-private partnerships were viewed as critical for developing infrastructure and supporting emerging industries. There were suggestions that the CNMI government should formalize mechanisms to engage with the private sector and leverage private investment in areas such as renewable energy and tourism development.

- **Workforce development and retention are significant**

Stakeholders recognized that the CNMI's labor market is underdeveloped, with many industries relying heavily on foreign labor. Stronger workforce development programs that align with the future needs of the economy were seen as essential. Northern Marianas College and other local institutions were encouraged to expand their technical and vocational training programs, particularly in renewable energy, agriculture technologies, and digital services. Retaining local talent

was another challenge discussed in detail. Stakeholders acknowledged that many young professionals leave the CNMI in search of better opportunities abroad. To address this issue, incentives such as loan forgiveness programs and housing assistance were proposed to encourage skilled workers to remain in the CNMI and contribute to its economic development.

- **CNMI's regulatory and investment environment is challenging** - The complexity of the current regulatory framework, including the slow and cumbersome process of securing business permits and licenses, is a source of frustration. Streamlining these processes to create a more attractive investment climate was seen as a priority. In addition to regulatory reform, stakeholders discussed the importance of offering more competitive investment incentives. Targeted tax incentives, improved land-use policies, and access to business financing were viewed as essential components of a successful investment strategy.
- **Regional cooperation is an important avenue for economic growth** - Stakeholders saw the potential for the CNMI to collaborate more closely with neighboring Pacific islands, particularly in sectors such as tourism, logistics, and trade. The CNMI's strategic location was identified as a key asset that could be leveraged to develop a regional transshipment hub, facilitating trade between the U.S. and Asian markets. Additionally, shared tourism initiatives with Guam and other islands were discussed as a way to pool resources and attract a larger share of international tourists. Such collaboration could reduce competition and create a more sustainable tourism sector for the region as a whole.





The stakeholder engagement culminated in two roundtable sessions held in August 2024, where findings from the interviews were presented and discussed. Internal stakeholders recognized the need for greater coordination across government entities, advocating for the creation of a formal task force to streamline regulatory processes and enhance investment attraction. Meanwhile, external stakeholders focused on community engagement in economic development, underscoring the necessity of long-term planning and continuity in policy implementation. These collaborative discussions shaped the future direction of the project, with a focus on addressing economic diversification, recovery of key sectors like tourism, and improving the overall quality of life in the CNMI.

A common overarching theme emerging from both internal and external stakeholders that is also supported by the economic analysis of this study was the recognition that the CNMI economy is under significant strain, with declining revenues, stalled tourism, and a lack of coordinated economic development efforts. Both groups agreed that a unified strategy is necessary, yet absent, with independent actions and overlapping functions hindering progress. To address these issues, internal stakeholders proposed the creation of a “rapid response” task force to streamline investment processes and improve collaboration, while external stakeholders recommended the formalization of a community-based organization to contribute to long-term economic planning.

Beliefs on the disconnected government policy with relation to economic growth was similarly pronounced among the public. While the responses to the Economic Recovery Survey shows large support for the government’s capability to promote economic development (73.6%), confidence that the CNMI government can improve the economy (71.4%), and a belief that the government can use its resources to secure it (62.3%), there exists uncertainty about who within the government holds the responsibility to do so. Of the respondents, 47.2% stated that they were not aware of a responsible government entity for economic development, with 25% of those who stated they did know believed that the Governor’s Office is responsible. Despite having the most recent statutory mandate to house economic development responsibilities, only 1.4% of respondents identified CEDA as the primary agency for economic development.



REMNANTS OF THE OLD JAPANESE-ERA PIER OFF MICRO BEACH IN GARAPAN, SAIPAN.

*The following scenario was developed through stakeholder engagement interviews to outline how economic development can be seen within a hypothetical investment opportunity and the possibilities available from greater collaboration and clear delineation of responsibilities. This scenario was presented at a roundtable discussion with government stakeholders to emphasize the need for collaboration and encourage ideas on how to improve such.*

## SCENARIO

### INVESTOR INTERACTIONS IN THE CNMI

The following hypothetical scenario illustrates the workings of the current system and the potential that could arise from greater coordination. The circumstances and specific interactions may not reflect a fully accurate representation of the interactions but are extrapolations from current research and findings on the organizational system within the CNMI.

### HYPOTHETICAL INVESTOR

A U.S. corporation is looking to expand its operations to the Pacific region. It plans for the construction of a new commercial building that will house its Information Technology (IT) operations supporting the Asian market.

### CURRENT CONDITIONS

The CNMI Department of Public Lands (DPL) holds significant acreage of available land in the CNMI. Several parcels of Public Lands are available for investment and DPL is interested in securing investment to support its operational costs through lease and rental payments.

The Commonwealth Economic Development Authority (CEDA) houses the mandate to support general economic development and has the capability to incentivize various types of development across the CNMI through its Qualifying Certificate Program and development financing operations. These programs are available for the investor and can be mobilized to reduce the cost of operations and in securing financing for the initial development of the investment.

The CNMI Department of Commerce has the statutory mandate to support foreign investment and is active in pursuing investor interest in the CNMI and provides investors resources to formally establish their operations through its Registrar's Division. The Department can speak with the investor but does not have the resources or programs to incentivize their investment in the CNMI.

The CNMI Department of Finance provides business licenses to investors and businesses and is responsible for the collection and expenditure of taxes collected from these businesses. The investment would have implications to the budget projections of the CNMI government, potentially improving the amount of available resources to support government operations.

The CNMI Department of Labor supports the development of the CNMI's labor force in both number and skill to contribute to the economy and support the employment needs of businesses within the private sector. Resources within the Department of Labor can be targeted to support the specific workforce needs of the investor, adding additional incentives by offsetting training and onboarding costs of hiring local employees.



## HYPOTHETICAL INTERACTIONS – CURRENT CONDITIONS

The U.S. investor meets with a CNMI official at an investment conference. The investor is interested in receiving more information about the CNMI and the possibilities of investing in the Commonwealth. Following up, the investor researches the CNMI and acquires the contact information for the Department of Commerce, who informs them of the steps for establishing a CNMI corporation. When discussing investment incentives, the Department of Commerce directs them to CEDA.

CEDA informs the investor of the Qualifying Certificate program and the requirements for eligibility. The investor then reviews the CNMI's tax structure to determine the level of expected benefits derived from tax abatements or rebates within the program. Following this review, the investor asks CEDA about the availability of land for the development and workers able to be hired within the Commonwealth. To this, CEDA directs them to the Department of Public Lands and Department of Labor for additional information.

In meeting with the Department of Public Lands, the investor is asked if they have a specific parcel of land they are interested in leasing. Uncertain of the CNMI's land area, the investor then reviews the available public land opportunities, coordinates internal resources to visit the sites, and determines whether a particular parcel has the necessary infrastructure to support the development and whether the Zoning classification conforms with their intended use. Following this research, the investor then returns to DPL with a selected list of properties on Saipan.

In meeting with the Department of Labor, the investor is informed of the available programs offered by the Department and the resources available to support the announcement of positions, and the sourcing and subsidizing of initial labor needs. The investor, looking for a specific skill in their employees, reviews the available training providers and finds that no provider offers the training required for their operations. The investor then plans for the creation of its own training program with the support of the Department of Labor.

All of these steps occur first in order to assess the viability of the CNMI as an investment location and before the investor establishes a corporation in the Commonwealth.

## HYPOTHETICAL INTERACTIONS – IMPROVED CONDITIONS

The U.S. investor meets with a CNMI official at an investment conference, expressing interest in expanding operations to the Commonwealth. The CNMI official relays the contact through an internal CNMI government coordination network to CEDA. Upon returning home, the investor is promptly contacted by CEDA, which acts as the lead agency for coordinating the investment process.

CEDA, through the authority delegated to it by the Governor to support and facilitate investment from IT companies, arranges a virtual meeting with representatives from the CNMI Department of Commerce, Department of Public Lands, Department of Finance, and Department of Labor. During this meeting, the investor receives a comprehensive overview of the investment process, available incentives, land opportunities, workforce resources, and the benefits of establishing operations in the CNMI.

Furthering the communication, the Department of Commerce provides a clear, step-by-step guide for establishing a CNMI corporation and offers assistance with the registration process. The investor is also introduced to the “One-Stop Shop” online portal, where they can complete necessary forms, track application statuses, and communicate with relevant departments in real time.

CEDA works with the Office of the Governor and the Department of Finance to present a tailored incentives package, detailing the Qualifying Certificate program and potential tax abatements or rebates. They also provide financial modeling assistance to help the investor understand the fiscal benefits of their investment. CEDA ensures the investor understands how these incentives can reduce operational costs and secure financing for the project.

The Department of Public Lands, working in close collaboration with CEDA and agencies of the CNMI government, offers a curated list of available parcels that meet the investor's infrastructure and zoning requirements. The investor can virtually tour these sites via an interactive GIS platform, simplifying the selection process. The Department of Public Lands also coordinates directly with local utility providers to ensure that all necessary services will be available at the chosen site.

The Department of Labor coordinates with CEDA and the investor to understand the workforce requirements of the investor and collaborates with local training providers to quickly establish a customized training program that meets the investor's specific skill requirements. They offer subsidies for training and onboarding local employees, further incentivizing the investor. Additionally, the department provides ongoing support through job fairs, recruitment drives, and partnerships with local educational institutions to ensure a steady pipeline of qualified candidates.

The Department of Finance offers a detailed analysis of the tax implications and benefits of the investment, assisting the investor in understanding the fiscal landscape derived from the discussions on tax incentives from CEDA. They also ensure that the business licensing process is streamlined, and that the investor has a clear roadmap for compliance with CNMI's land use and regulatory requirements.

Throughout the process, CEDA maintains regular communication with the investor, addressing any emerging concerns and facilitating interactions between different departments. They provide a single point of contact for all follow-up inquiries, ensuring the investor feels supported at each stage of the process.





## B. THE NEED FOR ECONOMIC DEVELOPMENT PLANNING

The specific, singular economic policy of the CNMI Government is difficult to ascertain at the time of this report, however, effort and pronouncements have been made toward diversifying tourism source markets and expanding the role of U.S. military investment in both land use and tourism. A review of historical economic policy, however, sheds light into the current paradigm of economic policy that may still be operational today. The 1989 Prospectus for Guiding Growth provided the following description of the CNMI Government's policy at the time:

*"The Commonwealth Government acknowledges that private sector investment programs cannot be dictated or planned by any government entity operating within the precepts of a free society, they can, however, be directed."*

Yet, despite this belief, the CNMI government has engaged in numerous economic planning efforts, concurrent with the development of this policy and in the subsequent years. From different approaches and through differing entities the CNMI has a long history of producing plans related to the economic development of the Commonwealth. A listing of plans reviewed and used in this study is as follows:

*Table 4: List of Prior Economic Development Plans*

Organization	Year Published	Plan Produced
Coastal Resources Management Office	1985	A Preliminary Study of the Technical Feasibility of Aquaculture in the Islands of Saipan, Tinian, and Rota
CNMI Government	1985	CNMI Capital Improvement Strategy, 1986-1992
Commonwealth Development Commission	1989	CNMI Overall Economic Development Strategy
Office of Planning and Budget	1989	Economic Development Strategy "A Prospectus for Guiding Growth"
Marianas Public Land Corporation	1989	Public Land Use Plan
Marianas Visitors Bureau	1990	Tourism Master Plan for the Commonwealth of the Northern Mariana Islands 1991-2000
Rota Mayor's Office	1995	The Rota Master Plan
Northern Marianas College	1999	An Economic Study of the Commonwealth of the Northern Mariana Islands
Northern Island Mayors Office	2001	Northern Islands Development Plan
CNMI Department of Commerce	2003	Comprehensive Economic Development Strategy
Commonwealth Zoning Board	2007	Garapan and Beach Road Revitalization Plan

<sup>1</sup> CNMI Office of Planning and Budget. Economic Development Strategy "A Prospectus for Guiding Growth". (1989)

Department of Commerce	2009	A Strategic Approach: Utilizing CNMI's Natural Resources to Provide Complementary Support to DoD Guam
Department of Commerce	2009	Comprehensive Economic Development Strategy 2009-2014
Northern Marianas College Cooperative Research Extension and Education Service	2011	Commonwealth of the Northern Mariana Islands Aquaculture Development Plan 2011-2015
National Renewable Energy Laboratory	2011	Strategic Energy Plan
Marianas Visitors Authority	2012	Tourism Master Plan for 2012-2016
Guam/CNMI Maritime Transportation Advisory Group	2014	The Mariana Islands Maritime Transportation System Recovery Plan
Department of Commerce	2016	2016-2021 Comprehensive Economic Development Strategy
Marianas Visitors Authority	2019	Tourism Development in the US Commonwealth of the Northern Mariana Islands
Division of Coastal Resource Management	2017	Saipan Lagoon Use Management Plan Update – 2017
Commonwealth Ports Authority	2017	Tinian International Airport Emergency Contingency Plan
Pacific Basin Development Council	2018	2018 U.S. Pacific Islands Comprehensive Economic Development Strategy
Office of Planning and Development	2019	2019 Commonwealth of the Northern Mariana Islands Comprehensive Economic Development Strategy Update
Department of Public Lands	2019	CNMI Comprehensive Public Land Use Plan Update for Rota, Tinian, Saipan, and the Northern Mariana Islands
Marianas Visitors Authority	2021	MVA Strategic Plan Toward Sustainable Tourism 2021-2031
Governor's Council of Economic Advisers	2022	CNMI 10-Year Plan

An analysis of the economic development planning of the CNMI economy showcases a strong and sincere effort to plan for the economic future of the islands, but the relationship between the government's role and the investment decisions of the private sector remains consistent to the belief espoused in 1989. In reality, and outside direct planning efforts, however, the development of the modern tourism economy was built on a foundation of the government actively opening opportunities for private investment and allowing investors to enter the CNMI and capitalize on them. The push to secure Approved Destination Status for the CNMI from the People's Republic of China, and the subsequent advocacy to continue the use of discretionary parole as a mechanism for PRC nationals to enter visa-free is an example of this, so too was the lifting of the decades-old prohibition



on casino gaming on Saipan, which saw the development of the unfinished casino resort complex in Garapan. Similar efforts to reduce government bureaucracy in permitting, and incentivizing air service from Japan and South Korea, were all aimed at freeing restrictions to economic activity in hopes of generating investment.

The guiding factor behind those efforts that is necessary in future planning efforts is the establishment and implementation of specific economic development policy that guides government actions, stimulates activity among private investors and leverages federal resources, where available, to secure the successful implementation of the policy.



TAGTAO MO'NA TREE (BAYAN TREE), ROTA THIS PHOTO WAS PROVIDED BY © TURNKEY



## C. INVESTOR PERSPECTIVES IN ECONOMIC PLANNING

The understanding of the CNMI government in 1989 that “private sector investment programs cannot be dictated or planned by any government entity operating within the precepts of a free society” should not be discounted, however. In lieu of directing economic activity, economic planning efforts should understand the decision-making process of investors and plan for the use of government resources to incentivize development.

The development of policy and the plans to support its implementation should consider the investor’s perspective in determining the role of government in securing further development. Comparing the CNMI’s investment environment against the larger United States offers useful indications of what businesses are seeking in an investment location.

### CNBC - AMERICA’S TOP STATES FOR BUSINESS

*The methodology for CNBC’s America’s Top States for Business 2024 rankings is designed to assess state competitiveness based on factors most relevant to businesses.<sup>2</sup> The study evaluates ten broad categories that reflect key considerations in site selection and economic development. These categories, which have remained consistent since the study’s inception in 2007, are weighted differently each year to reflect evolving business priorities.*



*To determine the weight assigned to each category, the methodology analyzes economic development marketing efforts from states, identifying the factors most emphasized in their pitches. Categories with higher prominence in state marketing receive greater weight, ensuring the rankings align with the factors states themselves use to attract businesses. For 2024, Infrastructure became the most heavily weighted category for the first time, reflecting significant federal investments and a growing focus on reshoring production and site readiness. Workforce, while still critical, has a slightly reduced emphasis due to easing labor shortages.*

*The study evaluates each category through a comprehensive set of metrics. For 2024, the rankings use 128 metrics, the most ever, encompassing a wide range of economic, social, and environmental factors. Metrics are developed with input from business leaders, policy experts, and state representatives. To ensure fairness, some metrics are calculated on a per capita basis, allowing states of varying sizes to compete equitably. Scoring is based on empirical data from publicly available sources, supplemented by specialized research from organizations such as CoStar Group, First Street Foundation, and Lightcast. Each state is scored out of a possible 2,500 points, with individual category scores determining overall rankings. Additionally, states receive letter grades to provide a relative measure of performance.*

*Infrastructure, the top-weighted category in 2024, evaluates transportation systems, site readiness, utility infrastructure, and sustainability in the face of climate risks. Workforce focuses on skilled labor availability, migration of educated workers, and worker productivity. Other categories include Economy, which examines GDP growth and fiscal stability; Quality of Life, which considers factors like healthcare and inclusiveness; and Cost of Doing Business, which measures taxes, wages, and utility costs. New metrics for 2024 address emerging trends, including the rise of artificial intelligence, insurance costs, and foreign direct investment.*

<sup>2</sup> <https://www.cnbc.com/2024/06/13/how-we-are-choosing-americas-top-states-for-business-2024.html>



The rankings rely on data from diverse sources, including federal databases, state reports, and non-partisan organizations. Real estate and labor market data are provided by CoStar Group and Lightcast, while climate risk assessments come from First Street Foundation.

In the 2024 CNBC ranking of America's Top States for Businesses, Virginia obtained the highest overall ranking due to favorable conditions of infrastructure, workforce and business friendliness.

## AREA DEVELOPMENT - TOP STATES FOR DOING BUSINESS

The methodology for the 2024 Top States for Doing Business rankings, published by Area Development, evaluates state performance based on factors crucial to companies' location and expansion decisions.<sup>3</sup> The rankings are informed by a detailed survey of industry consultants who identify the most important criteria for site selection, ranging from workforce availability to infrastructure and regulatory environments.

The process begins with a survey of consultants to determine the relative importance of 14 key categories, such as workforce quality, tax incentives, logistics, and climate resilience. Each category is assigned a weight proportional to its significance. For instance, "availability of skilled labor," deemed the most critical factor, carries a weight 10 times greater than less influential categories like "workforce training programs," weighted at 3.7. The weighted results of the survey are combined to rank states both overall and within individual categories.

Key factors shaping the rankings include workforce development, cost of doing business, site readiness, and infrastructure. States that excel in these areas often demonstrate strong investment in policies and programs that support business needs. For example, Georgia, ranked first overall for the eleventh consecutive year, stands out for its workforce development initiatives, particularly the Georgia QuickStart program, which provides customized training for new and expanding businesses. Georgia also benefits from world-class logistics infrastructure, including Hartsfield-Jackson Atlanta International Airport and the Port of Savannah. In addition to workforce and infrastructure, Georgia excels in business incentives and maintaining a low cost of doing business. The state offers competitive tax incentives, such as credits for job creation, research and development, and investment in economically distressed areas. Sales tax exemptions for manufacturers and other benefits further enhance the appeal of doing business in Georgia. These incentives, combined with the state's business-friendly policies, help maintain a favorable operating cost environment.

The rankings also emphasize emerging priorities, such as climate resilience and water availability, reflecting growing concerns among businesses about sustainability and resource security. States like Indiana and Michigan excel in climate resilience and water management, showcasing proactive investments in infrastructure and policies to mitigate climate risks and ensure long-term resource availability.

Data for the rankings is drawn from consultant surveys and publicly available sources, including state economic development agencies and industry reports. Each state's performance is assessed based on the number of mentions it receives in each category, and the totals are adjusted according to the established weightings to generate overall rankings.

<sup>3</sup> <https://www.areadevelopment.com/Top-States-for-Doing-Business/q3-2024/top-states-for-doing-business-in-2024-a-continued-legacy-of-excellence.shtml>

## LESSONS FOR CNMI PLANNING EFFORTS

From this brief perspective into the investor's decision-making process in determining whether the CNMI is an adequate investment location, the CNMI's planning efforts should take an assessment of its capabilities on key factors as starting point for reviewing the government's role in ameliorating challenges that exist for investors:

- **Cost of Doing Business**
- **Infrastructure Development for Commercial Activity**
- **Business Friendly Environments/Responsiveness and Cooperativeness of Government**
- **Availability of Skilled Workforce**
- **Availability of Investment Sites**



WWII JAPANESE CANNON.





## CASE STUDY - NEW INDUSTRIAL ECOSYSTEMS AND THE SAIPAN CASINO

One longstanding effort of the CNMI government to obtain diversification within its tourism sector was the expansion of entertainment options made possible through casino gambling.

Casino gambling in the CNMI has a contentious history. In 1978, the *Gaming Control Act* established the Casino Gambling Commission, only for voters to repeal the Act via referendum in 1979. In 1989, the *Tinian Casino Gaming Control Act* authorized gambling exclusively in the Second Senatorial District (Tinian and Aguiguan) following a local initiative. Similarly, in 2007, the *Rota Casino Act* legalized casinos in the First Senatorial District (Rota). However, CNMI voters rejected a proposed *Saipan Casino Act* during the same election, with 5,125 votes against and 3,701 in favor.

Despite these legal frameworks, only one casino—Tinian Dynasty Hotel and Casino—was operational by the late 1990s. While initially profitable, it faced federal scrutiny for violating U.S. Bank Secrecy Act (BSA) regulations between 2008 and 2015. The U.S. Financial Crimes Enforcement Network (FinCEN) found failures in anti-money laundering programs, currency transaction reporting, and suspicious activity monitoring, leading to a record \$75 million fine. Unable to recover, the Tinian Dynasty ceased operations in 2015.

Emerging from the fiscal constraints of the prolonged recession in the CNMI (1998-2013), the government ceased employer-share contributions to the CNMI Retirement Fund. This decision led to the Fund's collapse and the establishment of the NMI Settlement Fund, creating a substantial recurring fiscal obligation. In response, the CNMI pursued several initiatives to generate tax revenue and meet Settlement Agreement requirements.

Initially, the government sought to amend the Constitution to allow Pension Obligation Bonds to offset judgment payments with debt. Another attempt came with the enactment of the *Tourism Entertainment and Destination Enhancement Act of 2013*, redefining “gambling devices” to enable electronic gaming facilities under specific criteria. However, these measures failed to generate sufficient revenue, prompting a renewed consideration of casino gambling on Saipan.

With mounting financial pressures, the CNMI passed Public Law 18-38 in 2014 to address its “dire need of revenues” for Settlement Fund payments. Later reenacted as Public Law 18-56, this law authorized an exclusive gaming license for Saipan. The law required a \$2 billion investment in casino development, an annual \$15 million license fee to support retirees' benefits, and the required construction of 2,000 hotel rooms on Saipan. The CNMI Lottery Commission issued a Request for Proposals, selecting Imperial Pacific International (IPI), a Hong Kong subsidiary, as the licensee in July 2014. By August, the Casino License Agreement was finalized, establishing the contractual

framework for IPI's operations.

In November 2015, Best Sunshine International, an IPI subsidiary, launched *Best Sunshine Live*, a temporary gaming facility that doubled as a training site for its 590 employees. The \$500 million permanent facility in Garapan opened partially in 2017, with plans for a 329-room hotel and casino. The live-training site generated substantial activity, with VIP gaming constituting 97% of its \$6 billion December 2016 revenue, significantly boosting government tax revenue alongside the \$15 million annual license fee.

However, construction and compliance challenges plagued the Integrated Gaming Facility (IGF). Labor shortages, exacerbated by CW-1 worker program caps and restrictions, hindered progress. Chinese government capital controls, illegal hiring practices, wage disputes, and declining VIP demand further disrupted development. Additionally, federal investigations and enforcement actions by the Commonwealth Casino Commission (CCC) highlighted non-compliance with CNMI gaming laws.

By April 2021, the CCC suspended IPI's gaming license, citing five violations and imposing a \$6.6 million fine. The IGF's promise of revitalizing Saipan's economy remains uncertain, overshadowed by legal, financial, and operational challenges. By 2024, IPI faced with license revocation by the CCC for noncompliance, declared bankruptcy and is currently involved in bankruptcy proceedings in the CNMI District Court.







## CORE ECONOMIC DEVELOPMENT CHALLENGES

The creation of a casino license on Saipan is one example of an economic policy, originated by the CNMI legislature, aimed at increasing economic activity and securing greater levels of government resources to afford government obligations. However, in its original construction, the construction of the policy and its implementation highlight significant structural gaps that inhibited its success.

### 1. FEASIBILITY OF INVESTMENT SIZE

The statute authorizing the issuance of an exclusive license to operate a casino on Saipan required several significant investments to be made as conditions of the license. Component of these requirements was

*“The applicant who is granted an exclusive license under this chapter shall make an initial investment of at least two billion dollars, to include a casino and a resort with a minimum of 2,000 guest rooms. The purchase of an existing hotel shall not be included in satisfying the requirement of building 2,000 rooms.”*

Prior to the creation of this requirement, no study was performed on the capacity of the CNMI’s tourism market to sustain 2,000 additional rooms, or as to the capacity of the CNMI to accommodate the necessary volume of tourists to make the creation of these rooms feasible. In 2017, three years after the passage of the Casino act, the Marianas Visitors Authority produced its report on the feasibility and sustainability of tourism development in the CNMI, which found, “Best Sunshine’s additional inventory under the casino license of at least around 1,600, the CNMI’s visitor arrival would need to reach at least 1.5 million in the next few years, which means a minimum of 110 additional flights per week.”

This led the report to conclude that “Overall, relative to the CNMI’s resources and population, this target growth level is unrealistic, particularly in the short to medium term. As such, one of the key issues to be addressed immediately is the readjusting of target growth levels and the realigning of expectations amongst all key tourism stakeholders as well as the government and the community to a common and more realistic goal.”

## 2. LOCATION OF THE INVESTMENT

With the requirement to invest a significant \$2 billion in the construction of the integrated resort envisioned by the law, no reference or guidance was given to potential applicants for the exclusive license on preferred locations of the CNMI government for its construction. In lieu of providing guidance that would direct investment to locations of maximum economic return and minimal impacts to the island's infrastructure, environment, and historic preservation, the process was left to the investor, who would bear the responsibility of site selection, navigating land use restrictions, mitigating conflicting land uses, and managing private land owner price expectations.

## 3. MARKETING OF THE INVESTMENT OPPORTUNITY

Pursuant to the law, the CNMI Lottery Commission was tasked with the issuance of a Request for Proposals for interested operators of Saipan's exclusive casino license. The CNMI Lottery Commission is a four member commission comprised of the Secretary of Finance, the Secretary of Commerce, the Commissioner of Public Safety, and the Attorney General, who have the statutory authority to "(a) To keep records of all official actions, expenditures, funds and revenues received, and all other commission business; (b) To license such persons engaged in the operation of the lottery as the commission determines will best serve the public welfare and convenience and promote the maximum amount of net revenues; and (c) To supervise and administer the operation of any lottery in accordance with the provisions of this chapter and the regulations of the commission."

This commission was given the mandate to perform a significant industrial solicitation effort, outside of its original mandate which makes no reference to a specific economic development responsibility. As such, the marketing of the opportunity for investment was ill-equipped for the size and importance of the solicitation.

## 4. ANCILLARY INDUSTRY SUPPORT

Recognizing the size of the investment required by the law, there may have been awareness of the resource demands that would be created as the development of the casino commenced. These resources would have included manpower in both construction and skills trades, housing for construction laborers and casino personnel, aggregate and construction materials, food service offerings, and domestic food production.

With enough planning and preparation in anticipation of this priority of economic policy for the CNMI government, programs for the development and integration of ancillary services that would have supported the successful implementation of the policy would have preceded the development. Programs such as casino trades training, construction vocational education, agricultural food production programs, industry coordination events, and incentives for domestic production of construction materials, food or housing developments would have created targeted areas in which the multiplier of the casino development's investments would be expanded, and the core economic policy of casino development would have been supported.

The turbulent experience of the CNMI in the development of the Saipan Casino offers significant lessons on the implementation and management of CNMI development priorities. Some of these lessons are positive, such as the ability for the CNMI government to set a development priority, establish the legal framework to see to its implementation, and piloting a process for selection of private operators to perform the investment. Yet, in the present condition, the experience to date offers insight into ways in which greater planning and a broader development approach to investments would be beneficial.



- **Adequately study the need for the development priority.** While government revenue to support critical government functions is an important goal for development, there are many needs within the economy that can be supported by government action. At periods of increased tourism arrivals and high occupancy rates, the economy could benefit from programs that support increases to room stocks and accommodation services. However, involvement comes with risks of overcorrecting in addressing the problem. If the CNMI sees the need for more hotel rooms, adequate study must be conducted alongside industry stakeholders and experts to determine the appropriate scale and phasing of the development of new rooms or accommodations so as to not saturate the market or cause unintended consequences to the structure of the economy.
- **Geographically target development priorities.** Large government economic priorities have the potential to dramatically reshape the locations in which they settle. In the conceptualization of new developments that support government policy, considerations on location provide the opportunity to expand economic opportunity to underserved villages, better utilize existing infrastructure, redevelop blighted or distressed properties, or can be leveraged to advance other development or government needs. In the absence of this consideration, investors left to expend resources in site selection, permitting, negotiations with landlords, and addressing conflicts with existing communities while attempting to fulfill a government established policy objective. In deciding upon a development priority, the government should assess compatibility of the proposal within areas outlined by the Public Land Use Plan, assess infrastructure capabilities of the location, determine the permitting conditions and challenges for that location, and the public investment requirements for that land prior to issuing out solicitations for investment. This process of site selecting and pre-permitting specific priority areas for investment will provide potential investors with a significant public support on understanding the hidden costs of the investment and will allow for issues of compatibility, environmental concerns, and infrastructure demands to be addressed at the onset of the development, limiting major hurdles preventing project completion.
- **Establish clear responsibilities for industrial solicitation.** The Commonwealth Economic Development Authority has been given the mandate by law to do the following critical functions on behalf of the CNMI:
  - **To be responsible for actively promoting the CNMI as a location for private investment.**
  - **To promote and encourage the CNMI and development of new businesses within the Commonwealth, as well as promote the retention and expansion of existing businesses.**
  - **To coordinate, develop, and participate in off-island investor missions to generate interest and investment in the CNMI, with emphasis on business investments from the United States of America.**

CEDA should be empowered to establish the connections and networks to perform these functions immediately in preparation for any future decisions on economic development priorities. When well established with the networks to advertise and market investment opportunities of the CNMI government, when opportunities become available, CEDA will have the capacity to utilize a global network to ensure qualified potential investors are aware of the investment, and understand the communication channels and processes for responding to the solicitation.

In addition to clarifying and strengthening the responsibilities for industrial solicitation, effort should be made in the present conditions to establish firm processes for solicitation and selection of private investors. Process in the selection of private sector partners in accomplishing development objectives is of the utmost importance. The process for selection must be clearly defined, transparent, and well communicated to the public. Public input on each significant stage of the process is required, and selection criteria should be well informed by expert consultation and opinions.

- **Plan for the required ecosystem.** When selecting a development priority, discussions should be focused on the ecosystem of related industries and services available to ensure the development is successful. If the priority creates new types of occupations previously unavailable within the CNMI, government efforts should be made in establishing specific vocational training programs in anticipation and support of the investment prior to selection. If the development requires specific infrastructure, local and federal resources should be prioritized to establish the environment in which the development can be successful. When the development has a pre-selected location, investigate what efforts of government and the local private sector can be prioritized to build ancillary commercial opportunities that can leverage the development and expand its overall benefits to the economy.





CAROLINIAN WOMEN PERFORMING TRADITIONAL DANCE AT A FESTIVAL. THIS PHOTO WAS PROVIDED BY © TURNKEY SOLUTIONS, LLC





## D. THE FOUR BRIDGES OF RECOVERY

The CNMI's journey toward economic recovery is driven by the need to address the challenges brought on by natural disasters and the global pandemic, both of which have exposed the vulnerabilities of the local economy. At the heart of this recovery study is the recognition that growth must be sustainable, inclusive, and resilient to future disruptions.

This study and the accompanying Preliminary Report (**Appendix A**) characterize the present state of the CNMI economy, and there is acknowledgement among stakeholders and the community that recovery and growth are necessary. The beginning of the recovery efforts along the roadmap is well established, however critical gaps exist between several key milestones toward achieving a substantial recovery. These gaps are:

- **Lack of structural responsibilities related to economic development**
- **Limited feedback between the challenges faced by existing industries and government policy**
- **Reactive and not proactive industrial development**
- **Unsustainable and exclusive levels of growth**

These gaps must be bridged in order to achieve a recovery that is able to coalesce community interests alongside business opportunities and adequately leveraging federal resources.



This report has identified four critical bridges that will guide this process, serving as the critical connections necessary for the CNMI to achieve long-term economic stability and development.

First, **the CNMI government must adopt a more responsive, collaborative, and proactive role in facilitating economic recovery.** A coordinated approach between public institutions and private stakeholders is essential to reinvigorate business activity, attract investment, and provide the necessary support for emerging industries. This includes streamlining processes, establishing clear roles for government agencies, and improving communication between sectors.

Second, the recovery requires the **strengthening of existing industries.** Tourism, retail, construction, and healthcare are the backbone of the local economy, and their recovery will play a crucial role in restoring pre-crisis levels of revenue and employment. Targeted support measures, including business incentives, workforce development, and infrastructure investments, will help rebuild and reinforce these vital sectors.

Third, the CNMI must focus on **diversification through new industrial ecosystems.** Diversification is essential for reducing economic dependency on any single industry, and the development of sectors such as renewable energy, agriculture, telecommunications, and logistics will provide new growth avenues. By investing in infrastructure and fostering industry clusters, the CNMI can create a more dynamic and resilient economic landscape.

Finally, the recovery study, particularly the survey of CNMI residents, emphasizes the importance of sustainable and inclusive recovery. Economic growth must benefit all members of the community, particularly those who have been disproportionately affected by the recent economic downturn. At the same time, sustainability should be a central consideration in all recovery efforts, with a focus on environmental resilience, green infrastructure, and policies that ensure long-term prosperity for future generations.

The four bridges outlined in this recovery study will provide connections within the roadmap for rebuilding a stronger, more resilient CNMI. By taking a comprehensive approach that addresses both immediate recovery needs and long-term structural weaknesses, the CNMI can emerge from this challenging period with a more diversified and stable economy, better equipped to handle future disruptions.



## BRIDGE 1 - A RESPONSIVE, COLLABORATIVE, AND PROACTIVE CNMI GOVERNMENT

Economic recovery needs to be founded on a government that recognizes its role in catalyzing, supporting, and monitoring economic activity. In particular, government plays a central role in providing critical social and community services that support a stable and strong commercial sector. Likewise, business revenue has historically been a major source of locally generated government revenue. In this mutually reinforcing network, the government thus should consider the CNMI's private sector as vital constituents and stakeholders and key components of delivering public services to the population. This interdependency necessitates communication, feedback, and coordination between the public and private sectors in their respective responsibilities is essential to ensure greater government revenue and employment. Currently, the mechanism for this coordination is not apparent.

The lack of clarity on the government's role within the economy is in part due to the construction of government roles and responsibilities. Within the CNMI's executive branch, various departments and agencies hold responsibilities that interact with the development of the economy. These responsibilities can be categorized into three broad functions: i) permitting and licensing; ii) resource allocation and support; and iii) industrial marketing and solicitation.

*Table 5: Departments/Agencies and their Roles in Development*

Permitting & Licensing	Resource Allocation & Development	Industrial Marketing & Solicitation
Department of Finance	Department of Public Lands	Marianas Visitors Authority
Department of Commerce	Department of Labor	Commonwealth Economic Development Authority
Bureau of Environmental and Coastal Quality	Commonwealth Ports Authority	Department of Commerce
Saipan Zoning Office		

- **Permitting and licensing** includes the business corporate licensing process that involves both the Department of Finance and its Business License Division, and the Department of Commerce's Corporate Registrar and Workman's Compensation Insurance Division. Securing an investment location on Saipan also requires compliance with the Saipan Zoning code and potentially the One-start permitting process managed by the Division of Coastal Resource Management within the Bureau of Environmental and Coastal Quality, depending on the nature of the development.
- **Resource Allocation and Development** involves the provision and maintenance of the CNMI's resources and infrastructure necessary for the functioning of commercial operations. The Department of Public Lands holds the responsibility and authority for the allocation of the public lands of the CNMI, which comprise the majority of land areas in the CNMI. Through the leasing process, public lands are provided for the purposes of development and many of the CNMI's existing large-scale resort hotels are within public lands. The Department of Labor holds the responsibility for the development of the CNMI's labor force, providing training resources and job placement programs to increase the U.S. workforce presence in the economy. The Commonwealth Ports Authority holds the sole responsibility over the development and utilization of the CNMI's air and sea port facilities, permitting access to world markets.



- **Industrial Marketing and Solicitation** - includes the departments and agencies that participate in seeking out and securing greater demand for investments in the CNMI. The Marianas Visitors Authority actively markets the CNMI as a tourist destination and has assumed responsibility for industrial development of tour sites, hotel brands, and airline development, despite not having official mandates for these functions. The Commonwealth Economic Development Authority (formerly the Commonwealth Development Authority) is statutorily designated as the primary agency for economic development and manages business development financing and tax incentive programs to stimulate private investment in the CNMI. The Department of Commerce similarly participates in industrial solicitation under existing statutory authority through its economic development division, manages federal economic development grant funds, but does not have specific investment incentive tools.
- **Coordination and Responsibility** - There are both overlapping responsibilities with respect to economic development policy and implementation and limited coordination of specific responsibilities within the functions and agencies of these sectors of government.

The Office of the Governor is considered to be the originator of the CNMI government's policy agenda. To facilitate the specific policy of an administration, the Office of the Governor has a range of appointed positions that serve a broad coordination function for the implementation of policy. A number of these roles have Constitutional foundations like the Special Assistant for Women's Affairs, Resident Executive for Indigenous Affairs, and the Executive Assistant for Carolinian Affairs. Other roles are creations of statute, such as the Executive Officer for Military Liaison and Veterans Affairs, and the Special Assistant for Youth Affairs. Other positions are functions of Executive Orders that include the Special Assistant for Management and Budget, the Special Assistant for Administration, the Special Assistant for Military Affairs, the Special Assistant for Broadband Policy and the Special Assistant for Climate Policy and Planning.

Over the years, positions for broad policy coordination have been created but not continued. These include the Special Assistant for Planning and the Special Assistant for Economic Policy and Trade. These positions permitted the centralization of economic policy coordination to the Office of the Governor. However, over at least the last decade, there has not been a position within the CNMI government that was responsible for broad economic policy or coordinating the economic development functions exercised by the various departments and agencies of the government.

Despite the uneven history of governmental involvement, investors have an expectation that the CNMI government will play an active role in economic development. The Area Development Consultants Survey is an annual study that gathers insights from site selection consultants who advise businesses on location and expansion decisions. The survey explores their priorities, challenges, and key factors influencing site selection, such as labor availability, state and local incentives, infrastructure, and sustainability goals. In 2024, the survey found that the number one *Site Selection Factor* facing their clients was the availability of skilled labor, but tied for a close second were three factors: State and Local Incentives, Available Land, and Responsive state and local governments.<sup>1</sup>

<sup>1</sup> Kaelble, S. (2024). 20th Annual Consultants Survey: Clients Prioritize Access to Skilled Labor, Responsive State & Local Government. Area Development. Retrieved from <https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/q1-2024/20th-annual-consultants-survey-clients-prioritize-access-to-skilled-labor-responsive-state-local-government.shtml>

- Lastly, a government responsive to the primary concerns of residents and businesses of the CNMI relies on the understanding of the relationship between economic growth and stated challenges of a rising and unaffordable costs of living. Being an insular economy, the goods consumed by residents and the fuel consumed in power generation are transported in bulk shipments. These shipments are made with variable costs that are factors of the size of the cargo against the fixed costs associated with physical transportation. As such, the greater demand for imported goods the greater the economies of scale of transportation and the corresponding ability to reduce costs. Targeting economic policy to the expansion of the demand among residents for consumer goods and power through jobs, greater revenue, and business activity can translate into the core concern of the population - costs of living and utilities.

## RECOMMENDATIONS

- **Bridge 1.1. - Centralize Economic Development Coordination.** Establish by statute the Office of Economic Policy, to be headed by the Governor's Special Assistant for Economic Policy, tasked with coordinating all economic policy and industrial development efforts. This office would work across departments to ensure that government actions align with the strategic goals for recovery and diversification. The office must have the ability and leadership to form and implement credible policies quickly.
- **Bridge 1.2. - Coordinate Inter-Agency Responsibilities for Economic Policy.** Establish the Economic Recovery Response Team to facilitate inter-agency collaboration and policy implementation. This team would coordinate responsibilities across departments for tasks like investor solicitation, permit efficiency, and destination enhancement.
- **Bridge 1.3. - Define Economic Development Roles.** Clearly define the roles and responsibilities of agencies such as the Marianas Visitors Authority, Commonwealth Economic Development Authority, and Department of Commerce in soliciting and supporting investments. A strategic focus on marketing CNMI's assets to potential investors and industries is essential for long-term growth. Specific responsibilities should be delegated for the following areas:
  - Investor solicitation
  - Investor information
  - Permit efficiency coordination
  - Investor negotiations
  - Airline development
  - Destination enhancement and maintenance
  - Tourism sector industrial development
  - Economic land use priorities
- **Bridge 1.4. - Public-Private Sector Coordination.** Establish formal mechanisms for public-private sector feedback and communication. This can take the form of advisory councils or regular economic forums that include representatives from government, businesses, and other stakeholders.

*The key within this Bridge is to instill a sense of urgency. The CNMI economy is in trouble and unless action is taken quickly a large portion of its GDP may dissolve.*



## BRIDGE 2 – STRONG EXISTING INDUSTRIES

The impacts of natural disaster and the COVID-19 pandemic fell hard on the domestic commercial establishments in the CNMI as tourism arrivals fell, customer expenses contracted, and domestic demand suffered from employment declines and population outmigration. Recovery must support the rebuilding and strengthening of existing commercial operations, of whom many have deep roots in the community.

The five primary industries present in the CNMI in both revenue and employment are Retail, Wholesale, Accommodations and Food Service, Construction, and Healthcare and Social Services.

*Table 6: Five Primary Industries - 2017 vs 2022 Number of Establishments and Total Sales*

	2017 – No. of Establishments	2022 – No. of Establishments	2017 - Total Revenue/Sales	2022 - Total Revenue/Sales
Retail trade	332	296	460,420	340,447
Wholesale trade	88	89	350,393	349,818
Accommodation and food services	206	184	341,473	137,732
Construction	108	95	145,998	153,771
Health care and social assistance	44	46	82,505	199,895

Between 2017 and 2022, there were considerable shifts in structure of the CNMI's primary industries. Retail trade, historically the primary sector, contracted by 26%, as the Wholesale sector, which saw less of a decline, became the CNMI's highest grossing sector. Construction and Healthcare grew in terms of revenue as the flow of external resources shifted from tourism to pandemic response and infrastructure investments. In total, among these five primary sectors, the total revenue declined by \$199 million.

In looking at the impacts on the labor market of existing sectors, there were considerable employment declines in the retail and accommodation and food services sector. Despite the growth of construction revenue, employment in the sector similarly declined by 58% potentially due to the restrictions on access to foreign construction labor. In total, among the primary sectors, overall annual payrolls declined by \$5.8 million and total employment fell by 4,288 individuals.

*Table 7: Five Primary Industries - 2017 vs 2022 Employment and Payroll*

	2017 - Employment	2022 - Employment	2017 - Annual Payroll	2022 - Annual Payroll
Retail trade	2,910	2,068	45,144	37,512
Wholesale trade	797	906	14,031	18,215
Accommodation and food services	4,710	2,319	72,475	37,339
Construction	2,803	1,176	33,842	26,736
Health care and social assistance	1,195	1,658	43,300	83,148

This restricting of the economy was because of the changing customer base within the Commonwealth. In 2017 the highest customer class was visiting tourists, who contributed \$1.9 billion in revenue or sales, followed by households. With the disruptions to the tourism industry in the wake of the pandemic, visiting tourists no longer represented a significant customer class in 2022. The primary class of customer in 2022 was households whose spending is presumed to have been bolstered by federal stimulus resources and pandemic response spending. Both local and federal government spending was more pronounced in 2022 while reductions in retail spending being seen in the post-pandemic period.

Table 8: 2017 vs 2022 Customer Class and Total Revenue/Sales

2017		2022	
Customer Class	Revenue/Sales (\$1,000)	Customer Class	Revenue/Sales (\$1,000)
Visiting tourists (including business travelers)	1,938,963	Household consumers and individuals (excluding visiting tourists)	912,701
Household consumers and individuals (excluding visiting tourists)	543,128	Commonwealth or territorial government	170,894
Retailers for resale	174,051	Hotels, restaurants, food services, and drinking places	116,530
Local government	138,976	Retailers for resale	103,012
Construction contractors	138,302	Federal government	85,409

The recovery of the private sector will require a rebuilding of the pre-pandemic customer base to support the key industries of the retail and accommodation and food service sectors. With declining payrolls, employment, and federal relief aid the reliance on household consumers to support larger volumes of consumer purchases, a focus on rebuilding tourist demand within the economy is necessary.





## RECOMMENDATIONS

- **Bridge 2.1. - Conduct Industry Review.** Direct relevant agencies of the CNMI government (CEDA, MVA, etc.) to conduct a full review and assessment of the CNMI retail, wholesale, and accommodation and food service sectors to understand the challenges and conditions they are facing.
- **Bridge 2.2. - Establish CNMI Brand.** Focus on establishing the CNMI's brand as a premier tourism destination and a location for business investments. This includes marketing campaigns targeting regional and global markets, partnerships with airlines to restore direct flight routes, and offering incentives for hotel development, tour operators. Outside of tourism, the CNMI should assemble its brand for more broad forms of investment. Such branding efforts can be seen in places such as Puerto Rico, which launched its "It's not what's next, it's where." campaign promoting the territory's priority on capitalizing on high skilled/high tech investments, or in Utah where they highlight that investment in the state provides "Opportunity unlike anywhere else" highlighting the state's quality of life advantages on the workforce, innovation and business growth.
- **Bridge 2.3. - Business Support Resources.** Provide business grants or low-interest loans to businesses in the retail, accommodation, and food services sectors to restore operations and rehire workers. Support could also include tax deferrals for businesses struggling with cash flow.
- **Bridge 2.4. - Advance Targeted Workforce Training.** With construction demand expected to rise due to infrastructure development, focus on training local workers to reduce the sector's dependence on foreign labor. The government can partner with Northern Marianas College, Northern Marianas Technical Institute and private sector contractors to develop training programs for U.S. workers in construction and related fields.
- **Bridge 2.5. - Embrace Civic Engagement.** Foster and encourage the establishment of sector organizations, either aligned with licensing processes such as a contractors association, or through collaborative organizations like the Saipan Chamber of Commerce, or a reestablished private sector council of advisers. Specific associations of business leaders in retail, food service, healthcare, alongside existing organizations for hotels would facilitate greater levels of communication on specific concerns and needs and promote buy-in among stakeholders toward the created solutions and programs.

## BRIDGE 3 – NEW INDUSTRIAL ECOSYSTEMS

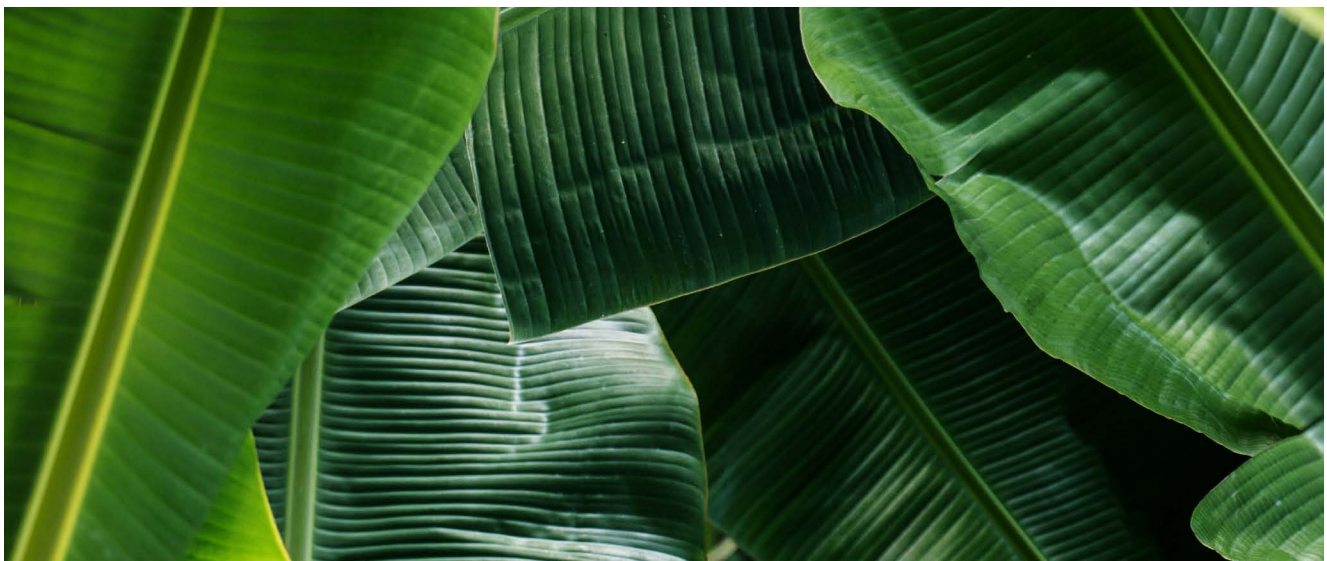
Businesses do not operate in isolation. An entrepreneur seeking to establish a business in the CNMI, would rely on a range of ancillary businesses to support business setup, operation or market access. For example, a retail establishment would require the services of construction contractors to establish the store front, wholesalers to obtain inventory, and other retailers to supply goods and supplies. More broadly, industries requiring labor will need adequate healthcare services, educational opportunities, and recreational options for their employees. While a specific sector will require a specific set of cross-sector arrangements for support, it can be narrowly conceived by recognizing that all businesses require a supply of underlying goods or services on which value is added and a set of customers for those value-added goods.

As described earlier, the challenge of economic diversification in the CNMI highlights the importance of targeting investments toward supporting factors, such as other industries that would serve to strengthen the industry clusters of prospective new sectors. This draws on the concept of external economies of scale, which refers to the cost advantages that a firm receives due to external factors rather than the internal factors of the firm.

External economies of scale exist in the CNMI's existing industry, where firms in sectors like hotel operations have lower costs due to the presence of airlines, restaurants, marine sport operations etc. that hotels do not have to spend to recreate, and whose existence enhances the demand for hotel products.

Diversification efforts should target the resources and policies for development toward the cluster of associated sectors that can reduce costs through the existence and strength of ancillary offerings. The CNMI is in an advantageous position to do this because of the significant resources for infrastructure and capital development received from the federal government. Strategic use of these resources could decrease the costs of developing specifically targeted industries.

Ultimately, industrial solicitation and diversification objectives should also acknowledge the decision-making factors of the entrepreneur. Achieving diversification provides positive externalities for the wider community, yet the costs of failing to successfully develop a new industry are assumed solely by the entrepreneur. The incentive for the government to seek diversification is often greater than the profit incentive for the entrepreneur to engage in investment. From this, research has affirmed the position that the government has a role to play in securing industrial growth, utilizing its resources to capture the externalities of investment, while limiting the potential losses for the entrepreneur if the investment fails.<sup>2</sup>



<sup>2</sup> Hausmann, R. and Rodrik, D. 2003. Economic Development as Self-Discovery. *Journal of Development Economics* 72:602-33



## RECOMMENDATIONS

- **Bridge 3.1. - Ancillary Industry Support.** Recognize that each industrial sector requires supporting services to thrive, from healthcare to transportation. Investments in educational institutions, public transportation, and recreation facilities will create the foundation for businesses to attract and retain skilled labor.
  - **Bridge 3.2. - Target Incentives to Strategic Growth.** Target CNMI government incentives and development resources toward firms within industry clusters identified for strategic growth opportunities.
  - **Bridge 3.3. - Prioritize Industrial Clusters.** The government should prioritize the development of industry clusters by focusing on infrastructure, workforce development, and financial support. Clusters in sectors like renewable energy, agriculture and aquaculture, and data services should receive targeted support, as they have the potential to create spillover benefits for related industries.
  - **Bridge 3.4. - Obtain Additional Industrial Development Support.** Consider outsourcing industrial solicitation and marketing efforts through competitive bidding specific to industrial development targets, and include capacity building and training for CNMI government economic development personnel as a requirement of government contracts.
  - **Bridge 3.5. - Leverage Federal Resources.** Leverage the federal resources currently available for infrastructure and military development to reduce the cost barriers faced by new industries. For instance, investments in broadband expansion or port modernization can facilitate the growth of logistics, telecommunications, and financial services clusters. Military expansion may support housing and local commercial development.
  - **Bridge 3.6. - Periodically Update the List of Targeted Industries to Adapt to Economic Conditions.** Replace the outdated statutory list of targeted industries with a dynamic list reevaluated by CEDA every five years. This will allow adaptation to global and local economic shifts and ensure fairness by adjusting incentives as industries develop naturally. Incorporate industry targets with feasible government support programs, such as labor training and infrastructure development.
  - **Bridge 3.7. - Develop a Strategic Investment Program.** Formalize a CNMI Strategic Investment Program within the Qualifying Certificate (QC) framework to actively pursue high-priority industries. This program would pre-permit specific development sites, address regulatory hurdles, and actively promote investment opportunities to U.S. investors through summits and missions.
  - **Bridge 3.8. - Monitor and Respond to Industry.** Once a new industry is established, the government must ensure timely and accessible data on its performance. Reliable industry insights support informed decision-making for policymakers, investors, and businesses, allowing for proactive adjustments to policy.
- Bridge 4 - Sustainable and inclusive recovery.

## BRIDGE 4 – SUSTAINABLE AND INCLUSIVE RECOVERY

The CNMI's economic fragility became glaringly evident in the wake of natural disasters and the COVID-19 pandemic. Reliance on a single sector, tourism, alongside an underdeveloped labor market and aging infrastructure, created vulnerabilities that these external shocks further exposed. The economic collapse of tourism, which drove over 70% of the CNMI's GDP, combined with contractions in employment and revenue, highlighted the urgent need for structural changes. Yet, these crises offer a unique opportunity to reshape the CNMI's economy toward a more sustainable and inclusive model. A recovery focused not just on rebuilding, but on creating a resilient economic foundation, will better equip the CNMI to handle future disruptions.

**The path forward requires strategic investment in infrastructure and human capital.** Federal relief funds should not be viewed as temporary stopgaps but as the starting point for long-term capacity building. Investments in resilient infrastructure, such as transportation, utilities, and communications, will provide the backbone for economic growth across sectors. Prioritizing green infrastructure projects, like renewable energy initiatives, will address both economic and environmental vulnerabilities. Projects such as solar and other forms of alternative energy will reduce dependence on imported fuels and insulate the CNMI from external energy market fluctuations. At the same time, developing robust broadband networks will allow the CNMI to participate in the digital economy, attracting industries like data processing and call centers. These initiatives lay the groundwork for a sustainable economic future.

**Workforce development is also critical to building long-term resilience.** As the CNMI transitions into sectors like renewable energy, sustainable agriculture, and digital services, the government must ensure that local residents are equipped with the skills to thrive in these industries. Institutions like Northern Marianas College and the Northern Marianas Technical Institute can play pivotal roles in training the next generation of workers. Expanding technical and vocational programs in areas such as renewable energy installation, agriculture technologies, and business process outsourcing will not only help meet the needs of new industries but also provide upward mobility for local workers. By aligning education and training programs with future industry demands, the CNMI can strengthen its labor market and reduce reliance on foreign labor.

**The CNMI's recovery also depends on reducing its over-reliance on tourism.** Diversifying the economy will create new revenue streams and protect against future shocks that affect the tourism industry. Agriculture and aquaculture, in particular, present significant opportunities for growth. Developing local food production will not only enhance food security but also reduce the CNMI's trade deficit by curbing reliance on imports. Moreover, investments in renewable energy will transform the CNMI into a leader in sustainable practices, attracting international attention and investment. The development of sectors like financial services, captive insurance, and logistics can also provide higher-value jobs, stabilizing the economy and reducing dependency on external factors.

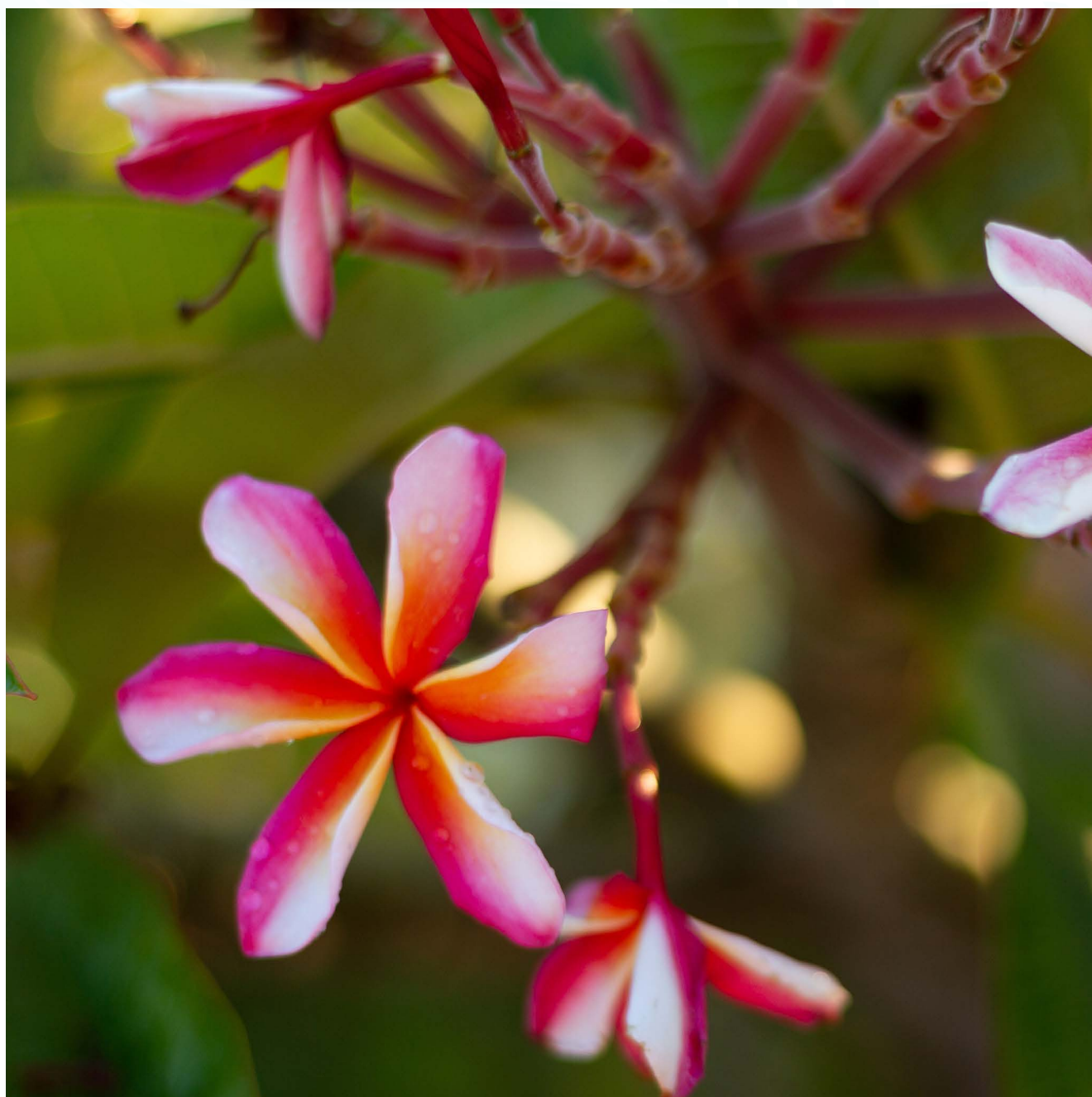
**Collaboration with regional partners will further strengthen the CNMI's recovery.** Joint tourism initiatives with neighboring Pacific islands can help rebuild visitor numbers by sharing resources and marketing campaigns. At the same time, cooperation in industries like logistics and renewable energy can create economies of scale that benefit the CNMI and its partners alike. Leveraging the CNMI's strategic location for transshipment and logistics activities will be crucial for taking advantage of its geographic position in the Pacific. By positioning itself as a hub for regional shipping and logistics, the CNMI can generate new revenue streams and attract further investment.

**Recovery must be inclusive. The economic growth of the future cannot leave behind any part of the population.** The CNMI government must ensure that the benefits of recovery are felt by all residents, especially marginalized groups like women, indigenous communities, and youth. Economic opportunities should be created across both urban and rural areas, ensuring that every corner of the CNMI participates in and benefits from recovery efforts. Creating local employment opportunities in sectors like healthcare, retail, and community services will be essential in providing jobs for low- and mid-skilled workers, who have been among the hardest hit by the pandemic.



**A focus on inclusive recovery must also extend to social safety nets.** The CNMI's social services infrastructure will need to be reinforced to support vulnerable populations and ensure access to basic necessities such as healthcare, housing, and education. Expanding access to affordable healthcare is not only a social priority but also an economic one, as a healthier workforce will be more productive and better equipped to contribute to the recovery process. A comprehensive approach that integrates economic recovery with social development will lay the foundation for long-term growth.

**Sustainability is a core aspect of this bridge.** Economic recovery must also mean environmental resilience. The CNMI can take a leadership role in the Pacific by committing to sustainable practices that reduce its carbon footprint while improving its economic resilience. Investments in renewable energy, water conservation, and eco-friendly tourism will protect the CNMI from the impacts of climate change and position it as a model for sustainable island development. Green policies should be embedded in every aspect of the recovery process, ensuring that the future economy is both prosperous and environmentally sustainable.





## RECOMMENDATIONS

- **Bridge 4.1. - Investments for Sustainability.** Investments in sectors like renewable energy, sustainable tourism, and local agriculture will contribute to long-term sustainability. These industries reduce the CNMI's reliance on imports and external markets while minimizing environmental impact.
- **Bridge 4.2. - Inclusive Economic Growth.** Recovery efforts should ensure that all segments of society benefit from economic growth. This includes creating job opportunities in growing sectors for local residents, particularly those displaced by the pandemic. The government can offer reskilling and training programs to help people transition into high-demand industries such as telecommunications or healthcare.
- **Bridge 4.3. - Enhance Fiscal Stability in CNMI Government Spending.** Enhance governance structures to ensure fiscal sustainability, including improving tax collection efficiency, reforming public financial management, and ensuring that government spending is aligned with long-term economic recovery goals.
- **Bridge 4.4. - Redefine Specific Targets for CNMI Development.** Define recovery not only by traditional economic indicators like GDP but by improvements in quality of life, environmental sustainability, and social equity, such as those currently being pursued by the CNMI's Green Growth Initiative. This includes tracking outcomes such as reductions in unemployment, increased median incomes, and improved access to healthcare and education.





## A REINFORCING SYSTEM OF BRIDGES

The four Bridges of Recovery are sequential and reinforcing. The subsequent diagram illustrates how, in progressing through the recommendations, outcomes supporting economic recovery can be acquired and strengthened.

The arrows in the diagram indicate the flow of actions between different initiatives, demonstrating how each recommendation feeds into another. Solid lines represent direct linkages between different actions, while the dotted lines indicate supporting relationships that enhance implementation.

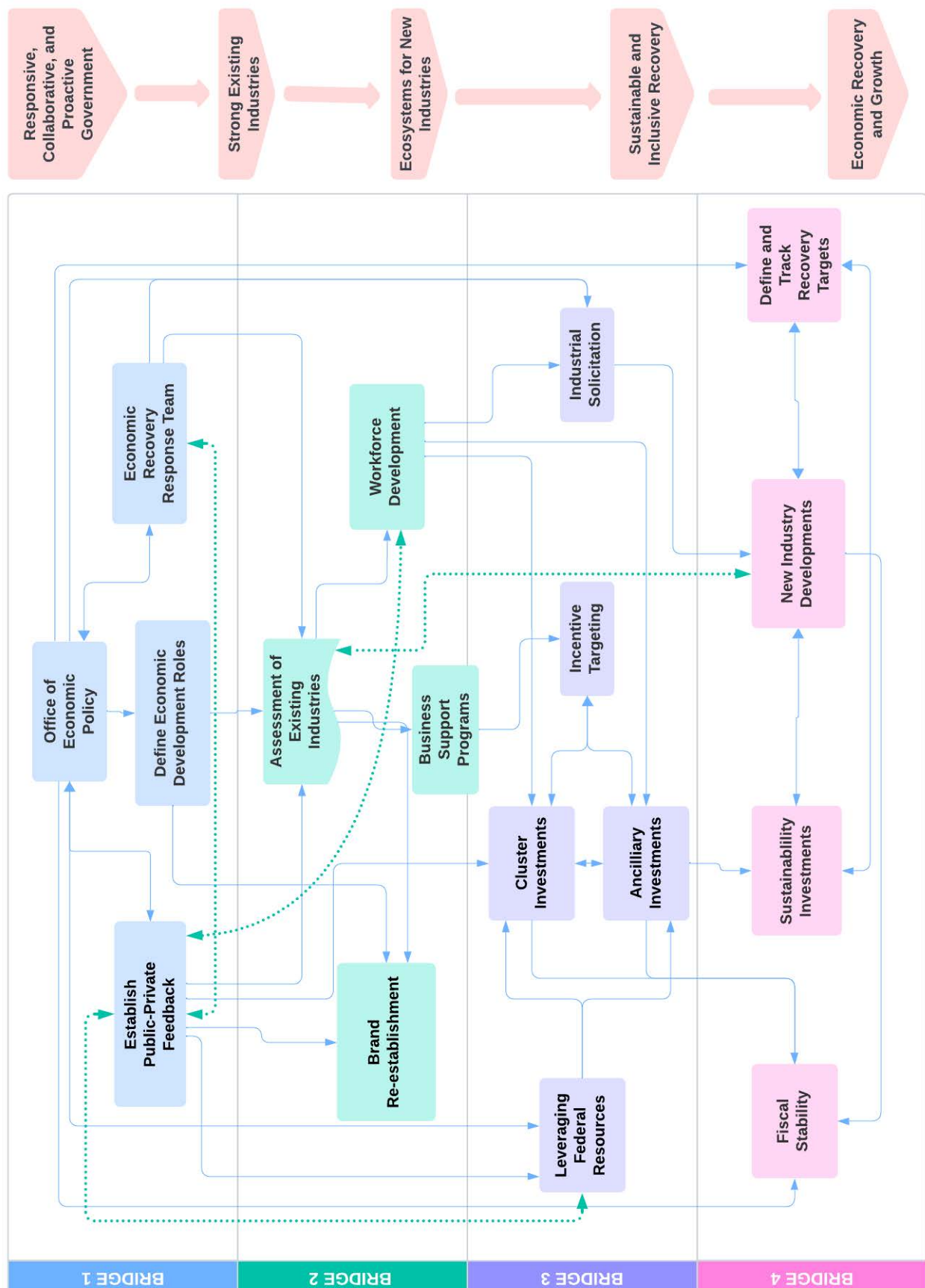
The rightmost section shows the broader outcomes that emerge from implementing these interconnected actions, culminating in economic recovery and growth as the final objective.

By crossing over each bridge systematically, the CNMI can build a resilient economy that not only recovers from its current conditions but is positioned for sustainable long-term development.



BANZAI CLIFF, SAIPAN.

## A REINFORCING SYSTEM OF BRIDGES





## E. STRATEGIC DEVELOPMENT APPROACH

Within the constraints of resource endowments, almost every industry that exists in the modern economy can be successfully established and operated in the CNMI with the right conditions. All prior options detailed and explored in prior efforts continue to have the potential for the future recovery, growth and development of the Commonwealth. The issue has not been a deficit of ideas, but of a system that would transfer ideas to action.

The key structural reform is to change the government's role in economic development. A strategic approach to economic recovery cannot delegate responsibilities for industrial solicitation and ancillary development to external actors. In a competitive global environment in which governments across the United States vie for beneficial investment, a responsive and supportive government is the expectation of legitimate investors.

A strategic development approach would leverage the bridges of recovery in the CNMI to successfully solicit new industrial investments. This would include highlighting the strengths of the CNMI as an investment destination, the incentives the CNMI is capable of offering to targeted investments, and the assistance in securing investment success.

The development of a comprehensive community vision for supporting economic growth in the CNMI is essential to a successful industrial solicitation. Public support for economic development policy is a critical prerequisite for maintaining procedural legitimacy within communications with potential investors. For that reason, this project extended its data collection efforts to a survey of the CNMI population to capture the conditions, sentiments, and aspirations of the population to formulate a cohesive vision for the direction of the CNMI economy from which economic development policy can be derived.

To demonstrate the potential of coordinated economic policy to maximize the benefits of federal investment, the following case study examines a monumental investment in Garapan, the core commercial district of Saipan, funded by the EDA. This project highlights the need for long-range coordination of economic resources to ensure the plans and hopes for critical infrastructure developments are realized beyond the ribbon cutting.







Photo Credit: <https://www.mvariety.com/news/garapan-revitalization-project-updates-saipan-chamber-of-commerce-members-on-progress/>

## CASE STUDY - GARAPAN REVITALIZATION

The Garapan Revitalization Project is a comprehensive initiative designed to rejuvenate the Garapan Core, a central district on Saipan that serves as a key hub for residents and tourists.

The project focuses on enhancing infrastructure, aesthetics, and functionality to support the tourism industry and stimulate economic growth. Improvements include paving streets, constructing sidewalks and curbs, installing new streetlights, creating 350 public parking spaces, and implementing extensive landscaping efforts with trees and greenery to create a more appealing environment. These upgrades aim to make Garapan a safer, more accessible, and attractive area for both residents and visitors.

The long-term objectives of the project were clearly established and included attracting new businesses, enhancing the profitability of existing enterprises, and generating increased tax revenues to be reinvested into the community. By fostering a conducive environment for economic activity, the initiative aims to reestablish Garapan as the heart of the CNMI's tourism and commercial sectors. As part of the revitalization, the establishment of a Garapan Community Improvement District (CID) is under consideration. This nonprofit entity would manage ongoing maintenance, such as trash collection, landscaping, and minor repairs, funded through assessments from commercial establishments.

This initiative seeks to transform Garapan into a vibrant, family-friendly destination, offering a range of shopping, dining, entertainment, civic, and commercial experiences within a world-class beach resort setting. The project is spearheaded by the Office of Planning and Development in collaboration with the U.S. Department of Commerce's Economic Development Administration, the Garapan Revitalization Task Force, and CNMI government leaders and serves as a premier example of the capability of the CNMI government to set an economic objective and mobilize local and federal resources toward securing its implementation.<sup>1</sup>

At its heart, the Garapan Revitalization Project is an infrastructure investment into the surrounding built environment of a critical commercial sector of the island. This effort showcases an innovative approach to leveraging federal resources to ameliorate a deterrent to business development in this tourism hub. Yet, despite having a clear objective and resources to initiate steps toward its achievement, several questions remain unclear. Exploring these questions gives rise to important considerations with regard to translating infrastructure expenditures into economic recovery and the role bridging gaps on the path can aid in securing the desired outcomes.

<sup>1</sup> <https://governor.gov.mp/archived-news/governor-torres-and-opd-break-grounds-on-garapan-revitalization-project/>



## 1. WHO IS RESPONSIBLE FOR TARGETING INVESTMENT RESOURCES TO THE GARAPAN DISTRICT?

With the redevelopment and upgrading of streets and sidewalks, the expectation is that cleaner, safer, more navigable pathways will encourage businesses to reinvest in the Garapan. How are interested investors expected to be made aware of the investment in their potential businesses' success by the government? Who would they contact to be made aware of potential vacancies? In essence, who should be the responsible party for ensuring that the goals of increasing investment in the newly redeveloped district are secured?

## 2. WHO IS RESPONSIBLE FOR ENSURING THAT INVESTMENTS MEET THE STANDARDS FOR THE DISTRICT?

The initiative was established to promote “family-friendly” services and accommodations, but relying solely on market forces would necessarily lead to the development of businesses that follow the market demand. Who sets the standards for what is family-friendly and who tracks progress toward creating the environment envisioned by the investment in the district?

## 3. WHO IS RESPONSIBLE FOR ENSURING THAT BUSINESSES ARE, IN FACT, BENEFITING FROM THE INVESTMENTS?

The primary assumption underlying the investments made to the Garapan district is that these improvements will translate into increased business opportunities and higher business revenue. Businesses who choose to invest in the district will be assuming the responsibility of ensuring that they offer the types and quality of goods expected of the CNMI government, but will they be shouldering this responsibility alone? While individual businesses will face different challenges, how will the CNMI assess the aggregate benefit of the investment on business outcomes?

## 4. HOW WILL THE FEDERAL INVESTMENT BE LEVERAGED TO MAXIMIZE THE POTENTIAL BENEFITS OF THE INVESTMENT AND EXPANDING BEYOND?

The Garapan Revitalization Project represents a significant investment of federal resources and has a structure that is directly targeted to the expansion of commercial activity. Likely the investments toward better transportation channels and safety will have direct and immediate impacts, but the extent of those impacts will be determined by the level of commitment economic development entities within the CNMI build upon the strengths of the investment and utilize the investments as a springboard toward greater opportunities.

***Utilizing the opportunity to view a significant and worthwhile investment currently under development to envision how the bridges to recovery can be implemented toward economic development objectives can highlight ways in which a role for government post-construction can be put in place for greater outcomes.***



## BRIDGE 1 - RESPONSIVE, COLLABORATIVE, AND PROACTIVE CNMI GOVERNMENT

With the institutionalization of economic development policy roles within the Office of the Governor, the mobilization of the CID for the Garapan District can be prioritized. This position can coordinate the development of the nonprofit, assisting in its creation, and aligning its governance with the goals of the project and the vision the CNMI government has for the district.

The CNMI government, with a clear understanding of the responsible government agency for promoting investment in the Commonwealth, would give authority to produce marketing materials for the Garapan district that outlines the significance of the federal investment, the vision for the district, the benefits of investing in Garapan, and the available incentives for operating in the district. The investor solicitation and marketing would tie in with promotional efforts performed by the Marianas Visitors Authority, highlighting businesses that have invested in the district as anchor investments and marketing opportunities of the goods and services they provide.

These functions would be coordinated by the Economic Recovery Response Team and the Office of the Governor to ensure adequate communication and coordination of opportunities to leverage resources across agencies toward the Garapan District. These efforts would be informed by the council of private sector advisers, who can offer nuanced background on business considerations of operating within the district and ways in which the government can better incentivize specific types of investments.

## BRIDGE 2 - STRONG EXISTING INDUSTRIES

The Garapan District seeks to attract businesses that offer shopping, dining, and entertainment experiences to their customers. These businesses will face many challenges experienced by both existing operators within the district and those outside of the district. After undertaking a detailed analysis of the food service, accommodation and retail sectors of the economy, the CNMI government will have a sharpened understanding of the specific obstacles businesses in the district will face, and be able to advance policies, programs, or federal grant awards toward addressing these core constraints.

The steps toward addressing these challenges to business retention in the district can be further informed by channels of open communication between the CID nonprofit, and assembled retail and food service organizations that can be partners in securing positive outcomes for all businesses in the sectors.



Global marketing efforts spearheaded by the Marianas Visitors Authority can both advance key investments made in the Garapan District, but also inform the types of investments that would be critical for the advancement of CNMI-wide marketing efforts within the district. Should the global marketing efforts uncover a need for a certain type of tourism offering the current investments are not achieving, the CNMI government can coordinate its economic development efforts and the investments in the Garapan District to targeted programs to expand existing offerings to align businesses in the district with proactive marketing campaigns.

## BRIDGE 3 - NEW INDUSTRIAL ECOSYSTEMS

With the expanded infrastructure within the Garapan District, opportunities for new types of businesses can arise through the targeted focus on maximizing ancillary benefits within the clusters on alternative sectors. For example, coordination through both the CID nonprofit and government agencies can target available resources toward expanding solar energy adoption for the district, establishing a target goal for securing alternative energy for the businesses within and coordinating workforce training programs to build the skills necessary to support the development with local labor.

Similarly, industries within the financial services industry and technology sector, whose higher skilled laborforce have higher demands for food and service options, can be incentivized to locate within the district. Incentives can build on existing infrastructure developments, like reduced energy costs from shared solar developments and greater broadband connectivity, to build on economies of scale to reduce investment costs and continual overhead.

## BRIDGE 4 - SUSTAINABLE AND INCLUSIVE RECOVERY

The Garapan District is geographically segmented and understood. This segmentation allows for policies to be tested within it to advance sustainability goals for the broader population. Targeted sales channels and marketing efforts for restaurants within the district can be coordinated to allow local farmers direct access and connections to sell local produce, job training sites can be collocated alongside commercial establishments to promote vocational training, and culturally-representative components can be incentivized within commercial facades and interior designs to showcase and expand the local culture.

These activities can be captured and capital can be accumulated in sectors outside the district within farms, cultural practitioners and artisans, and vocational education institutions, leveraging the higher revenue potential of the district to maximize benefits in underdeveloped sectors.



## F. INDUSTRY DEVELOPMENT DECISIONS

In pursuit of economic recovery, growth and diversification, key decisions must be made on the priorities and resource commitments of the CNMI government. These decisions should be made within a framework that places direction and purpose for the actions of the government and permits stakeholder and community participation in the decision making process. The following steps are the recommended actions and methods the CNMI should take in pursuing economic development planning and policy making.



### 1. ESTABLISH A CLEAR ECONOMIC POLICY

In the determination of economic development priorities within the CNMI government, the first action should be the creation of a clear, actionable, and comprehensive economic policy. For example, in the Commonwealth of Virginia, the process for establishing economic policy is enshrined in law.

#### **Section 2.2-205 of the Code of Virginia States:**

*“Economic development policy for the Commonwealth.*

*A. During the first year of each new gubernatorial administration, the Secretary, with the assistance of a cabinet-level committee appointed in accordance with subsection B, shall develop and implement a written comprehensive economic development policy for the Commonwealth. In developing this policy, the Secretary and the committee shall review the economic development policy in effect at the commencement of the Governor’s term of office. The Secretary shall make such revisions to the existing policy as the Secretary deems necessary to ensure that it is appropriate for the Commonwealth. Once the policy has been adopted by the Secretary and the committee and approved by the Governor, it shall be submitted to the General Assembly for its consideration.*

*B. During the first year of each new gubernatorial administration, the Governor shall issue an executive order creating a cabinet-level committee to assist the Secretary in the development of the comprehensive economic development policy for the Commonwealth. The Secretary shall be the chairman of the committee, and the Secretaries of Administration, Agriculture and Forestry, Education, Health and Human Resources, Labor, Natural and Historic Resources, and Transportation shall serve as committee members. The Governor may also appoint members of regional and local economic development groups and members of the business community to serve on the committee.”*



Similarly, in **Massachusetts**, the approved **2023 Economic Development Plan**<sup>2</sup>, is organized around three main priorities, supported by specific initiatives for each:

- 1. Fundamentals:** Investing in the fundamentals to enable economic growth,
- 2. Talent:** Retaining and attracting the world's best talent across all backgrounds, and
- 3. Sectors:** Supporting businesses that power the state's economy

"The initiatives supporting these three priorities were chosen through the work of the Economic Development Planning Council, comprised of leaders and stakeholders from key industries in our state's economy; from feedback gathered during 10 regional meetings held across the state attended by stakeholders and members of the public and more than a dozen sector-specific meetings attended by industry leaders; and from substantial data analysis undertaken by the EOED team."

"As we developed this plan, we kept in mind several guiding principles.

**First**, we must achieve this vision in a way that focuses on the administration's priorities of equity, affordability, and competitiveness.

**Second**, we must be intentional about ensuring our plan reaches residents in all regions, across a diversity of all backgrounds and experiences.

**Finally**, we must focus our plan on areas where the state is best positioned to make a difference. In many ways, economic development is largely driven by the private sector, nonprofit organizations, and communities. However, in state government, we have unique powers we can use to effectively drive economic development in partnership with our colleagues in the Legislature and other members of our state's economic development ecosystem:

**Convene:** We can bring people together to communicate, align, and collaborate

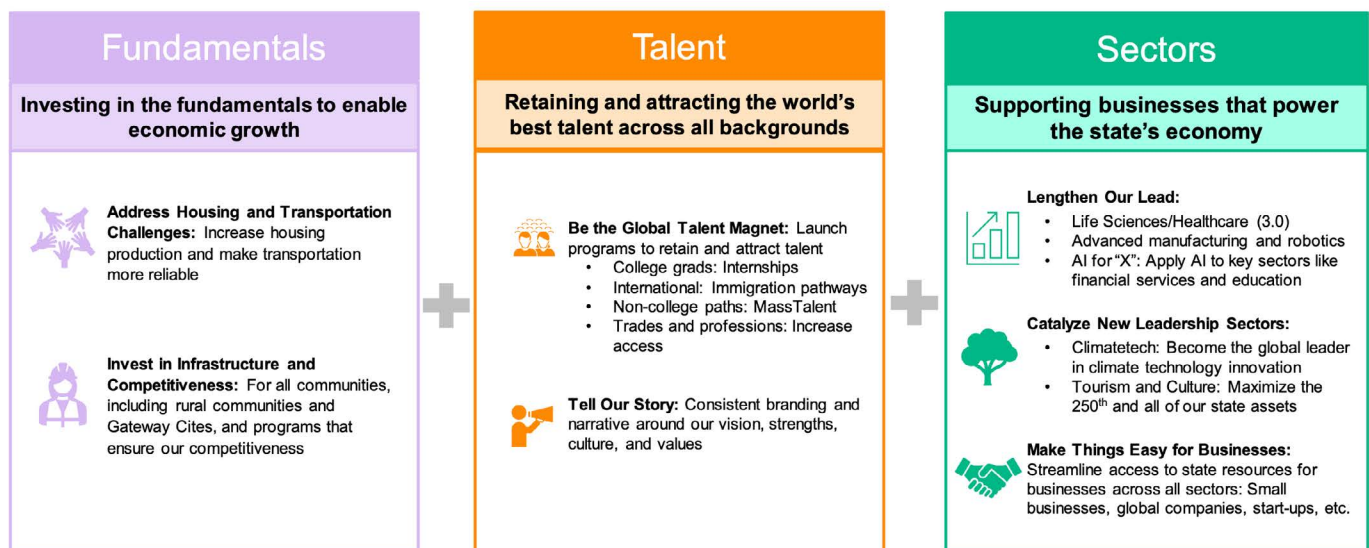
**Resources:** We allocate state funds, resources, and incentives

**Regulations & Laws:** We can pass, repeal, and amend laws & regulations

**Customer:** We have state purchasing power around goods and services

**Message & Communicate:** We have an ability to amplify and convey messages

With this in mind, we are proposing three main priorities for our economic development plan, supported by specific initiatives for each."



<sup>2</sup> <https://www.mass.gov/doc/economic-development-plan/download>

These two examples show the structure in which economic policy can be instituted within the government's operation and the types of direct and specific goals economic policy can be described to the public and private sector. Without a clear description of the economic goals for the CNMI, activities related to industrial solicitation, federal grant applications, or the coordination between government entities as they relate to economic development will be disjointed and misaligned.

**This study cannot dictate what economic policy the CNMI government should undertake and support, as it should be a decision made with ownership by the government and with support of key stakeholders.** However, from the data collected from stakeholders and through public outreach, the following principles, if applied to the formulation of policy, would address many of the pressing concerns of the population:

- **Tourism** is a critical component to the lives and livelihoods of individuals in the CNMI, however, the source markets for tourism arrivals should be more diversified to secure resilience.

The population values **economic stability** after years of disruptions and crises. Securing an economy that stabilizes incomes and jobs will provide foundations for families and households to plan for their futures within the CNMI

- **Cost of utilities** are a significant area of concern and burden for residents. Development options and priorities should target investments in areas that reduce the cost of utilities as a primary objective, lowering costs of doing business and reducing strain on households.
- **Coordination of government services** is not meeting the expectations of the community and investors. Simplifying government for the population would better align responsibilities within agencies and allow for government resources to target specific priorities.
- Maintenance of **family values and community cohesion** should be an active policy objective as key contributors to the quality of life for residents.





## 2. ESTABLISH AND MONITOR DIRECT RESPONSIBILITIES FOR IMPLEMENTATION OF ECONOMIC POLICY

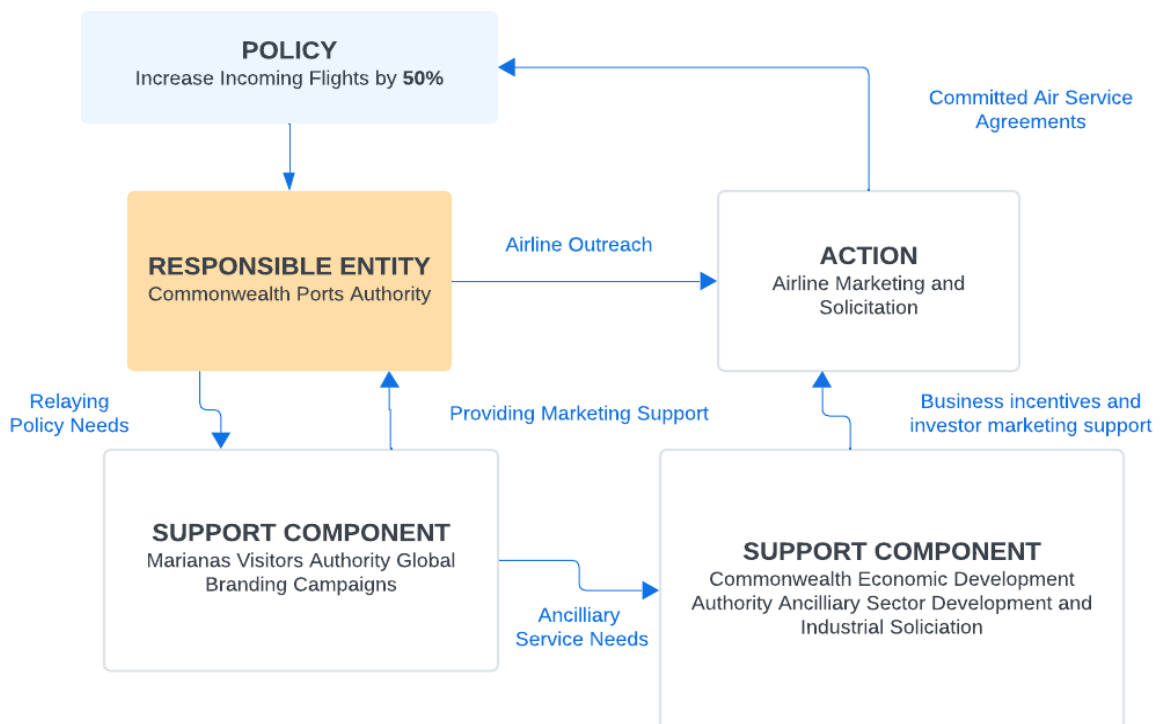
Following the clear establishment of actionable economic policy objectives, it will be important to delegate the responsibility for achieving the policy objectives to an agency or department of the government. Bridge 1 will support this effort by creating a high-level position within the Governor's Office to be the coordinator across government entities, supported by private sector advisers tasked with clarifying government responsibilities, establishing clear priorities, and monitoring progress toward the accomplishment of specific targeted objectives.

Through Bridge 2, an assessment of the existing industries can aid in determining the extent of needed government intervention to support policy objectives and secure stability within the workforce. Findings from this assessment can feed into departmental or agency plans of action coordinated by the Economic Recovery Response Team to share information and collaborate on responses.

These responsibilities translate into actions in Bridge 3, understanding the needs of the economy and establishing the processes and roles in performing industrial solicitation to secure investors to support the government's economic policy objectives, including diversification.

This recommended process of monitoring policy implementation is illustrated in a simplified hypothetical policy to develop tourism through increased airline flights. Tourism arrivals require air service options from source markets. The decision to provide air service by airlines is profit motivated. The Commonwealth Ports Authority, if delegated the responsibility to increase air service, would be the responsible entity to market the revenue potential for airlines in operating increased routes to the CNMI. In doing so, CPA would require the support of the Marianas Visitors Authority to provide marketing material and market information on the CNMI's tourism sector. Gaps in offerings required by the source market would be communicated to the Commonwealth Economic Development Authority who could establish programs for support and incentives within the necessary sectors and who would support CPA in discussing the investment potential of the CNMI to potential airlines.

*Figure 10: Hypothetical Policy Agency Implementation Responsibility and Monitoring.*



Collaboration within government entities can take many forms, but must be guided by the decision to clearly designation development responsibilities and assign objectives to designated entities aligned with the economic policy of the government.

### 3. INSTITUTE ECONOMIC POLICY OBJECTIVES AND PROGRESS INTO FEDERAL RESOURCE APPLICATIONS

Each agency within the government maintains relationships and partnerships with federal grant programs. In certain cases, grant awards follow state planning efforts to support and justify grant applications. Such notable examples include the U.S. EDA Comprehensive Economic Development Strategy, the Workforce Innovation and Opportunity Act State Plan, and U.S. Housing and Urban Development Community Development Block Grant Annual Action Plan. These planning efforts should be coordinated in support of the CNMI's economic policy and applications for specific programs should demonstrate a nexus with the goals set forth by the government.

Opportunities within this process exist to leverage multiple federal resources to address large-scale challenges. Targeted economic policy, such as the redevelopment of specific villages or blighted areas, can be a complex assortment of challenges that can have multiple federal objectives met with coordinated planning.



THE TINIAN BLOWHOLE.



## CASE STUDY: BOWLING GREEN, KENTUCKY<sup>3</sup>

Bowling Green, a city of 70,000 located between Louisville and Nashville, is an entitlement community that receives approximately \$600,000 annually in Community Development Block Grant (CDBG) funding from the U.S. Department of Housing and Urban Development. For many years, the community applied for funding through traditional CDBG processes, but these efforts did not yield the desired results.

In 2014, Bowling Green reimagined its approach to CDBG funding, prioritizing the revitalization of neighborhoods as a key development objective. City officials established the Bowling Green Reinvestment Area (BGRA) and the Neighborhood Improvements Program (NIP), committing annual CDBG allotments as the cornerstone of their funding strategy. They developed a comprehensive vision for redevelopment and sought additional local funding to support their efforts.

A Neighborhood Revitalization Strategy Area (NRSA) Plan was created for the entire BGRA and submitted to HUD for approval. The plan's approval granted regulatory flexibility, which allowed Bowling Green to leverage it in securing funding from other federal grant agencies, including the Environmental Protection Agency (EPA), Federal Highway Administration, and the National Park Service. Parts of the BGRA were also designated as Opportunity Zones, opening the door for Opportunity Zone investment funds.

With the NRSA Plan in place, Bowling Green used its multi-year CDBG funding commitment of \$6,189,186 to secure nearly \$13 million in additional funding. This investment supported extensive community redevelopment, including the exterior rehabilitation of 277 properties, the improvement of 7,700 feet of sidewalks, the creation of 40 affordable housing units, \$183,304 in road improvements, and \$790,884 invested in park enhancements.

This strategic approach demonstrates how a clear vision, thoughtful planning, and leveraging federal resources can lead to transformative development opportunities in the CNMI, much like the Garapan Revitalization Project geographically targeted a redevelopment area and established policy and objectives to pursue. With centralized coordination from the CNMI government, and the clear delineation of development roles within the government, the development of plans can be guided by government policy and aid in supporting specific objectives.

This process of coordinating federal programs aligned with economic policy objectives can be applied to the development of targeted industrial clusters. Should the policy objective of the government be to pursue the development of a technology cluster, the CNMI can strategically locate a specific location for the development of a CNMI "tech hub", federal resources toward broadband development, can combine with EDA infrastructure grants, to provide a greater incentives for the development of an industrial park, and ancillary infrastructure for worker housing or quality of life facilities can colocate with the hub to increase the value of the property for prospective investors.



PHOTO CREDIT: 500SAILS (WWW.500SAILS.ORG)

<sup>3</sup> <https://www.bgky.org/assets/files/MDxMhBCK.pdf>

## 4. MAXIMIZING ASSETS AND SUPPLY CHANNELS

Development decisions in pursuit of economic policy objectives should consider the strengths and weaknesses of existing economic assets and supply channels while pursuing targeted industrial development or federal grant assistance. Key questions should be investigated in determining the development priorities, such as, what competitive advantage does the CNMI's present assets present to potential investors? How can local and federal policy alleviate challenges or bottlenecks that are weakening assets and the CNMI's competitive advantage? And, what strengths within the CNMI's assets can be improved upon, altered, or reconceptualized to market investment opportunities in the CNMI?

Economic policy and plans should incorporate the challenges to existing assets as realistic depictions of present conditions, and implementation or further study within the pursuit of policy objectives should seek to remedy root constraints limiting the ability to maximize the potential of the assets for economic growth.

## 5. EVALUATION FRAMEWORK

The CNMI government should employ a structured evaluation framework to evaluate and prioritize industrial development projects or targeted industries. This framework provides a method for assessing the alignment, feasibility, and impact of proposed projects, ensuring that limited resources are directed toward initiatives that offer the greatest benefits. Key criteria for the evaluation framework include:

### 1. ALIGNMENT WITH ECONOMIC POLICY

Does the project align with the CNMI's stated economic goals as established through policy?

### 2. DELEGATED RESPONSIBILITY

Does the project proponent (government or private entity) have the authority, capacity, and resources to execute the project? What services and capabilities of government entities can be leveraged to assist the project?

### 3. LEVERAGE OF FEDERAL OR EXTERNAL RESOURCES

Does the project utilize available federal grants or other external funding sources to reduce financial burdens and enhance feasibility?

### 4. ASSET AND SUPPLY CHAIN OPTIMIZATION

Does the project maximize existing assets or address weaknesses in supply chains, infrastructure, or economic capacity?

### 5. COMMUNITY AND ENVIRONMENTAL IMPACT

Does the project positively contribute to the community's well-being and respect cultural and environmental considerations?

An example of applying the evaluation framework is the **evaluation of the Saipan Film Studio Project**, proposed in the 2016-2021 CNMI Comprehensive Economic Development Strategy. The project envisioned converting the former La Fiesta Mall into a film production complex, with a projected cost of \$15 million. The initiative aimed to create a new industry, remediate blight, and generate benefits across a range of supporting industries, including workforce training, tourism, and local services.



## EVALUATION FRAMEWORK

### 1. ALIGNMENT WITH ECONOMIC POLICY

**Evaluation:** The project could align with broader goals of diversification and alternative industrial development but lacked a clear connection to a specific economic policy, highlighting the need for a well-defined economic strategy.

### 2. DELEGATED RESPONSIBILITY

**Evaluation:** No designated agency was responsible for the project, but entities such as the Commonwealth Economic Development Authority (CEDA), Department of Public Lands, and Marianas Visitors Authority could facilitate development. A private operator would be critical for managing the facility and ensuring sustainability.

### 3. LEVERAGE OF FEDERAL OR EXTERNAL RESOURCES

**Evaluation:** While no federal grants were explicitly identified in the proposal, redevelopment funds for blighted areas and workforce training grants could potentially support the project.

### 4. ASSET AND SUPPLY CHAIN OPTIMIZATION

**Evaluation:** The project leveraged geographic location and existing transportation networks, and proposed to create workforce training opportunities. However, it did not address critical challenges such as high utility costs or labor availability for construction and operation.

### 5. COMMUNITY AND ENVIRONMENTAL IMPACT

**Evaluation:** The project proposed revitalizing a blighted area and creating new job opportunities, which could enhance community well-being. However, potential environmental impacts were not addressed in the proposal.

The structured framework outlined above ensures that the CNMI evaluates and prioritizes industrial development projects effectively and strategically. By focusing on alignment with policy, leveraging resources, and addressing gaps in existing supply chains, the CNMI can direct limited resources to projects with the greatest potential for long-term economic impact. Clear responsibility, data-driven decision-making, and regular updates to the framework will enable the government to pursue projects that meet immediate needs while aligning with broader economic goals. This approach will provide a practical, transparent, and accountable method for advancing economic diversification and resilience.



FORBIDDEN ISLAND LOOKOUT, SAIPAN

A close-up photograph of several plumeria flowers with white petals and bright yellow centers, set against a background of large, vibrant green leaves. The lighting is soft, highlighting the texture of the petals and the veins on the leaves.

# *Chapter 5.*

## IMPLEMENTING ACTIONS





## CHAPTER 5. IMPLEMENTING ACTIONS



This study provides a broad assessment and framework for supporting the CNMI government's actions focused on achieving economic recovery. A key finding is that the government should take a more proactive stance in driving economic activities and building its capacity to lead efforts toward diversification and sustainable growth.

The government holds the greatest potential to stimulate recovery and foster long-term development, but existing foundations are limited. To establish a strong footing and secure progress along the roadmap to recovery, several immediate and practical actions are required. These tangible next steps will lay the groundwork for effective governance, enhanced coordination, and strategic leadership in economic development.



## EXECUTIVE ACTIONS

Under the authority granted by Article III, Section 15 of the CNMI Constitution, the Governor has the ability to make changes to the allocation and functions of government offices through executive orders. The Executive Branch should exercise this authority by implementing the following measures:

### 1. ESTABLISH A SPECIAL ASSISTANT FOR ECONOMIC POLICY

The Governor should create the position of Special Assistant for Economic Policy within the Office of the Governor. This individual would be responsible for coordinating and monitoring economic development activities of the government, ensuring alignment with the CNMI's broader economic policy objectives. The position should be empowered to liaise with agencies tasked with economic development and act as the primary coordinator for policy implementation. This position can be created through Executive Action, but long-term integration of economic policy into the organization of the CNMI government should come from statutory creation through the CNMI Legislature discussed below.

### 2. DELEGATE DIRECT ECONOMIC DEVELOPMENT POLICY RESPONSIBILITIES

With the establishment of a location for the creation and coordination of economic policy, the CNMI should clear the confusion on responsibilities on economic development policy implementation and directly delegate a single entity to hold the primary implementation responsibilities. A review of existing statutes and resources would suggest that an ideal location for this responsibility is the Commonwealth Economic Development Authority, as it holds specific mandates for industrial solicitation, maintains investor incentive resources, and is autonomous from the central government permitting policy implementation to potentially extend beyond term limited officials. Whichever entity is ultimately selected, the delegation must be clear within the CNMI government, and to the CNMI community, and potential investors.

### 3. FORM AN ECONOMIC RECOVERY RESPONSE TEAM

An Economic Recovery Response Team should be established to oversee and align recovery efforts across all government entities. This team would include representatives from relevant agencies, each designated to coordinate economic recovery initiatives within their respective organizations. The team should be chaired by the Special Assistant for Economic Policy to ensure unified oversight and action.

### 4. CREATE A STRATEGIC ECONOMIC DEVELOPMENT COUNCIL

A council composed of private sector representatives should be established to provide a platform for dialogue between the government and commercial operators. This council would act as an advisory body to the Recovery Response Team, and the Office of the Governor and identify pressing economic issues, propose actionable solutions, and enhance collaboration between the public and private sectors. Council membership should be aligned with the Governor's economic policy, but should also be representative of the composition of the commercial sector within the economy. Both small and larger businesses have important insights into the challenges and opportunities of the economy, and these insights, combined, provide crucial and worthwhile information to shape and help promote economic development and recovery.

## 5. DEFINE AN ECONOMIC POLICY FOR THE CNMI

The Governor should exercise executive authority to establish a clear and comprehensive economic policy for the CNMI. This policy would serve as a guiding framework for all government entities, requiring them to review their organizational practices and structures. Agencies and departments would be tasked with submitting plans detailing how their operations will align with and support the defined economic policy. This ensures accountability and coordination in advancing the government's economic objectives.

## 6. ENGAGE IN A COLLABORATIVE PROCESS FOR VISION SETTING

The development of an actionable and inclusive vision requires a structured, participatory approach that ensures community ownership and stakeholder alignment. While external consultants can offer technical expertise and help frame recommendations, a truly effective vision for economic development must originate within the government and be led by individuals who are deeply invested in the CNMI's success. Consultants can complement this process, but they cannot substitute for the leadership and accountability that comes from government officials and the agencies directly responsible for economic development

Key personnel within the government, such as those tasked with economic development planning, must be empowered to guide the vision-setting process and ensure its implementation. This involves not only articulating the community's shared goals but also creating a structure to see these goals through to completion. Without the active leadership of government officials who are accountable to the public, even the most comprehensive consultant-produced plans risk being perceived as disconnected or impractical, leading to limited community buy-in and implementation challenges.

(See sample Industrial Solicitation Program in **Appendix C** for a proposed framework to support coordinated investment and development efforts.)

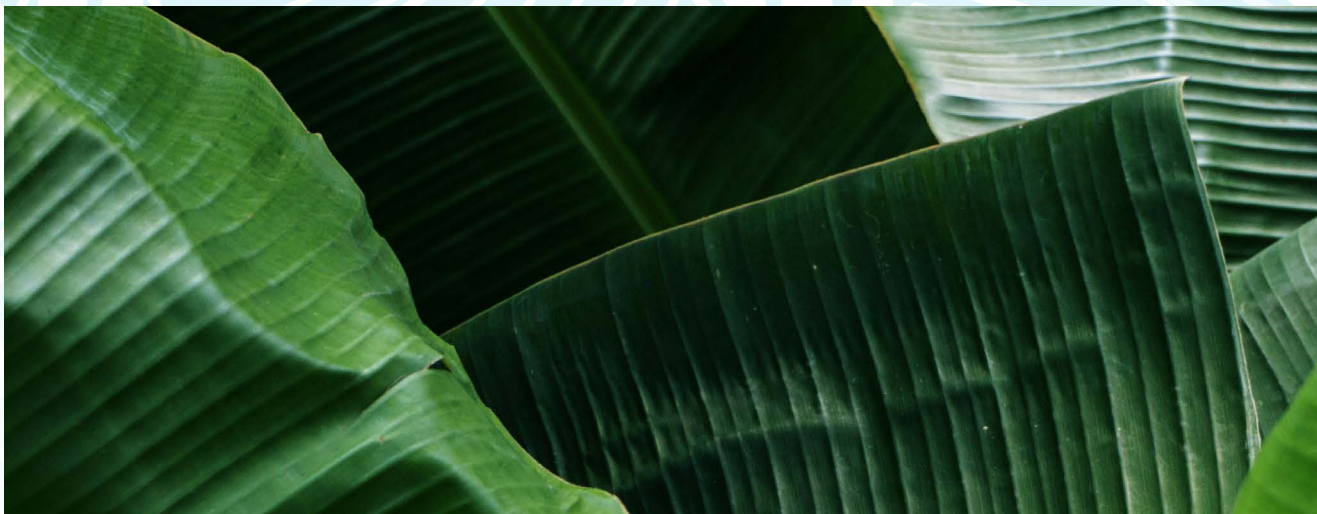




To foster a robust and locally driven vision, the government can undertake the following steps:

- **Stakeholder Engagement.** Convene a series of public forums, focus groups, and stakeholder meetings to present the survey findings and solicit input on economic priorities. This participatory approach will validate the survey results and provide deeper insights into community needs and aspirations.
- **Vision Workshops.** Organize workshops with government officials, private sector representatives, non-profits, and community leaders to collaboratively define the overarching goals and objectives for economic development. These sessions should focus on aligning economic strategies with the principles outlined above.
- **Drafting the Vision Statement.** Based on stakeholder input, develop a clear and concise vision statement that articulates the CNMI's economic aspirations. This statement should include measurable goals, such as increasing job creation by a specific percentage, reducing utility costs, and diversifying tourism markets within a defined timeframe.
- **Public Feedback and Refinement.** Share the draft vision statement with the broader community through public consultations and digital platforms, inviting feedback to ensure that it resonates with the population at large. Incorporate constructive feedback to finalize the vision.
- **Implementation Framework.** Develop an implementation plan that outlines specific initiatives, responsible entities, timelines, and performance indicators. This plan should prioritize transparency and accountability to maintain public trust and engagement.
- **Ongoing Review and Adaptation.** Establish a mechanism for regular review and adaptation of the vision and its associated initiatives. This ensures that economic strategies remain responsive to changing circumstances and community needs.

By placing responsibility for the vision firmly within the government—supported by active engagement of key personnel and a commitment to transparency—the CNMI can establish a plan for economic development that is not only ambitious but also achievable. This approach ensures that the vision is grounded in local realities, enjoys broad community support, and is driven by leaders with the authority and determination to see it through.



## LEGISLATIVE ACTIONS

In addition to executive measures, legislative amendments are critical to modernizing economic policies and ensuring the CNMI remains competitive in attracting new investment. Updating the **Investment Incentive Act of 2000** is a central priority. While the Act has served its purpose well in the past, it no longer aligns with the realities of today's global investment landscape or the evolving needs of the CNMI economy. The following recommendations outline amendments to the Act, focusing on flexibility, fairness, and strategic alignment with the Commonwealth's economic priorities

### 1. REMOVE THE STATIC TARGETED INDUSTRIES LIST

The existing statutory list of qualifying target industries under 4 CMC § 50202 should be replaced with a dynamic process granting CEDA the authority to establish and publish a targeted industries list every five years. This approach allows for greater flexibility in adapting to changes in the global economy and emerging opportunities relevant to the CNMI. CEDA should use the North American Industry Classification System (NAICS) codes to ensure clarity and consistency in classifying targeted industries.

This adjustment also ensures fairness by allowing the CNMI government to regularly evaluate and update incentives. Industries that become self-sustaining or overly concentrated can be phased out of eligibility, preventing unnecessary advantages and fostering a level playing field for private sector operators. Additionally, CEDA should have the authority to delineate Economic Development Zones to focus incentives on regions most in need of investment, including the Northern Islands, Tinian, and Rota.

### 2. REMOVE RIGID MINIMUM CAPITAL INVESTMENT REQUIREMENTS

The statutory minimum capital investment requirements outlined in 4 CMC § 50203 should be eliminated. This allows CEDA to establish flexible, industry-specific thresholds that align with the realities of varying development costs across the CNMI. For example, requirements for projects in Saipan could differ from those in Tinian or Rota, where development costs are often higher.

This change also ensures that low-capital but high-impact investments, such as those creating significant local employment or reducing reliance on imports, are not excluded from eligibility. CEDA should incorporate these thresholds into its five-year development plans for greater adaptability.



### 3. REQUIRE COMPLETION BONDS FOR LARGE-SCALE PROJECTS

Given the CNMI's history of stalled or incomplete large-scale projects, all investments granted a Qualifying Certificate (QC) should require a completion bond. This guarantees the project's completion or mitigates the risks of abandonment. Completion bonds would also ensure that only investors with sufficient financial credibility and due diligence enter the program, enhancing overall accountability.

CEDA could allow the costs of obtaining these bonds to be covered under the tax rebate or abatement schedule provided through the QC program, further incentivizing compliance.

### 4. ALLOW NEGOTIATION OF QC APPLICATION FEES

Application fees for the QC program, currently fixed by statute, should be made negotiable by CEDA. This would allow the Authority to align fees with the costs of due diligence, whether conducted internally or by a third-party reviewer. Flexibility in setting fees ensures that the program can sustain itself financially while maintaining thorough evaluation processes.

### 5. INTRODUCE A PRE-APPLICATION PROCESS FOR INVESTORS

To improve efficiency, CEDA should implement a pre-application process that enables early alignment between investor proposals and the CNMI's economic and other priorities. Investors would submit a statement of interest outlining their project's objectives, economic impact, and location. CEDA, in consultation with government stakeholders, would then assess the project's alignment with established goals and negotiate terms before allowing formal applications to proceed.

This process provides clarity and reduces unnecessary delays, ensuring that viable projects advance while those misaligned with the CNMI's priorities are identified early.

### 6. CREATE THE CNMI STRATEGIC INVESTMENT PROGRAM

A Strategic Investment Program should be developed within the QC framework to proactively target industries that align with the CNMI's diversification objectives. CEDA would lead this effort by conducting formal studies to identify suitable industries, locations, and permitting requirements. The program would engage the community in planned development concepts on specific sites with CNMI permitting agencies, ensuring that regulatory hurdles are addressed upfront. Once prepared, these pre-permitted projects would be actively marketed to U.S. investors through trade missions, summits, and targeted outreach efforts. This proactive approach positions the CNMI as an attractive, low-risk investment destination while ensuring alignment with community goals and environmental considerations.

Larger efforts to establish a comprehensive land use plan, for both private and public lands, would be an ideal mechanism to operationalize this program, should one be created for the CNMI. The CNMI does not have a comprehensive land use plan, but such comprehensive planning efforts are currently underway in Guam toward the development of the *Guahan 2050 Sustainability Plan*.

## OTHER LEGISLATIVE ACTIONS

In addition to modernizing the CNMI's primary incentive tool for stimulating economic development, legislative action should include the creation of a statutory framework to establish the **Office of Economic Policy** within the Office of the Governor. This office would serve as a central coordinating body for the implementation of economic policy across government agencies and departments.

The Office of Economic Policy would institutionalize economic planning and oversight, ensuring continuity and consistency in policy execution across changing administrations. By embedding economic policy within the structure of the Executive Branch, the government can maintain long-term focus on economic development goals, minimize disruptions caused by leadership transitions, and enhance coordination among entities responsible for economic initiatives.

The office would function as the primary conduit for disseminating information on the government's economic development progress to the community and stakeholders. This transparency would foster public trust and engagement, while also providing a platform for measuring and reporting on the effectiveness of economic policies and programs. Statutorily establishing the Office of Economic Policy would be a foundational step in creating a more cohesive, accountable, and forward-looking approach to sustainable economic development in the CNMI.

Additionally, legislation should formalize **mechanisms for public-private partnerships** (PPPs) to attract private investment into critical infrastructure, renewable energy, tourism, agriculture, and other sectors. A clear PPP framework would define roles, responsibilities, and risk-sharing arrangements between the government and private entities. This would create a transparent and structured approach to leveraging private sector resources for public benefit, ensuring accountability while driving long-term economic growth. By enabling the private sector to actively participate in priority development areas, the CNMI can accelerate progress in critical sectors and reduce the financial burden on the government.

Lastly, statutory mandates related to economic development should be revisited to eliminate overlaps in responsibilities among government agencies. Existing laws often assign overlapping or unclear roles to various entities, leading to inefficiencies, miscommunication, and delays in economic development efforts. A comprehensive review and restructuring of these mandates would ensure that each agency or office has a clearly defined scope of responsibility. This realignment would improve coordination, reduce redundancies, and allow agencies to focus their resources and expertise on their core functions. Clarifying mandates would also enhance accountability and create a more streamlined, effective approach to implementing the CNMI's economic development strategy.











# *Chapter 6.*

## CONCLUSION

HOUSE OF TAGA





## CHAPTER 6: CONCLUSION

This study is not a prescription for immediate transformation, nor does it offer a singular solution that will resolve all of the CNMI's economic challenges overnight. Economic recovery and development are not achieved through quick fixes, but through deliberate, data-driven policymaking, long-term planning, and sustained collaboration across the public and private sectors. This study provides a realistic, evidence-based assessment of the CNMI's economic landscape, identifying both the constraints and opportunities that define its current and future trajectory. It serves not as a rigid plan, but as a foundation upon which informed decisions can be made, and a roadmap to follow toward economic recovery.

The challenges facing the CNMI are significant and well-documented—structural weaknesses in economic governance, labor constraints, an overreliance on tourism, high costs of doing business, and external dependencies all limit the Commonwealth's economic flexibility. However, this study does not present these realities as insurmountable obstacles, but rather as conditions that require strategic, incremental, and pragmatic action. Policymakers and stakeholders must recognize that progress comes through continuous adaptation and investment, not through sweeping, unattainable reforms that fail to account for the unique economic realities of the CNMI.

While some may argue that bold and immediate shifts are necessary to secure the Commonwealth's future, such perspectives often overlook the complexities of economic development.

**No single policy, industry, or investment should be counted on to singlehandedly reshape the CNMI's economy.**

Instead, growth and resilience must be built over time—through strengthening governance, improving labor force participation, enhancing infrastructure, and fostering conditions that allow industries to take root and expand within a sustainable rate. Economic transformation requires deliberate and sustained engagement from government, businesses, and communities, each playing a role in aligning policy, investment, and workforce capabilities with long-term objectives.

***This study does not dictate what the future of the CNMI's economy should be—it provides the tools, data, and analysis necessary to guide decision-makers in shaping that future.***

The choices made in the coming years will determine the trajectory of the Commonwealth's recovery and growth. Whether through leveraging federal resources effectively, supporting targeted industry development, or improving economic governance, it is the actions taken based on this information that will ultimately define the CNMI's economic success.

The CNMI cannot afford to remain in a cycle of reactionary policy making—waiting for crises before implementing necessary reforms. By using this study as a foundation for action, the Commonwealth can move toward an economy that is not only more resilient to external shocks but also more inclusive, sustainable, and positioned for long-term prosperity.





A photograph of a sailboat with a large green sail sailing on a blue sea. Four crew members are visible on the deck, working with the ropes. The boat is white and has a blue flag flying from the mast. The background is a clear blue sky.

# *Appendix A*

## PRELIMINARY REPORT







# CNMI ECONOMIC RECOVERY STUDY

*One community, one economy, one vision.*

MARCH 2024  
Preliminary Report

Submitted by:



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## ES. EXECUTIVE SUMMARY

This Preliminary Report provides the Transcends Consulting Project Team’s initial collection of relevant data and context on the CNMI Economy. This report represents the culmination of the first phase of the CNMI



Economic Recovery and Feasibility Carry Capacity Study. This report has been prepared to serve as a technical resource to support further analysis and provide a baseline for the conditions as they have developed and exist today. The Economic Recovery and Feasibility Carry Capacity study seeks to establish a roadmap to recovery, targeting economic opportunities, and undertaking a process to generate a shared community vision for the economy that will guide future development of the CNMI economy.

Effort has been made to ensure this preliminary report is readable, and accessible to an audience both familiar with the CNMI and those who are unaware of the Commonwealth's rich history, development challenges, and current conditions.

## ES.1. INTRODUCTION

“the real incentives, the real initiative, the real planning and the real responsibility for the realization or nonrealization of your economic goals will be in your hands. You will have the power to make decisions that will affect the nature, the direction and the pace of your own economic development. You will have to take into account the impact of your development policies on your environment, on the ecology of the islands and on the quality of life of your people.”

– Ambassador F. Hayden Williams, U.S. Representative for the Micronesian Status Negotiations, May 23, 1973

### *BACKGROUND INFORMATION ON THE CNMI*

Situated in the northwestern Pacific Ocean, the Commonwealth of the Northern Mariana Islands, commonly referred to as CNMI, is a chain of 14 distinct islands. These islands are divided into four primary municipalities: Saipan, which also serves as the capital; Tinian and Aguiguan; Rota; and the Northern Islands. Spanning approximately 184 square miles, the CNMI boasts a varied topography, from coral uplifts and volcanic terrains to diverse coastlines featuring both rocky cliffs and serene beaches of white and black sands.

Strategically positioned, the CNMI enjoys closeness to major Asian hubs. The CNMI sits 1,500 miles from both Tokyo and Manila, 2,000 miles from Seoul, 1,400 miles from Taiwan, and 2,454 miles from Beijing.

Having forged a political union with the United States, the CNMI's association with the U.S. government is grounded in the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the “Covenant”).<sup>1</sup> In a landmark referendum in 1975, the CNMI chose to integrate with the U.S. community as an unincorporated territory. This union entailed transferring

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<sup>1</sup> The Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (1975), reprinted in 48 U.S.C. § 1801 (approving the Covenant to Establish a Commonwealth). The Covenant was signed on February 15, 1975, and approved by the United States through Joint Resolution adopted by the U.S. House of Representatives on July 21, 1975, the U.S. Senate on February 24, 1976, and signed by President Ford on March 24, 1976. <sup>2</sup> U.S. Census Bureau (2020). 2020 Census Demographic and Housing Characteristics Summary File

authority over defense and international matters to the U.S., while the CNMI retained its rights to selfgovernment on internal matters. In 1986 the United Nations Trusteeship over the Northern Mariana Islands officially ended and in line with this event, individuals born in the CNMI have been granted U.S. citizenship through Presidential Proclamation, and all inhabitants maintain the rights and protections offered by the U.S. Constitution.

The governance in the CNMI mirrors that of the U.S., featuring a bicameral legislature, a publicly elected Governor, and an autonomous Judiciary system. The legislative body of the CNMI comprises a 20-member House of Representatives, chosen by 7 electoral precincts, and a 9-member Senate that ensures equal representation from Saipan, Tinian, and Rota. Through the rights to self-government established by the Covenant, the CNMI created its own Constitution that serves as the supreme law of the Commonwealth, provides a Bill of Rights of the CNMI people, and established the structure of its government.

The total population of the CNMI is 47,329. The southernmost islands of the Marianas archipelago within the Northern Mariana Islands area, Saipan, Tinian, and Rota, are consistently inhabited, with Saipan alone housing 92% of the total population.<sup>2</sup> The demographic landscape of the CNMI is a rich tapestry of Eastern and Western influences. Indigenous groups, the Chamorros and Carolinians, coexist with individuals of Japanese, Korean, Chinese, Filipino, Thai, Micronesian, Indian, and Nepalese origins. The CNMI recognizes three official languages: Chamorro, Carolinian, and English. However, English dominates daily conversations across the islands.

The islands' cultural fabric is an intricate blend of its colonial history, weaving together elements of Spanish, German, Japanese, and more recent American influences, evident in the islands' language, culinary traditions, and cultural rituals.

The economy of the CNMI has witnessed pronounced fluctuations of boom-bust-boom cycles throughout its modern development. Emerging from World War II as a largely agrarian, subsistence economy, the economy grew to major manufacturing center of the Pacific. This development was short-lived and with the collapse of its prominent manufacturing sector, the economy languished for nearly a decade, until a resurgence derived from tourism investment and growth recaptured lost economic activity, only to once more collapse because of natural disasters and the COVID-19 pandemic.

Today, the CNMI economy is still reeling from the impacts of the pandemic, with tourism arrivals below pre-pandemic levels, and even farther below arrival figures prior to Super Typhoon Yutu which devastated

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the islands in 2018. The overall economy has contracted with consecutive years of double-digit declines, and the CNMI has one of the highest rates of depopulation in the nation. Even as the tourism sector is poised to rebuild from the losses sustained by the pandemic, the economy remains exceedingly undiversified and vulnerable to external shocks.



In 2023, the U.S. Government Accountability Office (GAO) published its annual report on the Public Debt Outlook for the U.S. Territories. In this report, the GAO noted that the CNMI's challenge of meeting its financial obligations worsened, and its economy has limited prospects for recovery and growth. Expanding on this finding, the report provided the following:

“The CNMI Government’s strategy to encourage tourism and economic activity by building casinos and hotels on Saipan and Tinian has not been successful, leaving the territory without a viable plan to recover its economy through other means. CNMI’s inflation adjusted GDP fell by 11.3 percent in 2019 and another 29.7 percent in 2020 with sharp declines in tourist spending, casino gambling revenue, and private fixed investment. With the tourism industry struggling to recover, federal assistance slowing, and weak financial management practices persisting, CNMI is at risk of a severe financial crisis.”<sup>2</sup>

## ES.2. PURPOSE OF THE REPORT

This preliminary report is structured to provide an overview of the CNMI's economic trajectory, covering the historical development of the Post-World War II Northern Mariana Islands, the economic development considerations within the development of the Commonwealth in Political Union with the United States, early Commonwealth development efforts, the growth of industries, and the recent history of economic activity.

This report seeks to accumulate the data resources and historical foundations to support further analysis of the CNMI economy and toward an examination of potential opportunities for economic recovery and growth in the post-COVID-19 environment.

## ES. 3. METHODOLOGY USED TO GATHER AND ANALYZE DATA

As a preliminary analysis of available data on the CNMI economy, this report is largely a desktop study of primary, secondary, and tertiary data resources. Data sources acquired are referenced in Appendix A, and where available electronically, will be uploaded to an online project database developed through this project.

## ES. 4. REPORT STRUCTURE

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Chapter 1 of this report provides a condensed overview of economic development in the Northern Mariana Islands, covering the periods following Spanish colonization up to the signing of the Covenant

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<sup>2</sup> U.S. Government Accountability Office (2023). U.S. Territories: Public Debt Outlook – 2023 Update. GAO-23-106045.

Agreement and the formation of the Commonwealth Government. This chapter proceeds to discuss the specific provisions of both the Covenant and the CNMI Constitution as they relate to the economy. With an understanding of the legal foundations of the government, the chapter then leads to a description of the current governmental structure, highlighting the agencies and departments that have direct involvement within the economy.

Chapter 2 provides a collection of federal and local data on the CNMI economy to provide a portrait of the trends of current conditions of economic activity. This chapter focuses on both macro-level data on the aggregate economy, as well as industry specific metrics that illustrate the roles of various industries within the economy. This chapter closes with an analysis of the challenges facing the CNMI economy, along with opportunities, drawing from prior economic reporting from the decades of development in the islands.

Chapter 3 proposes a structure in which the major sectors can be conceptualized for the purposes of policy development and economic recovery. The Industry Clusters developed in this chapter aim to highlight the interconnectedness of various sectors toward broad industrial classifications. Identified Industry Clusters are then assessed for their strengths, and challenges.

## **CHAPTER 1: OVERVIEW OF THE DEVELOPMENT OF THE CNMI ECONOMY**

### **A CONCISE HISTORY OF CNMI'S ECONOMIC DEVELOPMENT**

While the CNMI has centuries of colonial history since the first arrival of Spanish explorers in 1521, the historical record on economic activity during most of its 400 years of colonial history is limited. Yet, throughout this history, there are significant points of interest that offer important lessons for modern development and can illuminate the present development environment.

For the purposes of this report, the following are four eras worth consideration in conceptualizing the challenges of modern development.



### *SPANISH ATTEMPTS AT DEVELOPMENT*

For approximately a century following their discovery, the islands played no significant role in economic or colonial terms, serving merely as a basic provisioning point en route to the Philippines and the wealth of Asia. Lacking apparent riches in gold or spices, the islands eventually garnered interest of Catholic missionaries. In 1668, Jesuit priests, catechists, and soldiers established the first European colony in the Pacific on Guam, initiating a process of development through European colonial standards. Yet, as the region's inaugural colonial venture, the challenges of development within the constraints of small island geography were novel and untested.<sup>3</sup>

The developmental objectives of the Spanish in the Marianas fluctuated over their three-century rule. Initially, the primary aim was to resettle the indigenous population from the northern islands to Guam, perceived by a Jesuit priest as being "snatched from the jaws of hell and transported to paradise."<sup>4</sup> Within three decades, the entire northern population was relocated to Guam, Rota, and Saipan, centralizing Spanish authority and securing the labor needed for agriculture to support the colonial administration.<sup>5</sup>

After the relocation, Spanish interest in the northern islands waned. These islands offered limited material wealth, and Guam's resources sufficed for the modest colonial settlement. Their lack of strategic harbors reduced the need for military defense against rising English and Dutch influences. Spanish focus shifted towards the main islands, prioritizing the conversion of local inhabitants to Catholicism. The recurrent visits of Spanish galleons fostered a burgeoning barter economy, yet the main islands' missionaries prioritized religious conversion, while the colonial administration aimed to maximize the return from the annual Spanish subsidy funding the colony. Education efforts by the missionaries targeted traditional spiritual beliefs, creating a two-tier social structure. Simultaneously, the colonial government's monopoly stifled the

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commercial market, evident when European whalers' trade, equal to the annual Spanish subsidy, was monopolized by Spanish governors.<sup>6</sup>

The Spanish development strategy's shortcomings in the Marianas were epitomized by the dramatic population decline post-occupation. Within 23 years of colonization, the local population plummeted by 70 percent,<sup>7</sup> with just over 4,000 inhabitants by 1855.<sup>8</sup> As Augustinian Priest Father Aniceto Ibáñez del Carmen noted, "when the Spaniards first set foot on this island, it had a population of forty thousand... if

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<sup>3</sup> Hezel, F. (1989). *From Conquest to Colonization: Spain in the Marianas 1690 to 1740*. Saipan, Commonwealth of the Northern Mariana Islands, Division of Historic Preservation.

<sup>4</sup> Ibid.

<sup>5</sup> Farrell, D. A., Propst, I., Cabrera, E. E., & Wonenberg, B. (2011). *History of the Mariana Islands to partition*. CNMI Public School System.

<sup>6</sup> Hezel (1989)

<sup>7</sup> Hezel (1989)

<sup>8</sup> Farrel (2011)

this trend is not reversed and things continue as they have to present time, within a few years this island will be depopulated or uninhabited." <sup>9</sup> The diminished population further hampered economic potential, as visitors observed the lack of commercial agriculture despite ample fertile land. The 18th-century Spanish administration attributed this to the population's reduced size and morale, weakened by forced labor, disease, and political disenfranchisement.

By the 1700s, the rationale for Spain's ongoing presence in the Marianas faced scrutiny. Spanish Governor Francisco Medrano, witnessing the colony's decline and its failure to generate income beyond Spanish subsidies, suggested relocating the remaining population to the Philippines.<sup>10</sup> Though rejected, this idea reflected the perceived burden of maintaining the colonies. Subsequent governors lamented the administrative burdens and the insufficiency of the meager subsidy for sustaining the occupation. Consequently, significant development initiatives were abandoned, and the Marianas remained under Spanish control, serving mainly as a defensive bulwark against European rivals in the region.<sup>11</sup>

#### *GERMAN ESTABLISHMENT OF ADMINISTRATIVE STATE*

The German colonial period in the Marianas, which began in the late 19th century following Spain's sale of the islands to Germany, marked a significant shift in the administrative and economic landscape of the region. The German Empire, eager to expand its global influence and establish a foothold in the Pacific, initiated a series of administrative reforms and development projects aimed at integrating the Marianas into its broader colonial network. This period saw the introduction of a structured colonial bureaucracy, with an emphasis on efficiency and economic exploitation. <sup>12</sup> The German administration focused on agricultural development, infrastructure improvement, and the establishment of a more systematic governance structure, which laid the groundwork for the subsequent Japanese colonial period.

Under German rule, the Marianas experienced a transition towards a more structured and export-oriented economy. The Germans introduced new agricultural practices and crops, most notably copra (dried coconut

meat) production, which became the backbone of the islands' economy. The cultivation of copra, along with other agricultural endeavors such as cacao and coffee plantations, was heavily promoted by the German administration as part of their broader strategy to make the colony economically self-sufficient and profitable. This shift not only altered the economic landscape of the Marianas but also impacted the

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<sup>9</sup> Hezel (1989)

<sup>10</sup> Farrel (2011)

<sup>11</sup> Hezel (1989)

<sup>12</sup> Russell, S. (1999). *Tiempon Alemán: A look back at German rule of the Northern Mariana Islands, 1899-1914*. Commonwealth of the Northern Mariana Islands, Division of Historic Preservation.



social fabric, as land use patterns changed, formal land tenure was established, and the local population became more involved in the colonial economy.<sup>13</sup>

The German period in the Marianas, though relatively brief compared to other colonial powers in the region, left a lasting impact on the islands' development trajectory. The establishment of a structured administrative state, the introduction of new agricultural practices, and the focus on economic exploitation set the stage for future colonial endeavors, particularly under the Japanese, who took control of the islands after World War I. The German legacy in the Marianas is also evident in the remnants of infrastructure and the enduring influence on local agricultural practices. This period of colonial rule, while often overshadowed by subsequent Japanese and American administrations, was a crucial phase in the complex tapestry of the Marianas' colonial history.

#### *JAPANESE INDUSTRIAL DEVELOPMENT*

The Japanese era in Saipan, a key period of transformation and development, began in the early 20th century following Japan's acquisition of the island from Germany in 1914. In this period, Saipan, under Japanese rule, underwent significant changes. The island, which had previously experienced relatively limited economic development under German and Spanish rule, became a focal point of Japan's ambitious plans for Micronesia. The Japanese administration initiated a robust program of industrialization and infrastructure development, aiming to integrate Saipan more fully into Japan's expanding economic and strategic sphere in the Pacific.

Under Japanese administration, Saipan experienced a profound transformation in its economic landscape. The Japanese government and private enterprises heavily invested in the island's infrastructure, developing roads, ports, and public buildings. Saipan's economy during this period was highly diversified, with the development of sugar cane plantations, fishing, and manufacturing industries. The sugar industry, in particular, became a cornerstone of Saipan's economy, facilitated by the introduction of large-scale sugar cane plantations and the establishment of sophisticated sugar processing facilities. This industrialization led to significant population growth, as workers from Japan, Okinawa, Korea, and other Micronesian islands were brought in to meet the labor demands of these burgeoning industries.<sup>14</sup>

The industrialization of Saipan under Japanese rule also had profound social and cultural impacts. The influx of workers from various regions led to a melting pot of cultures and a significant shift in the demographic

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composition of the island. The Japanese government implemented policies aimed at assimilating the local Chamorro and Carolinian populations, introducing the Japanese language and culture into the educational

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<sup>13</sup> Spennemann, D. (1999). *Aurora Australis: The German Period in the Mariana Islands, 1899-1914*. Saipan, CNMI Division of Historic Preservation.

<sup>14</sup> Peattie, M. (1988). *Nan'yo: The Rise and Fall of the Japanese in Micronesia, 1885-1945*. Honolulu, Center for Pacific Islands Studies, School of Hawaiian, Asian, and Pacific Studies, University of Hawaii.

system. While this era brought modernization and economic growth, it also introduced complex social dynamics and challenges, including issues related to labor conditions, cultural assimilation, and the displacement of local customs and traditions. This period laid the groundwork for Saipan's contemporary cultural and socio-economic landscape, marking a pivotal chapter in the island's history.<sup>15</sup>

### *AMERICAN ERA*

The liberation of the indigenous inhabitants of the Northern Marianas from internment camps following the American occupation marked a significant change in their lives and the future of their islands. PostWorld War II, the United States Navy assumed administrative authority over the islands. Around the same time, key global institutions were established to shape the post-war world order, including the International Monetary Fund, the World Bank, the General Agreement on Tariffs and Trade, and the United Nations. A critical development for the Pacific was the formation of the United Nations Trusteeship Council, tasked with fulfilling the principle of self-determination as outlined in the 1945 UN Charter. Article 1 of the Charter emphasizes the importance of self-determination and the promotion of peace.<sup>16</sup> The Trusteeship Council's role was to assist former colonies, now Trust Territories, in achieving self-governance. The United States, along with Australia, Great Britain, and France, were appointed as Trustees to oversee this transition.

The United States, new to the administration of territories under an international trustee agreement, faced challenges in managing the Trust Territory of the Pacific Islands (TTPI), which included the Northern Mariana Islands. Under President John F. Kennedy, the administration of these territories shifted from the Navy to the Department of the Interior, focusing more on self-governance and less on strategic interests. This period marked the beginning of modern development in the NMI.<sup>17</sup>

Initial development efforts in the NMI were hindered by a sparse population, a lack of economic data, and concerns about foreign investment in the tourism sector.<sup>18</sup> The Department of the Interior sought to promote self-governance in the TTPI but faced challenges due to the region's diverse demographics and cultural differences.<sup>19</sup> The Northern Mariana Islands in particular were eager for economic development and modernization.<sup>20</sup>

The U.S. government's reluctance to allow foreign investment in the NMI was challenged in 1967 when a Guamanian investor built Micronesia's first luxury hotel in Saipan.<sup>21</sup> This indicated potential for economic

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<sup>15</sup> Ibid.

<sup>16</sup> United Nations (1945). Charter of the United Nations. Washington, Government Printing Office.

<sup>17</sup> Willens, H., Siemer, D. (2000). National Security and Self-determination: United States Policy in Micronesia (1961-1972). Westport, CT. Praeger.

<sup>18</sup> Willens, H., Siemer, D. (2002). An Honorable Accord: The Covenant between the Northern Mariana Islands and the United States. Honolulu. Center for Pacific Islands Studies, School of Hawaiian, Asian, and Pacific Studies, University of Hawaii.

<sup>19</sup> Willens & Siemer (2000)

<sup>20</sup> Willens & Siemer (2002)

<sup>21</sup> Willens & Siemer (2002)



growth, which was further explored in the Nathan Report by Robert R. Nathan Associates. The report emphasized private sector growth, particularly in tourism, and suggested a reduced role for government in the economy.<sup>22</sup>

Negotiations between the U.S. and the NMI focused on balancing regional security interests with the NMI's desire for economic growth. The Covenant approved in creating the Commonwealth of the Northern Mariana Islands, allowed for a unique economic and governmental structure, including control over immigration and a modified tax system. This led to a surge in foreign workers and growth in tourism and manufacturing sectors.

However, the rapid growth and development paradigm, heavily reliant on industry expansion and low-wage labor, proved unstable in the long term. The rise and subsequent fall of the garment manufacturing industry exemplified the challenges of this development approach. In the 1980s, foreign investment, particularly from Japan, spurred growth in the tourism sector, but the eventual arrival of garment manufacturers marked a new era of economic expansion. While economic growth rates exceeded 10 percent annually, the reliance on foreign capital and workers revealed underlying vulnerabilities in the development model of the NMI.<sup>23</sup>

## INSTITUTIONAL UNDERPINNINGS OF THE COMMONWEALTH ECONOMY

### *THE COVENANT*

Following the enactment of the Covenant in 1978, the newly established Commonwealth of the Northern Mariana Islands had the framework by which to establish the political and economic institutions that would help meet its new obligations of self-government. The Covenant established the authority of the CNMI to exercise its self-governing powers through the establishment of its own Constitution, but also created the framework for the unique application of federal laws that provided the foundation for economic development. Important agreements that have shaped the CNMI economy are contained in Articles V, VI, VII, VIII, and IX.

### Covenant - Article V

Article V of the Covenant describes the applicability of federal laws to the CNMI. This section includes the provisions of the Constitution of the United States that were made applicable to the CNMI and those which

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<sup>22</sup> Robert R. National Associates, Inc. (1968). A Report on Action Taken to Implement Recommendations for Economic Development in the Trust Territory: A Nathan Report Study. Government of the Northern Mariana Islands, Office of Transition Studies and Planning

<sup>23</sup> Willens & Siemer (2002)

did not apply. Critically, Section 503 provided that the immigration and naturalization laws, the coastwise laws against foreign vessels landing fish or unfinished fish products and the minimum wage laws of the

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United States did not immediately apply to the CNMI, except “in the manner and to the extent made applicable to them by the Congress by law after the termination of the Trusteeship Agreement...”

In practice this provision allowed the CNMI to establish its own immigration system for the entrance of foreign visitors or workers to support its economic growth and permitted the CNMI to establish its own wage standards outside of the national minimum wage for all workers in the Commonwealth. To this end, the CNMI through Public Law 01-08 established the Office of Immigration and Naturalization with the office of the Attorney General to be responsible for the day-to-day supervision and administration of matters involving immigration, emigration, and naturalization.

Congress has attempted to enact legislation to change the manner and the extent in which immigration and minimum wage laws apply to the CNMI and was successful in altering these specific terms of the Covenant in the enactment of two federal statutes. U.S. Public law 110-28 extended federal minimum wage laws to the CNMI and U.S. Public Law 110-229 placed the CNMI in a transition period toward full implementation of federal immigration laws in the Commonwealth in 2029. In tandem, these laws significantly altered the structure of the CNMI economy, and its impacts are still present today. Further discussion on these two critical pieces of federal law is found in subsequent sections on labor and economic challenges.

## Covenant - Article VI

Article VI of the Covenant involved the revenue and taxation authorities granted to the CNMI Government. Article VI grants the CNMI the authority to establish and impose taxes. The Covenant in providing for this authority, provided 7 sections with Article VI defining the relationship between the CNMI and the United States that have governed the creation of the CNMI’s internal taxation system. These provisions are as follows:

- Section 601 – United States income tax laws will be applied to the Northern Mariana Islands as a local territorial income tax.
- Section 602 – The CNMI Government may impose taxes in addition to those imposed by the local territorial income tax and may rebate certain taxes received by it.
- Section 603 – The Northern Mariana Islands will not be included within the customs territories of the United States.
- Section 604 – Further clarifying Section 603, the United States Government and the CNMI may levy excise taxes in the Northern Mariana Islands



- Section 605 – In levying customs duties and local taxation, the United States Government and its employees will have certain immunities.
- Section 606 – The social security system of the Northern Mariana Islands is related to that of the United States
- Section 607 – Obligations of the CNMI will be exempt from taxation by the United States or its political subdivisions, and certain limitations are imposed on authorization of public indebtedness.

As provided by Section 601 of the Covenant, the CNMI operates a mirror system of taxation where the CNMI tax code related to United States Income Tax laws mirrors present provisions and amendments to the Internal Revenue Code (IRC). The provisions of the IRC and their relations to the of United States Income Tax laws are contained in the Northern Marianas Territorial Income Tax (NMTIT) codified under 4 CMC § 1701 et. seq.

#### Covenant - Article VII

Article VII of the Covenant is arguably one of the most important sections on the economic development of the CNMI, especially during the formative years of the new government. The article discusses the United States Financial Assistance to the Commonwealth government and begins with the often-quoted statement “The Government of the United States will assist the Government of the Northern Mariana Islands in its efforts to achieve a progressively higher standard of living for its people as part of the American economic community and to develop the economic resources needed to meet the financial responsibilities of local self-government.”

To provide for the ability to meet this obligation the United States pledged the payment of guaranteed annual levels of direct grant assistance to the CNMI Government for each of the seven fiscal years following the effective date of the Covenant. For these amounts \$8.25 million was allotted for budgetary support of governmental operations, \$4 million was for capital improvement projects, and \$1.75 million was for an economic development loan fund.

In addition to direct financial assistance specifically appropriated for the CNMI, Article VII provides two additional sources of funding through the eligibility to the “full range of federal programs and services available to the territories of the United States” and payments to the CNMI treasury for the proceeds of all customs duties and federal income taxes derived from the Northern Mariana Islands, the proceeds of all taxes collected under the Internal Revenue Code of the United States on articles produced in the Northern Mariana Islands and transported to the United States or its territories or those consumed in the NMI, and the proceeds of any other taxes levied by Congress on the inhabitants of the NMI, and all quarantine, passport, immigration and naturalization fees collected in the NMI.

#### Covenant - Article VIII

Article VIII of the Covenant involved property in the CNMI and contained two crucial elements as it relates to economic development. First Article VIII outlined the lease of property to the United States government, which covered the lease of 2/3rds of the island of Tinian, Tanapag Harbor on Saipan, and the entirety of the island of Farallon de Medinilla. The terms of the subsequent formal lease of these properties were in accordance with this Article and the Technical Agreement which was executed simultaneously with the Covenant. The total cost of the acquisition of these leases provided the CNMI Government a total of \$19,520,600 for the term of the 50 years.

The second crucial provision in this Article is contained in Section 805 which provides that:

“notwithstanding the other provisions of this Covenant, or those provisions of the Constitution, treaties or laws of the United States applicable to the Northern Mariana Islands, the Government of the Northern Mariana Islands, in view of the importance of the ownership of land for the culture and traditions of the people of the Northern Mariana Islands, and in order to protect them against exploitation and to promote their economic advancement and self-sufficiency:

- (a) will until twenty five years after the termination of the Trusteeship Agreement, and may thereafter, regulate the alienation of permanent and long-term interests in real property so as to restrict the acquisition of such interests to persons of Northern Mariana Islands descent; and
- (b) may regulate the extent to which a person may own or hold land which is now public land.”

This allowance to regulate who may own or hold land in the CNMI formed the basis for the later Constitutional provision that restricted land alienation of CNMI property contained in Article XII of the CNMI Constitution.

#### Covenant - Article IX

Article IX of the Covenant provides details on the continuing relationship between the CNMI and the Federal Government and discusses NMI representation in federal matters. Section 901 provided for the appointment or election of a Resident Representative to the United States, who was the precursor to the CNMI’s non-voting delegate position that is present today.

Section 902 provides for the mechanism in which the CNMI and federal government meet to discuss matters affecting the relationship between them. Since the establishment of the Commonwealth government, Section 902 consultations have been called at least 4 times and these consultations have been primarily established to discuss issues of economic significance. The 902 Consultations and their topics have been called on the following occasions:



- 1986-1992 – Application of federal laws that have an adverse effect on the CNMI (Called by CNMI, 1985)
- 1998-2001 – Extension of Federal immigration and wage policies to the CNMI (Called by US Government, 1998)
- 2016-2017 – Pending expiration of the immigration transition program and Department of Defense land acquisition plans (Called by CNMI, 2015)
- 2019 – Discretionary parole of nationals of People's Republic of China (Called by CNMI, 2018)

Sections 904 provides that the United States will facilitate the establishment of NMI offices in the United States and abroad to promote local tourism and other economic or cultural interests in the NMI and that the CNMI may participate in regional and other international organizations concerned with social, economic, educational, scientific, technical, and cultural matters so long as participation is similarly authorized for any other territory of the United States.

### *CNMI CONSTITUTION*

Following the approval of the Covenant by the NMI electorate, the government quickly established its own Constitution that formed the basis of the government's structure, and the rights afforded to individuals living in the NMI. The drafting of the Commonwealth Constitution was undertaken by thirty-nine elected representatives who convened for a constitutional convention in Saipan in 1976. This proposed constitution was later approved by the voters of the Northern Mariana Islands on March 6, 1977, and officially came into effect on January 9, 1978.

Several key elements of the Commonwealth Constitution are required by the Covenant. These include the bill of rights in Article I, the establishment of distinct executive, legislative, and judicial branches in Articles II, III, and IV, respectively, and Article XII's restriction on the acquisition of long-term land interests exclusively to individuals of Northern Marianas descent.

Proposed amendments to the Constitution require ratification by the Commonwealth's electorate, with the amendment process outlined in Article XVIII of the Constitution. As of January 2020, there have been sixtytwo ratified amendments.

In 1985, a second constitutional convention proposed forty-four amendments, all of which were ratified by voters. However, one amendment relating to Section 8 of the Constitution's Schedule on Transitional Matters was later declared invalid following a legal dispute.

Between 1987 and 2014, in the years 1987, 1989, 1993, 1997, 1999, 2007, 2009, 2012, and 2014, eighteen amendments were ratified, all proposed through legislative initiatives.

Of the Constitution's 22 articles, this analysis intends to highlight articles and provisions that have substantive impact on economic development in the CNMI or are involved in present day issues related to the CNMI economy.

### Constitution – Article I, Section 9

Contained in Article I of the Constitution covering Personal Rights of individuals within the Commonwealth, is the stated right to a Clean and Healthful Environment. The section states: “Each person has the right to a clean and healthful public environment in all areas, including the land, air, and water. Harmful and unnecessary noise pollution, and the storage of nuclear or radioactive material and the dumping or storage of any type of nuclear waste within the surface or submerged lands and waters of the Northern Mariana Islands, are prohibited except as provided by law.” This provision provides the foundation for the CNMI’s environmental protection statutes, such as the Commonwealth Environmental Protection Act, and the Coastal Resources Management Act of 1983, the latter being the local institutional framework for the permitting of major developments under the U.S. Coastal Zone Management Act.

### Constitution – Article III, Section 20

Section 20 of Article III concerns the Retirement System and reflects the commitment of the Commonwealth to its public employees by ensuring the protection and integrity of their pension benefits. This section establishes that membership in the Commonwealth’s employee retirement system is a binding contractual relationship, guaranteeing that accrued benefits cannot be reduced or impaired. This legal assurance is crucial for the financial security of public sector retirees. The CNMI Retirement System and the government’s inability to maintain contributions to the program gave rise to the federal court judgement that created the NMI Settlement Fund and the mandatory contributions required by local appropriations.

### Constitution – Article X

Article X of the Constitution covers issues of taxation and public finance.

Section 4 limits public indebtedness by creating two primary restrictions. For bonds that are not bonds or obligations of the government payable solely from revenues derived from public improvements or undertakings cannot exceed 10 percent of the “aggregate assessed valuation of the real property within the Commonwealth” and public indebtedness is prohibited for the purpose of using the debt to pay for operating expenses of the government or its political subdivisions.

Section 5 prohibits taxes on any owner-occupied single family residential, agricultural, or unimproved real property, unless such a tax is approved by three-fourths of the electorate of the senatorial district in which the tax is proposed.

Section 10 approves the issuance of Pension Obligation Bonds upon affirmative vote of two-thirds of the members of each house of the legislature. The cumulative amount of the debt is not to exceed the CNMI’s actuarially determined unfunded accrued liability to the retirement program.

### Constitution – Article XI



Article XI primarily deals with the management and disposition of public lands and submerged lands in the Commonwealth of the Northern Mariana Islands (NMI), emphasizing the role of the Marianas Public Land Corporation and the Marianas Public Land Trust in these processes.

Section 1 defines public lands as those belonging collectively to the people of the Commonwealth who are of Northern Marianas descent. This includes lands transferred from the Trust Territory of the Pacific Islands, vested in the Resident Commissioner, or transferred to or by the government of the NMI under the Covenant, as well as the submerged lands off the coast of the Commonwealth.

Section 2 and Section 3 assign the management and disposition of submerged and surface public lands, respectively, with Section 3 specifically designating the Marianas Public Land Corporation for the management of surface lands.

Section 4 establishes the Marianas Public Land Corporation, detailing its structure, directorial appointments, and responsibilities. It is tasked with managing public lands for the benefit of the people of Northern Marianas descent and is required to report annually on its management and land transfers.

Section 5 outlines the fundamental policies that the Marianas Public Land Corporation must follow. These include provisions for a homestead program, restrictions on the transfer of freehold and leasehold interests in public lands, guidelines for commercial land use, and regulations on construction near sandy beaches. It also details the financial management of revenues from public lands, emphasizing the use of funds for administration, land surveying, homestead development, and other necessary functions.

Section 6 creates the Marianas Public Land Trust, which is responsible for the prudent investment of funds from public lands. The section details the appointment and responsibilities of the trustees, investment restrictions, and the requirement for annual financial reporting. It also mentions the trust's role in developing a memorial park at Tanapag Harbor and the management of the trust's proceeds.

These provisions have significant implications for economic development in the NMI. They establish a legal framework for the management of public lands and submerged lands, ensuring that these resources are used for the collective benefit of the people of Northern Marianas descent. The establishment of the Marianas Public Land Corporation and the Marianas Public Land Trust provides a structured approach to land management, investment, and development, which is crucial for sustainable economic growth. These sections also emphasize the importance of preserving cultural heritage and environmental resources while promoting economic development. The specific policies and restrictions outlined in these sections aim to balance development with the protection of natural and cultural resources, ensuring that economic growth in the NMI is inclusive and sustainable.

## Constitution – Article XII

Article XII of the constitution addresses the ownership and transfer of land in the CNMI focusing on the restriction of land ownership to persons of Northern Marianas descent and the implications of these restrictions for corporations and enforcement mechanisms.

Section 1 limits the acquisition of permanent and long-term interests in real property within the Commonwealth to persons of Northern Marianas descent, reflecting a policy aimed at protecting local cultural and traditional values.

Section 2 clarifies the definition of acquisition as it relates to Section 1, including various means such as sale, lease, gift, inheritance, and foreclosure. It specifies exceptions in cases of inheritance and foreclosure by full-service banks, Federal Agencies, or Governmental entities.

Section 3 defines what constitutes permanent and long-term interests in real property, including freehold and leasehold interests of more than fifty-five years. It places restrictions on condominium ownership and declares transactions in violation of this provision as void.

Section 4 details the criteria for identifying a person of Northern Marianas descent, which includes having some degree of Northern Marianas Chamorro or Carolinian blood. It outlines procedures for individuals with less than one-quarter Northern Marianas blood to claim this status, requiring evidence to be presented to the Superior Court.

Section 5 stipulates that a corporation can be considered a person of Northern Marianas descent if it meets certain conditions, such as being incorporated in the Commonwealth, having its principal place of business there, and having its directors and voting shares owned entirely by persons of Northern Marianas descent.

Section 6 focuses on the enforcement of these provisions, declaring any transaction in violation of Section 1 as void and specifying forfeiture of land to the government of the NMI if a corporation ceases to qualify under Section 5. It also mandates the Registrar of Corporation to issue regulations for compliance and allows the legislature to enact enforcement laws and procedures.

These sections collectively aim to preserve land ownership within the local community of Northern Marianas descent, reflecting a deep commitment to maintaining cultural heritage and ensuring that economic benefits derived from land resources are retained within the local population. This approach has significant implications for economic development, as it restricts foreign investment and ownership in land, potentially limiting certain types of economic activities while safeguarding local interests and cultural identity.

#### Constitution – Article XVI

Article XVI's single section states that "No private business corporation shall be organized and no existing corporate charter shall be extended or amended except by general laws."

#### Constitution – Article XXI

Article XXI's sole section provides for the prohibition on gambling the NMI except as provided by Commonwealth law or established through initiative in the Commonwealth or in any senatorial district.



## DEPARTMENTS AND COMPONENT UNITS OF GOVERNMENT

With the obligation of self-governing status and the development of the Constitution, the CNMI progressed to the establishment of Executive Branch agencies and departments that would oversee the implementation of Commonwealth laws and the promulgation of regulations. Over the years since the creation of the Commonwealth, departments and agencies have taken varied forms and functions under a set of differing names and locations within the overarching structure of government. Presently the Executive Branch is comprised of the following departments and agencies:

TABLE 1: LINE-ITEM DEPARTMENTS OF THE CNMI EXECUTIVE BRANCH

Department/Agency	Headed by
Office of the Governor	Governor
Office of the Lieutenant Governor	Lieutenant Governor
Office of the Public Defender	CNMI Public Defender
Department of Community and Cultural Affairs	Secretary of Community and Cultural Affairs
Department of Public Works	Secretary of Public Works
Department of Commerce	Secretary of Commerce
Department of Public Safety	Commissioner of Public Safety
Department of Finance	Secretary of Finance
Department of Lands and Natural Resources	Secretary of Lands and Natural Resources
Department of Public Lands	Secretary of Public Lands
Department of Labor	Secretary of Labor
Department of Corrections	Commissioner of Corrections
Department of Fire and Emergency Medical Services	Commissioner of Fire and Emergency Medical Services
Office of Grants Management	Administrator of the Office of Grants Management
Bureau of Environmental and Coastal Quality	Administrator of Environmental and Coastal Quality
Office of Military Liaison and Veteran Affairs	Special Assistant for Veterans Affairs
Commonwealth Bureau of Military Affairs	Special Assistant for Military Affairs
Office of Homeland Security	Special Assistant for Homeland Security

Office of Vocational Rehabilitation	Director of Vocational Rehabilitation
Office of Transit Authority	Special Assistant for Transit
Office of Planning and Development	Director of Planning and Development
Commonwealth Medicaid Agency	Director of Medicaid

These Executive Branch departments and agencies serve under the direction of the Governor of the CNMI. The following entities provide public services to the CNMI population and implement CNMI laws, however, do so under separate governance structures.

TABLE 2: AUTONOMOUS/SEMI-AUTONOMOUS AGENCIES AND COMPONENT UNITS OF THE CNMI GOVERNMENT

Entity	Governance	Mission
Public School System	Elected 5-member State Board of Education	Educating lifelong learners to become productive citizens of a global society.
Commonwealth Utilities Corporation	Appointed 7-member Board of Directors	The Commonwealth Utilities Corporation (CUC) is dedicated to excellent customer service and effective Power, Water & Wastewater services for the people of the Commonwealth of the Northern Mariana Islands (CNMI) at the lowest reasonable cost while providing safety to the employees and community.
Northern Marianas Housing Corporation	Appointed 5-member Board of Directors	NMHC is committed to providing efficient and responsive delivery of housing, mortgage and community development programs to the people of the Commonwealth.
Commonwealth Economic Development Authority	Appointed 5-member Board of Directors	To provide financial and technical assistance to facilitate the start-up or expansion of private and public enterprises for their success, the benefit of the CNMI's economic welfare and the long-term sustainability of CEDA.
Commonwealth Ports Authority	Appointed 7-member Board of Directors	To develop air and sea navigation to and from the CNMI to its fullest potential.
CNMI Cannabis Commission	Appointed 5-member Commission	To regulate the cannabis industry by implementing and administering the laws and regulations enabling safe, responsible adult



		personal use of Cannabis and to capture a revenue stream that can contribute towards the overall economic progress of the Commonwealth.
Commonwealth Casino Commission	Appointed 5-member Commission	To enforce and implement the casino gaming laws, regulations, and casino license agreement. To provide regulatory oversight over Saipan's casino gaming industry.
Marianas Visitors Authority	5 members gubernatorially appointed, 4 members elected by MVA membership	To promote and develop the Northern Mariana Islands as a premier destination of choice for visitors from throughout the world while providing a maximum quality of life for our people.
Commonwealth Healthcare Corporation	Appointed 5-member Board of Trustees	Providing quality comprehensive health services and promoting healthy environments for a resilient community.
Office of the Public Auditor	Appointed Public Auditor	To uphold public trust in government accountability, transparency, and services with effective audits and investigations.
Office of the Attorney General	Elected Attorney General	To provide legal counsel and representation to the Commonwealth Government and its agencies on many issues vital to the people's interest.
Commonwealth Zoning Board	Appointed 5-member Board of Directors	To safeguard the health, safety and general welfare of the residents & visitors of the CNMI by administering an effective zoning system that allows for harmonious business enterprise, compatibility with proximate uses and a land use system that protects the interests of both present and future residents.
Northern Marianas College	Appointed 7-member Board of Trustees	To cultivate stewardship through scholarship.

Northern Marianas Technical Institute	Appointed 5-member Board of Trustees	The Northern Marianas Technical Institute Invests in students by providing advance trades, career and technical education to produce skilled individuals and strengthen the CNMI workforce.
Office of Personnel Management	Appointed 7-member Commission	To properly implement and enforce the provision of the Civil Service Commission and Excepted Service Personnel Rules & Regulations, local and federal laws and to promptly assist and efficiently render quality services and guidance to government departments and agencies on a variety of personnel management matters and concerns.
Joeten-Kiyu Public Library	Appointed 7-member Council	Promote Literate CNMI. Strengthen Institutional Capacity. Enhance and Maintain NMISL Technology. Provide Welcoming Library Environments.
Commonwealth Election Commission	Appointed 9-member Commission	To ensure a fair, honestly, orderly and impartial election process.
Marianas Public Land Trust	Appointed 5-member Board of Trustees	Marianas Public Land Trust (MPLT) is a Constitutional Trust whose primary purpose is to manage the net revenues from the leasing of CNMI public lands.
CNMI Scholarship Office	Appointed 5-member Board of Directors	To provide college access programs to eligible CNMI residents who wish to pursue their postsecondary, graduate, and postgraduate degree; or a certification in the trades.
CNMI Public Utilities Commission	Appointed 5-member Commission	To provide regulatory oversight supervision over regulated entities providing public utilities or telecommunications services.

In the respective responsibilities held by these entities, departments and agencies have engaged in several planning and research efforts. A non-exhaustive list of CNMI planning and research documents is provided in Appendix C.

Given that the CNMI is a multi-island community, a unique and important structure of executive governance is that functions are decentralized within the islands of Tinian, and Rota. Under the provisions of Article VI, Section 2, the governor is empowered to assign responsibilities to elected mayors for implementing Commonwealth laws and managing public services in their respective jurisdictions. This



includes ensuring that heads of departments on their islands faithfully execute their duties in line with Commonwealth government policies. In areas like Rota, Tinian, and Aguiguan, services were decentralized, placing department heads residing on these islands with the task of preparing and submitting budgets to the mayor. This governance structure extends to northern islands when the population of the Northern Island municipality exceeds one thousand individuals.

Furthermore, the Commonwealth aims to provide public services equitably across its municipalities. The legislature holds the authority to mandate the delivery of these services through decentralized administrative systems. To achieve this, the governor is responsible for making necessary legislative recommendations to ensure equitable service distribution throughout the Commonwealth.

While the various responsibilities of government are critical to the proper functioning of an economy, there exists departments and agencies of the CNMI Government that have been directly delegated responsibility or have functions of critical importance on economic development planning, regulation, and implementation.

#### *ECONOMIC DEVELOPMENT INSTITUTIONS*

##### **CNMI Department of Commerce**

The CNMI Department of Commerce is a line-item department of the Executive Branch under the authority of the Governor. The Department is comprised of six divisions – Alcohol Beverage & Tobacco Control, Central Statistics Division, Economic Development Division, Enforcement & Compliance Division, Workers Compensation Commission, and the Registrar of Corporations. The department also holds the functions of the regulation of banks operating in the CNMI as well as insurance issuers, with both functions being operated out of the Office of the Secretary of Commerce.

The Department of Commerce is tasked with a broad mandate to energize and regulate private and foreign investment. Its duties span the formulation and enforcement of policies related to labor practices and the development of maritime, agricultural, and commercial fishing sectors. The department also holds the authority to issue licenses and oversee businesses in the construction trade, among others that are not already regulated. Excluded from its purview are businesses in garment manufacturing and most commercial farming or fishing unless they fall into specialized categories like aquaculture with significant capital investment. Additionally, the department, through the Central Statistics Division, collects and analyzes statistical data to inform and shape development programs, playing a pivotal role in strategizing for economic development.

Through the Economic Development Division, the Department of Commerce administers the U.S. Small Business Administration (SBA) State Trade Expansion Program (STEP), the U.S. Department of Agriculture (USDA) AMS Local Food Purchase Assistance Program (LFPA) and assists in the administration of the U.S. Department of Treasury State Small Business Credit Initiative (SSBCI).

## Department of Finance

The Department of Finance handles the collection and management of all government revenues, such as taxes, and license fees, and the oversight of federal funds. The department is responsible for managing the Commonwealth's accounts and fiscal resources, including trust funds, retirement funds, and other special revenue accounts.

Additionally, the department oversees customs and baggage inspection, and government procurement. It also executes the payment of government obligations and the licensing of businesses. Through the Department of Finance's Division of Revenue and Taxation, the Department collects and analyzes tax data across the range of CNMI taxes. These taxes include Wage and Salary taxes on individual wage earnings, Business Gross Revenue Tax (BGRT) on gross revenues earned by businesses, excise tax on the value of imported or manufactured items, and hotel occupancy tax on the aggregate revenue on the sale of hotel room nights. Together, these taxes provide critical insight into the revenue of employees and businesses, and the value and quantity of imports entering the Commonwealth.

## Department of Public Lands

The Department of Public Lands (DPL) plays a significant economic development role by managing the administration, use, leasing, development, and disposition of public lands, which constitutes 79% of the total land area of the CNMI.

In functioning as the fiduciary for the disposition of the CNMI's public lands, DPL seeks to obtain the best possible return on the lease of these lands for the benefit of individuals of Northern Marianas Descent. Currently, many of the major hotels and resorts that represent the backbone of the tourism industry reside on public lands. These hotels include the Hyatt Regency Saipan, the Crowne Plaza Saipan, Kanoa Resort, Pacific Islands Club, and the former Marianas Resort. Public land leases for significant developments undergo a leasing application process that requires, among other things, detailed development plans and multiple appraisals on the property.

DPL also is mandated to create and periodically revise a detailed land use plan for public lands every five years. This plan is formulated with several key objectives:

1. To align the use and development of public lands with the strategic plans, programs, and needs of other Commonwealth agencies.
2. To catalog public lands and determine the hierarchy of their uses.
3. To earmark appropriate lands for homesteads.
4. To reserve lands essential to the Commonwealth, including but not limited to sources of drinking water, mineral-rich sites, future governmental infrastructure locations, environmental conservation areas, recreational zones, educational and healthcare facility sites, and transport networks.



5. To designate lands for commercial development to generate revenue.
6. To identify lands for exchange to enhance the manageability and value of public land assets for various public uses.
7. To highlight lands that need special attention due to hazardous conditions or unique situations.
8. To include all lands within the CNMI in this comprehensive planning.

In 2019, DPL updated its land use plan, providing updates on the previous land use plan adopted in 1989. The latest plan seeks to optimize the management, use, development, and sale of public lands to advance the economic and social interests of the beneficiaries of DPL. It includes socio-economic data, demographic and economic projections for Saipan, Tinian, Rota, and focuses on four Northern Islands: Agrigan, Pagan, Alamagan, and Anatahan. The plan details for each island the management of natural resources, cultural and historic conservation goals, areas of concern or hazard, public infrastructure, commercial activities, available development land, homestead allocation, and anticipated future land use.

### Office of Planning and Development

The Office of Planning and Development was established under Public Law No. 20-20, to serve a central role in the comprehensive planning of the CNMI. The Comprehensive Sustainable Development Plan produced by OPD maps the CNMI's planning vision alongside the United Nation's Sustainable Development Goals. The CSDP continues to be utilized in monitoring and updating the status of the CNMI's development.

OPD's overarching duties include harmonizing and improving planning activities at all government levels, ensuring consistency of current planning programs and projects with the CSDP, and adopting necessary rules or regulations for effective long-term planning.

A significant part of the Office's function is to develop detailed recommendations for the Governor on various elements of the comprehensive development plan. It is also tasked with entering agreements related to development planning and soliciting assistance from public, private, or federal sources. The Office's responsibilities extend to maintaining an information system and data bank for public information needed in the development planning process. In essence, the Office of Planning and Development serves as a central hub for coordinating and executing the CNMI's long-term development strategies, focusing on efficient use of resources, infrastructure development, and economic growth.

### Commonwealth Economic Development Authority

The Commonwealth Economic Development Authority (CEDA) is tasked with promoting and facilitating economic development in the Northern Mariana Islands. Its primary responsibilities include managing its endowment of investment resources and stimulating business growth in key sectors of the economy.

CEDA operates through two main divisions: the Development Banking Division and the Development Corporation Division. The Development Banking Division is responsible for administering economic assistance, particularly in the form of development loans. This includes financing capital improvement projects and initiatives by the Commonwealth and its autonomous public agencies. The division focuses

on maximizing the economic impact of funds received from the federal government and other sources. It also is assigned to disseminate modern financial management and business administration practices, aiming to enhance efficiency and productivity across various sectors.

The Development Corporation Division is focused on initiating and supporting business and commercial enterprises. This division pays special attention to sectors like agriculture, marine resources, manufacturing, and processing activities, with an emphasis on import substitution, export development, and the utilization of local raw materials. It targets business areas that are critical for economic development or those where private sector investment is lacking due to low profit incentives. This division also serves as an economic development loan fund agency, providing financial support to qualified private sector enterprises.

Together, these divisions of CEDA seek to drive economic growth in the CNMI by managing financial resources efficiently, investing in essential projects and industries, and fostering the development of businesses in strategically important sectors.

CEDA administers the CNMI's Qualifying Certificate (QC) program, which aims to diminish the expenses associated with business establishment and operation, particularly in sectors that the CNMI is keen to attract. The initiative offers tax concessions, including rebates and/or abatements, to investors meeting certain criteria. Under the legislation specified in 4 CMC § 50201 et seq., the program specifically targets industries such as franchise restaurants, water and theme parks, cultural and convention centers, resort hotels, condominiums, golf courses, dinner theaters, events like conventions and sports, local airlines, hightech manufacturing, and internet-based businesses.

Investors who qualify may be granted up to a complete rebate or abatement on various CNMI taxes, which encompass taxes on business gross revenue, income, capital gains, excise, infrastructure for developers, and alcoholic beverages, potentially extending for a period of up to 25 years.

As for the current effectiveness and achievements of the Qualifying Certificate Program, as per the Investment Incentive Act of 2000, there are two entities currently benefiting from the program in CNMI.

### **Marianas Visitors Authority**

The Marianas Visitors Authority (MVA) is vested with the duty to bolster tourism and draw tourists to the Northern Mariana Islands. Historically, this has been achieved through a multifaceted approach that includes organizing promotional programs, advising on the development and enhancement of tourist facilities, and fostering the investment of private funds into tourism infrastructure. Moreover, the MVA is responsible for the establishment of information booths, advising on the streamlining of immigration and customs processes for tourists, and enhancing communication with foreign visitors through language training programs. They also play a role in nurturing the local arts, crafts, and cultural heritage, as well as advocating for the beautification of the islands.

In addition to these promotional activities, the MVA is also tasked with compiling and analyzing tourism-related data, advising, and assisting tourism organizations, and supporting local employment in the



tourism sector. Coordination with other government departments is essential to their role, as is the regulation of the tour industry by certifying tour operators and guides to ensure compliance with legal and professional standards, including language proficiency and knowledge of the CNMI's history, culture, and attractions. This comprehensive mandate underlines the MVA's central role in supporting tourism as a key economic and cultural driver for the Commonwealth.

MVA's budget is derived primarily from Hotel Occupancy Taxes, so its capabilities to fund future promotional or marketing activities is dictated by present market conditions. The Hotel Occupancy Tax is 15% of the value of rooms sold. Of the 15% tax collected, MVA receives 78% for the purposes of its operational budget.

### Commonwealth Utilities Corporation

The Commonwealth Utilities Corporation (CUC) serves as the principal supplier of electricity, water, and wastewater services on the islands of Saipan, Tinian, and Rota. Established by CNMI Public Law 4-47 in 1986, CUC operates as an autonomous entity of the government under the oversight of an independently appointed Board of Directors.

Significant investments in power generation capacity were made during the early years of the Commonwealth's formation, with 58% of the CNMI's generator units having been commissioned before 1991. The CNMI's total installed power capacity stands at 94.4 megawatts, with a recorded peak demand of 52.2 megawatts in 2011. The total annual power production is approximately 288 gigawatt-hours, accompanied by transmission and distribution losses of 9.1%. In 2006, the CNMI established a Renewable Portfolio Standard, initially aiming for an 80% renewable energy share, which was subsequently revised to a 20% target by 2016. However, these goals were not achieved.

The diesel fuel used for electricity generation, accounting for 21% of CNMI's imports, is entirely imported. The annual consumption of diesel for this purpose is estimated between 22 million and 24 million gallons. CUC owns and manages power plants on Saipan and Rota, while, as of 2023, the Tinian power system, though owned by CUC, is operated by an Independent Power Producer, Telesource CNMI Inc.

The corporation also exclusively provides water services in the CNMI, using a network of wells, springs, and surface water sources linked with water treatment and distribution infrastructure. However, wastewater treatment is only managed by CUC on Saipan, as no such systems are operated by CUC on Tinian or Rota.

Through these responsibilities, CUC plays a significant part in promoting economic development by ensuring the provision of reliable utility services, encouraging private sector involvement to improve efficiency, and supporting sustainable energy initiatives—all of which are essential to the economic growth and quality of life in the Commonwealth.

An eight-member Board of Directors, appointed by the Governor and confirmed by the CNMI Senate, governs CUC. The Board's policies are executed by an Executive Director responsible for the corporation's internal administration.

### Commonwealth Ports Authority

The Commonwealth Ports Authority (CPA), an independent public entity, oversees the administration and functioning of seaports and airports within the CNMI. It administers three operational airports located on Saipan, Tinian, and Rota and three seaports located on Saipan, Tinian, and Rota. Additionally, there is a grass airstrip on Pagan, approximately 1,900 feet in length, which is partially obstructed due to lava flow from a volcanic eruption in 1981. A seven-member Board of Directors, appointed by the Governor with the approval of the CNMI Senate, governs the CPA. The agency's daily operations are managed by an Executive Director.

Saipan's Francisco C. Ada International Airport is the CNMI's busiest and largest airport. Its airfield, extending 8,700 feet in length and 150 feet in width, includes a parallel runway and eight taxiways. It can accommodate aircraft as large as the B747-400 and has even supported the Antonov An-225 Mriya. The terminal is equipped with six gates, 48 ticket counters, 14 immigration stations with 7 Automated Passport Control kiosks, and 9 customs/quarantine inspection stations. Additionally, the airport houses Duty-Free Shopping, a food court, a business lounge, a 24-Hour Air Traffic Control Tower, and 24-Hour Aircraft Rescue Firefighting services. It has a processing capacity of 200 international passengers per hour and has been serviced by 11 air carriers in recent years.

The Port of Saipan, CNMI's busiest seaport and a key economic zone, extends over 1,000 feet and can dock up to three large cargo vessels. It is a modern facility with 2,600 linear feet of berthing space, a 22-acre container yard, a water line, a seawater firefighting system, underground fuel distribution, and a sewage removal system. The port also includes two fuel storage facilities, a bulk cement company, three freight forwarding companies, three shipping agents, commercial sunset cruises, two car rental companies, and is vulnerable to oceanic changes due to its low elevation.

The Port of Saipan has a container infrastructure designed for 1,664 ground slots, currently featuring 574 non-reefer slots, 34 reefer slots, and expansion space. The harbor, entered through a dredged channel, is suited for medium to deep draft vessels, with the berthing areas, turning basin, and channel deepened to -40 feet.

Tinian International Airport has an 8,600-foot runway, one parallel and two connecting taxiways, suitable for B777-747 class aircraft. The terminal includes 3 ticket counters and customs/quarantine counters, with a holding room for 324 passengers. Star Marianas Air provides regular service, and there's no air traffic control, requiring adherence to Visual Flight Regulations. The airport is part of the U.S. Air Force's Divert Airfield project, featuring expansion plans including a parking apron, cargo pad, maintenance facility, fire suppression system, fuel storage, and taxiways.



The Tinian Seaport includes a 1,000-foot dock, three quays, two piers, and a 3,500-foot breakwater. The main quay is 2,200 feet long, while Piers 1 and 2, built in 1945, have degraded and are mostly unusable. The port houses a mobile crane, a tugboat, lightering barge, and lacks fixed cranes and lighting.

Rota's Benjamin Taisacan Manglona International Airport features a 7,000-foot runway, two taxiways, suitable for B373-400 aircraft or smaller. The terminal has three ticket counters, two U.S. Customs stations, and a 120-passenger capacity holding room. Star Marianas Air provides service, and aircraft control is managed from Guam.

Rota's West Harbor, the primary seaport, has two docking areas totaling 250 feet in length, built pre-World War II and later expanded in 1983. The harbor supports two vessels simultaneously and is vulnerable to typhoon conditions. Pilotage is compulsory for large vessels, with no night arrivals and limited facilities for large vessels. Stevedoring services are provided by Rota Terminal & Transfer, with two storage companies, Quarantine, Customs, Immigration services, and sixteen 22-foot boat slips available.

## Bureau of Environmental and Coastal Quality (BECQ)

In 2013, the Coastal Resource Management Office and the Division of Environmental Quality were consolidated into a new entity, the Bureau of Environmental and Coastal Quality (BECQ). This merger created a new role, the Administrator of BECQ, responsible for overseeing both divisions.

DEQ serves as the regulatory authority for enforcing the CNMI's Environmental Protection Act along with local and federal environmental laws in the Commonwealth. It operates through eight branches: Environmental Surveillance Laboratory, Pesticides and Storage Tanks, Safe Drinking Water, Site Assessment and Remediation, Waste and Air Quality Management, Wastewater, Earthmoving, Erosion Control, Water Quality Surveillance and Non-Point Source.

The Coastal Resources Management (CRM) Program, established in 1980 by the Commonwealth government, oversees the implementation of the Coastal Zone Management Act (CZMA) of 1972, focusing on the sustainable development and conservation of coastal resources. The coastal zone under this program includes all non-federal lands on the island, adjacent offshore islands, and nonfederal submerged lands within three nautical miles. Following the consolidation of agencies under the BECQ administration of programs, CRM was renamed the Division of Coastal Resources Management (DCRM).

DCRM holds a crucial role in the CNMI's economic development, primarily through its regulatory and permitting capacities. The issuance of permits, notably the Major Siting Permit, is key to managing development within the CNMI Coastal Zone, a region encompassing all lands in the CNMI. This process ensures development projects comply with environmental sustainability standards, vital for conserving natural resources integral to sectors such as tourism and fishing. DCRM's permitting function includes the critical task of mitigating environmental impacts by enforcing regulations focused on avoiding, minimizing, or compensating for these impacts.

An essential aspect of DCRM's permitting process is the collaborative framework established among various government agencies. This inter-agency coordination, coupled with the requirements of a Major Siting application, positions DCRM as the central entity in the CNMI for reviewing and assessing large-scale developments, integrating diverse departmental roles and functions.

### Department of Labor

The Department of Labor (DOL) in the CNMI is responsible for workforce services and labor regulation. It ensures employment preference for U.S. citizens and qualified individuals and is involved in the enforcement of federal and CNMI labor laws. The DOL also manages workforce development programs and oversees fair and equitable treatment in the workplace. In addition, it handles employment-related disputes and cases. During the COVID-19 pandemic, the DOL played a key role in administering unemployment assistance, processing Pandemic Unemployment Assistance (PUA) claims, and distributing financial aid.

DOL also maintains an online job posting portal that is a central location for information on workforce demands and is a critical component of applications for petitions for immigrant labor under the requirements of federal immigration laws that apply to the CNMI. DOL is required by federal law to produce annual estimates of the ratio of U.S. workers to foreign workers as a tracking mechanism. Within the same federal law, DOL is also required to produce a plan for the expenditure of worker training funds, supported by application fees paid for each CW-1 petition, and provide data on outcomes of the previous year's investments to U.S. worker training.

### Commonwealth Bureau of Military Affairs

The Commonwealth Bureau of Military Affairs (CBMA) serves as the central clearinghouse for all communications and information between the Department of Defense (DoD) and the CNMI Government. It acts as a liaison, assisting and coordinating the CNMI Government's engagement with the DoD, with a mission to improve communication, coordination, and response between the CNMI Government and the United States Military. This includes facilitating the military's integration into the community and expanding the benefits of DoD investment to the local economy.

CBMA is involved in various initiatives to develop opportunities for the CNMI communities. It works closely with service components' training exercise logistics officers and DoD contracting officers to connect them to local products and services. This support extends to projects, programs, training requirements, and military personnel life support.

As the clearinghouse for communication and information with the DoD, CBMA serves as the main repository for information on existing and proposed military developments and training. Presently, the CNMI is host to two main DoD developments and training initiatives – the Tinian Divert Airfield, and the Mariana Islands Training and Testing (MITT) Program. In 2015, the U.S. Marine Corps published its planned



training concept for the CNMI-Joint Military Training Project, which involved live-fire military training on the islands of Tinian and Pagan. Since the publication of the 2015 Draft Environmental Impact Statement, the U.S. Navy announced its intention to revise the plan for the islands. The revised draft EIS is currently under development.

### *NON-GOVERNMENTAL ORGANIZATIONS*

In addition to government agencies, the CNMI houses several non-governmental agencies that represent segments of the private sector and serve as conduits for communication, data, and policy related to the CNMI economy.

#### Hotel Association of the Northern Mariana Islands

The Hotel Association of the Northern Mariana Islands (HANMI) is a voluntary collective that represents 12 hotels and various supporting industries on Saipan, Tinian, Rota, and the Northern Islands within the CNMI.

HANMI's hotel members collectively employ around 1,800 individuals and, prior to the COVID pandemic, offered over 2,500 guest rooms. These hotels cater to a diverse clientele, including tourists and business visitors from countries such as Japan, Korea, China, and Russia. The association's members range from local establishments to national and international chains. Some prominent members include Aqua Resort Club, Aquarius Beach Tower, Century Hotel, Coral Ocean Resort, Crowne Plaza Resort Saipan, Grandvrio Resort Saipan, Hyatt Regency Saipan, Kanoa Resort Saipan, Kensington Hotel Saipan, LaoLao Bay Golf & Resort, Pacific Islands Club Saipan, Saipan World Resort, and Surfrider Resort Hotel.

As of August 2023, HANMI reported a total hotel room stock of 2083 rooms across 11 of its reporting hotels and a total workforce of 1,182 employees.<sup>24</sup>

#### Saipan Chamber of Commerce

The Saipan Chamber of Commerce has its roots in the late 1950s, predating the establishment of the CNMI in 1978. During this period, Saipan was a small community with limited infrastructure, lacking major amenities such as resort hotels and traffic lights. Despite these limitations, a group of pioneering businessmen formed an informal association, driven by the ambition to use business as a means to bring prosperity and a range of services to the island's inhabitants.

In 1959, Jose C. Tenorio, better known as “Joeten”, took the helm as the first President of the Saipan Chamber of Commerce. During these formative years, the Chamber confronted unique challenges. Notably, Joeten played a crucial role in representing the Chamber's interests through the transitional phase

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<sup>24</sup> Hotel Association of the Northern Mariana Islands (2023). HANMI Occupancy and Room Rate Statistics for Thirteen Hotels as of October 2023.

from Trust Territory to Commonwealth status with the United States. The Chamber was formally incorporated in 1976.

The Saipan Chamber of Commerce boasts a membership of 142, encompassing a wide range of businesses from sole proprietors to large resort hotels, service companies, tour agencies, insurance firms, and construction companies.

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### Tinian Chamber of Commerce

For over 25 years, the Tinian Chamber of Commerce has been a vital part of Tinian's business community. Its members have included a diverse range of businesses from a large Casino/Hotel to small-scale farmers and harvesters, such as those specializing in Donni Sali (hot pepper). Despite its modest size, the Tinian Chamber of Commerce maintains strong connections with both the Guam Chamber of Commerce and the Saipan Chamber of Commerce. It played a pivotal role in founding the Micronesian Council of Chambers of Commerce.

The Tinian Chamber is also actively engaged with the U.S. Military presence in the region. This involvement includes providing official responses to inquiries and collaborating with the U.S. Department of the Navy to set expectations for future military developments on Tinian.

### Rota Chamber of Commerce

The Rota Chamber of Commerce, after being inactive for several years, has recently reconvened due to increasing concerns about the cost and challenges of doing business on the island. This resurgence comes with a renewed mission and a strengthened resolve to address these issues collectively.

In its recent efforts, the Chamber held its first general membership meeting organized by a seven-member board of directors, saw the participation of at least a dozen local businesses.

The Chamber's objectives extend to addressing business concerns and supporting events and programs benefiting both its members and the broader Rota community. The Rota Chamber's approach emphasizes the importance of a diverse membership base, including businesses, individuals, and government agencies, to amplify its voice and influence in the community.



## CHAPTER 2: CURRENT ECONOMIC PROFILE

### GROSS DOMESTIC PRODUCT (GDP) AND ITS COMPONENTS

The Gross Domestic Product (GDP) is a calculation of the total economic output of an economy or region for a given period. This measurement represents the total value of goods and services produced within an area's borders and is a commonly used indicator of an economy's health and historical development. GDP includes personal consumption, government expenditures, private investment, and net exports. Net exports are the difference between exports and imports. Imports are subtracted from the calculation as the production of these goods occurs outside of the area's borders, while exports are added to overall GDP. If an economy imports more than it exports, the net exports will be negative.

GDP measurements are typically displayed in one of two forms. Nominal GDP is the value of the economy in the dollar value of that year. Real GDP is the value of the economy based in the dollar value of a specified "base year". Real GDP is best used when comparing GDP growth or the size of the economy through the years.

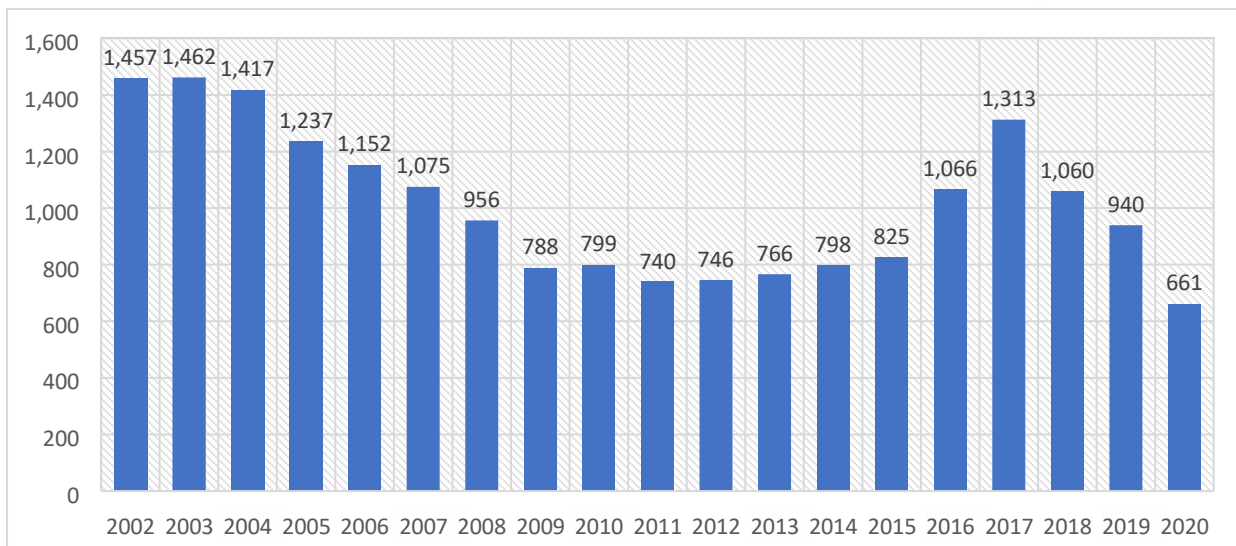
The value of the CNMI economy in 2020 was \$661 million in 2020 dollars. In Real GDP terms, given the base year of 2012, the economy shrunk in 2020 by 29.7 percent.<sup>25</sup> Figure 1, showcases the size of the CNMI

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<sup>25</sup> U.S. Bureau of Economic Analysis (2023). Gross Domestic Product for the Commonwealth of the Northern Mariana Islands, 2020.

economy over the years as measured by Real GDP, and Figure 2 provides the rate of change in percentages between these years.

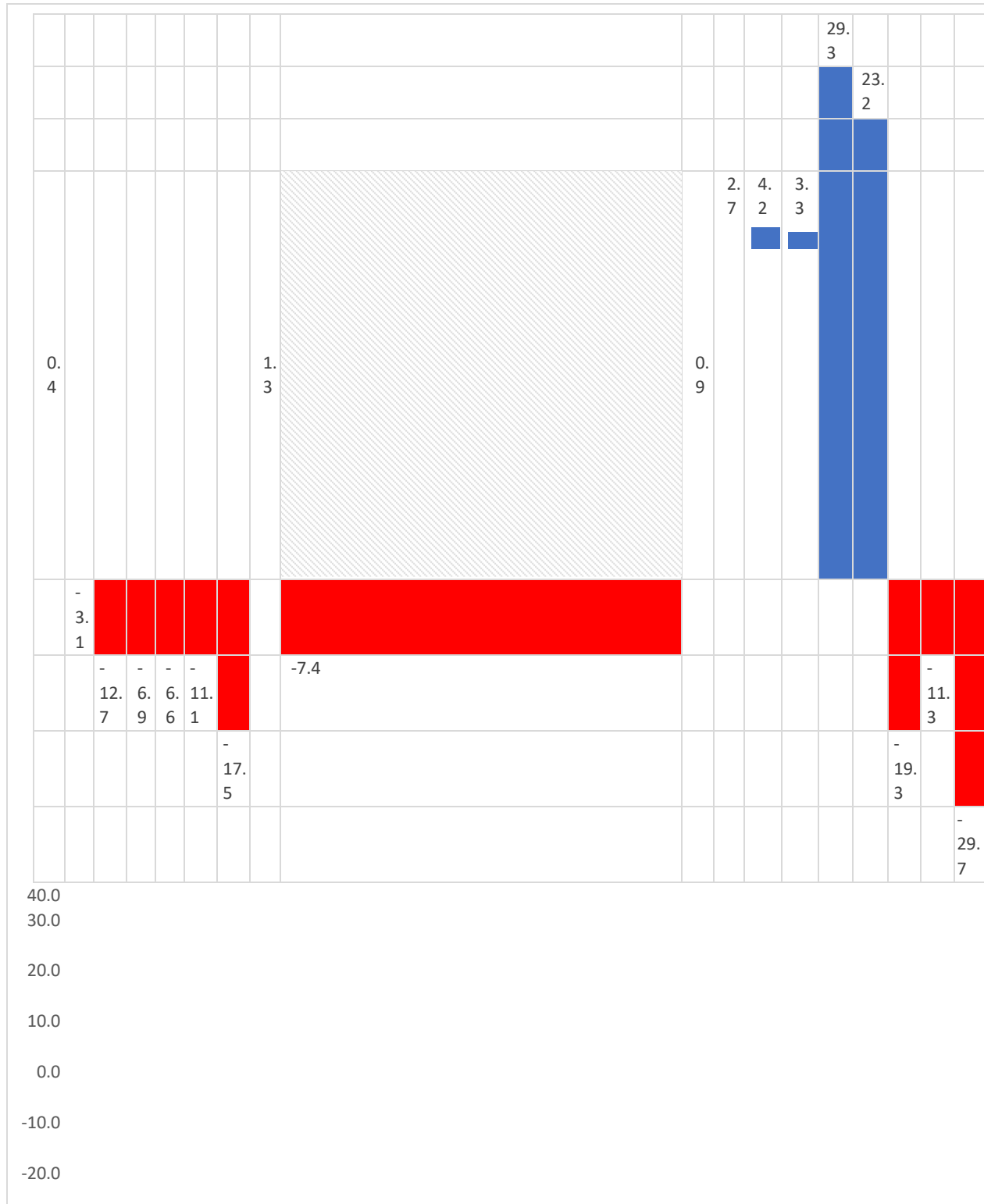
FIGURE 1: COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS REAL GROSS DOMESTIC PRODUCT, CY 2002-2020



The economy of the CNMI as shown in Figure 2, provides an overview of the significant fluctuations in overall economic activity within the last two decades. Following a precipitous decline that began in 2005, the economy only saw a recovery to previous levels in 2016 and 2017. This recovery was short lived as economic output began a contraction in 2018 up until the COVID-19 pandemic.



FIGURE 2: CHANGE IN COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS REAL GROSS DOMESTIC PRODUCT, CY 2003-2020





The volatility of the CNMI's economy is particularly evident when looking to the rate of inter-year change in output as shown in Figure 2. Between the period 2003 to 2020, the economy saw 10 years of reductions to the size of the economy, with 6 of these years registering a double-digit percentage rate of decline.

By 2020, the economy showed its third year of contraction. Table 3 provides the components that constituted the measurement of economic output. Of the total 2020 GDP of \$661 million, personal consumption expenditures (\$644 million) represented a large driver of output. Of these expenditures, the population spent more on services (\$424 million) than on the purchase of goods (\$328 million). This data provides further insight into the nature of economic flows and highlighting the import dependence of the economy as shown in the difference between import values (\$536 million) to export values (\$128 million) resulting in a net export deficit of (\$408 million).



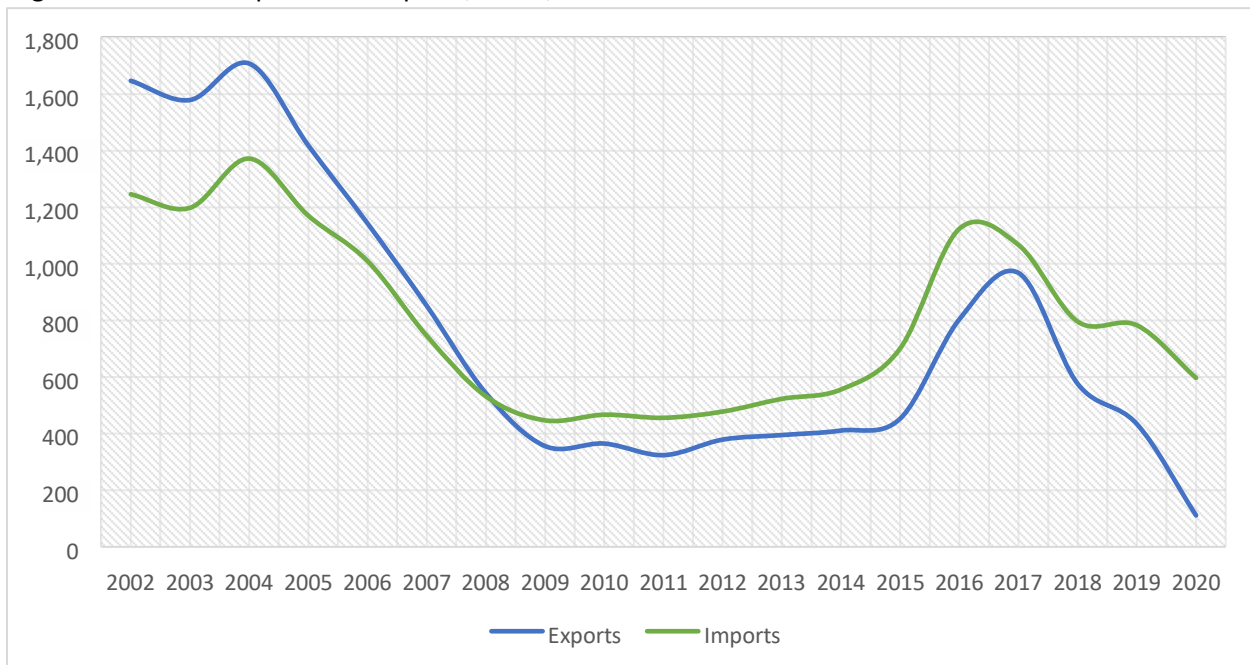
TABLE 3: COMPONENTS OF CNMI GROSS DOMESTIC PRODUCT, 2020

	Value (\$mil)
<b>Personal Consumption Expenditures</b>	<b>644</b>
<b>Goods</b>	328
<b>Durable Goods</b>	142
<b>Nondurable Goods</b>	185
<b>Services</b>	424
<b>Net Foreign Travel</b>	-108
<b>Private Fixed Investment</b>	<b>105</b>
<b>Net Exports of Goods and Services</b>	<b>-408</b>
<b>Exports</b>	128
<b>Goods</b>	16
<b>Services</b>	112
<b>Imports</b>	536
<b>Goods</b>	443
<b>Services</b>	94
<b>Government Consumption Expenditures</b>	<b>517</b>
<b>Federal</b>	44
<b>Territorial</b>	472

The net export deficit highlights important information about the current known structure of the CNMI economy and is indicative of the present challenges. The CNMI relies heavily on imports of both goods and services to support consumer expenditures, investment, and infrastructure development.

The conditions of the CNMI economy in 2020 are vastly different than those of the prior decade. Figure 3 showcases the shift in the structure of the economy between 2002 and 2008 and the emergence of import dependency between 2009 and 2020. Between 2002 and 2008, exports from the CNMI, driven largely by the export of goods primarily from the CNMI's garment manufacturing sector, provided a net gain to GDP. With the collapse of the manufacturing sector, imports surpassed exports.

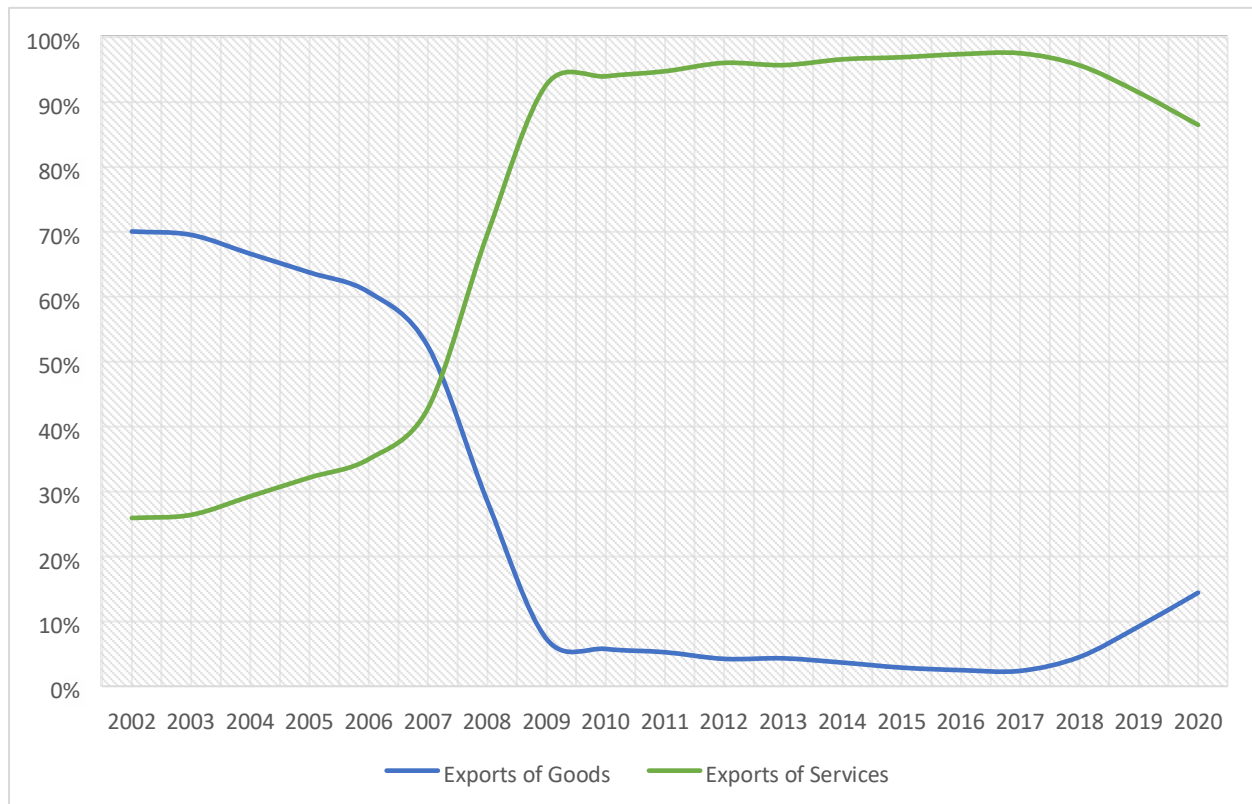
Figure 3: Value of Imports and Exports, CNMI, 2002 - 2020



While exports declined significantly between 2004 and 2009, the subsequent years saw a structural change in the types of exports the CNMI economy generated. Figure 4 highlights the shift in from a manufacturing economy to a service economy. In 2007, the share of exports for goods and services inverted as the manufacturing industry declined, and onward, the export of services represented the vast majority of overall exports.

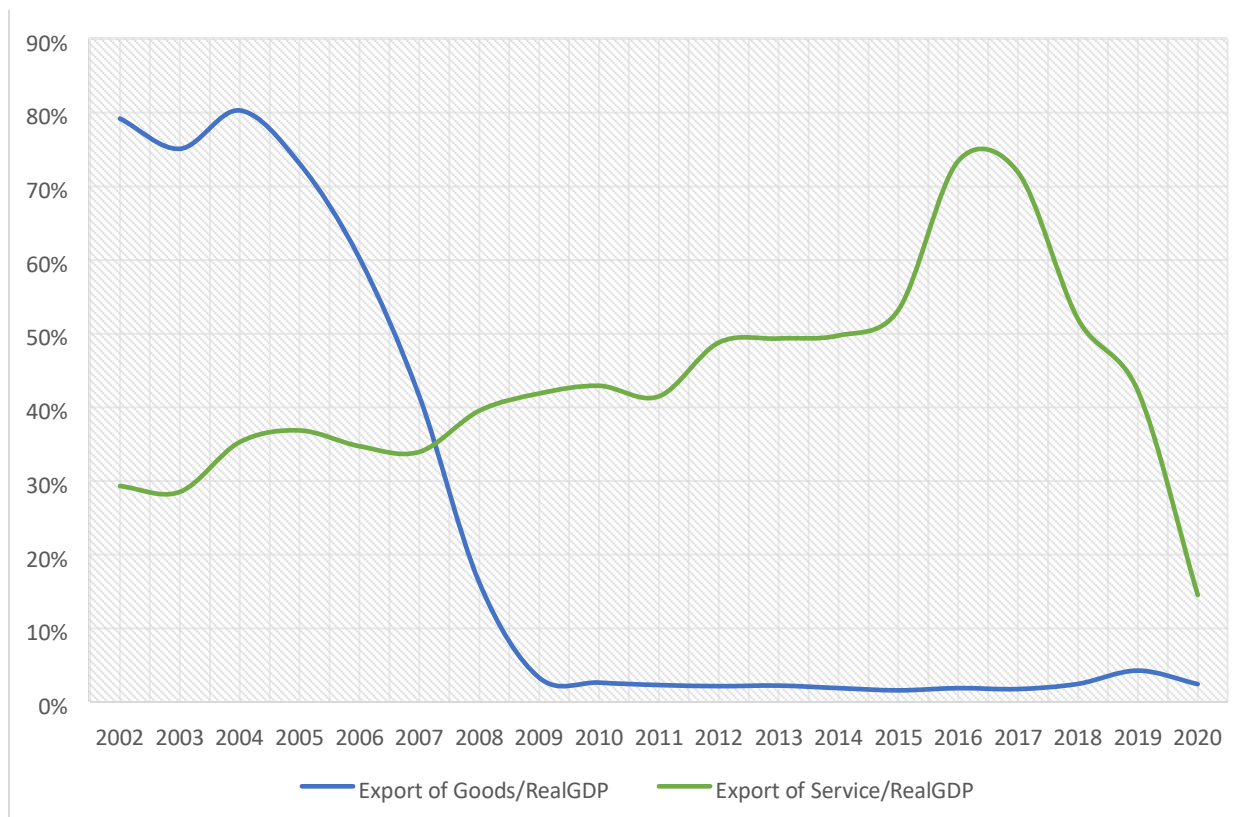
FIGURE 4: EXPORTS OF GOODS AND SERVICES AS A PERCENTAGE OF TOTAL EXPORTS





In the CNMI the primary export is tourism. Tourism provides the economy with external resources brought into the economy through visitor travel and expenditures. As a percentage of Real GDP, this source of economic activity has generated an increasingly large share of the overall economy in recent years as shown in Figure 5.

FIGURE 5: EXPORTS OF GOODS AND SERVICES AS A PERCENTAGE OF REAL GROSS DOMESTIC PRODUCT



## CNMI TOURISM ECONOMY

The CNMI Tourism sector is somewhat of a misnomer. The role of tourism in the modern economy is pervasive across all sectors. There are few businesses that are not impacted by tourism arrivals and expenditures in the CNMI. As such, this section covers an extended overview of the tourism economy as a preface to discussions on the specific industries that are predominant within the tourism-based economy.

### *BACKGROUND AND DEVELOPMENT OF THE TOURISM ECONOMY*

Driving the growth and size of the service export market has been the resurgence and prominence of the tourism sector. The CNMI tourism sector has a long and remarkable history. The first major hotel in the Northern Mariana Islands was established in 1967 with the construction of a two-story, fifty room Royal Taga Hotel. The Royal Taga was considered at the time the “first luxury hotel” in Micronesia and aimed to unlock the potential of the Japanese tourism market. By 1973, Saipan boasted an inventory of 200 hotel rooms to support the accommodation of 19,318 visitors.<sup>26</sup>

<sup>26</sup> Willens & Siemer (2002)



Following the creation of the Commonwealth, tourism experienced a rapid expansion, far exceeding preCovenant projections. Total arrivals grew from 11,149 in 1980 to 417,146 in 1990, to the historic peak of arrivals in 1996 where the CNMI saw 736,117 total arrivals. In 1996, total economic impact of tourism spending was estimated to be \$587.8 million, more than \$1.14 billion in 2023 dollars. Hotel room stock necessarily grew to accommodate the increase in demand for the CNMI as a destination, with total room volume growing from 200 in 1973, to 4,588 by 1999.<sup>27</sup>

Table 4 provides the tourism arrivals to the CNMI for CY 2007 through 2023.<sup>28</sup> Within the tourism sector, the market has shifted significantly. In 2007, the top tourism market was Japan with 200,109 arrivals, followed by South Korea with 108,321. By the peak of arrivals within this period in 2017, Japan arrivals fell to 52,227, with the top two markets being South Korea with 333,069 arrivals and China with 229,389 arrivals.

TABLE 4: VISITOR ARRIVALS TO THE CNMI BY SOURCE MARKET, CY 2007-2023

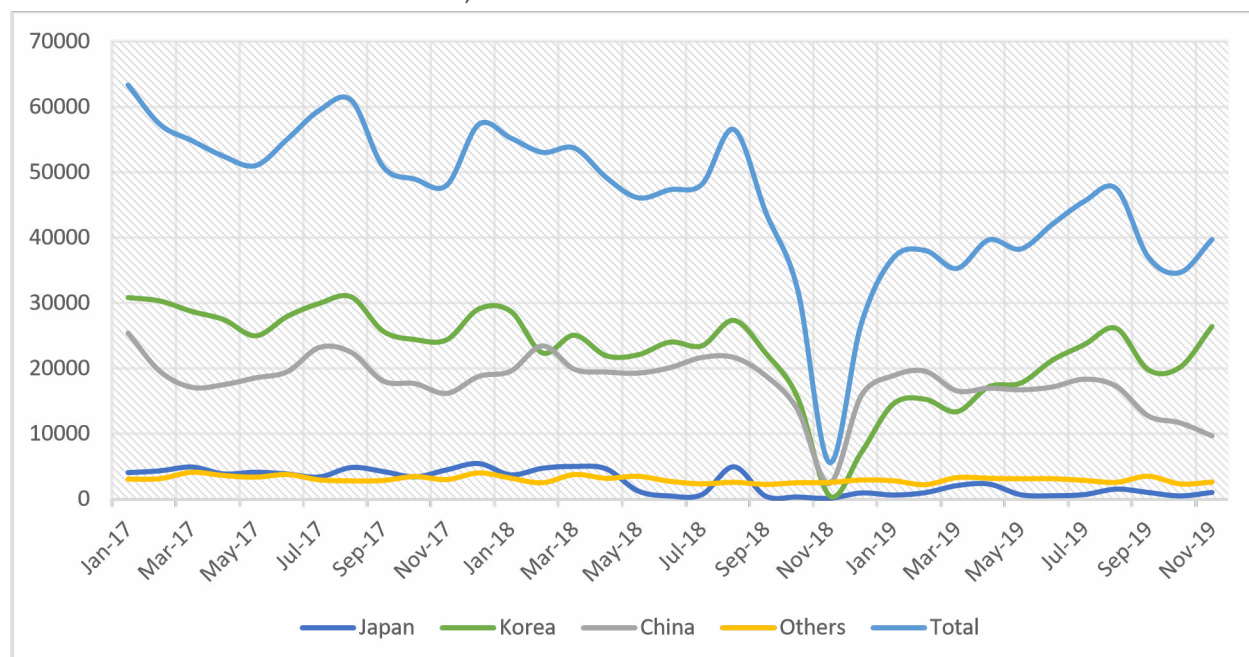
CY	Total	Japan	Korea	Guam	U.S.	China	Hong Kong	Russia	Philippines	Taiwan	Others
2007	389,261	200,109	108,321	18,784	9,065	40,331	0	3,671	5,025	445	3,510
2008	397,271	213,299	111,116	19,272	11,792	26,878	0	6,814	1,780	284	6,036
2009	353,956	191,111	89,132	18,116	11,143	29,814	0	6,222	1,591	418	6,409
2010	379,091	185,032	115,811	17,084	10,042	41,992	0	4,391	703	208	3,828
2011	342,117	142,946	107,503	15,450	8,530	55,346	2,005	5,276	544	114	4,403
2012	401,289	153,259	129,394	14,319	7,675	86,119	547	6,282	528	114	3,052
2013	438,908	141,747	139,958	13,711	7,524	116,967	746	12,493	649	0	5,113
2014	459,280	109,793	142,081	11,879	8,566	170,121	1,098	11,200	694	0	3,848
2015	477,868	80,832	182,622	11,165	8,079	186,509	1,374	2,405	732	0	4,150
2016	501,490	62,120	200,875	13,932	8,516	206,538	1,710	1,796	999	717	4,287
2017	653,150	52,227	333,069	16,018	8,528	229,389	4,746	2,130	969	1,053	5,021
2018	607,591	39,238	295,260	14,566	10,318	236,577	3,642	1,850	810	928	4,402
2019	487,008	17,121	249,211	14,203	9,550	185,526	2,963	1,031	760	988	5,655
2020	88,941	9,869	52,726	3,069	2,914	18,550	253	58	296	94	1,112
2021	12,686	54	6,783	2,930	2,509	12	9	2	154	8	225
2022	95,956	2,134	74,613	9,391	6,617	271	62	21	593	22	2,232
2023	39,300	1,514	31,478	2,731	2,139	177	15	8	240	9	989

<sup>27</sup> Willens & Siemer (2002)

<sup>28</sup> CNMI Department of Commerce, Central Statistics Division, Economic Indicators Series.

Figure 6 illustrates the changing market dynamics within the CNMI's tourism sector. Dramatic spikes in South Korean and Chinese visitation in 2017 played a significant role in the growth in overall tourism arrivals, and there exists a sustained downward trend of Japanese arrivals. In October 2018, the CNMI experienced the damages of Super Typhoon Yutu, which made landfall primarily on the islands of Saipan and Tinian. The Super Typhoon, which at the time was the second strongest storm to hit the United States and the strongest since 1935, devastated much of the southern region of Saipan and all of Tinian.<sup>29</sup> Impacted by the natural disaster was critical port infrastructure, particularly on the Saipan International Airport, ceasing air travel to the island through November 2018 and impacting overall arrivals through 2019 as the islands worked toward recovery. These impacts are demonstrated by diminished arrival counts in 2018 and 2019.

FIGURE 6: TOURISM ARRIVALS TO THE CNMI, JANUARY 2017 - DECEMBER 2019



After just emerging from recovery following Super Typhoon Yutu, the COVID-19 pandemic levied an even larger blow to the CNMI's tourism sector and wider economy. In December 2019, the World Health

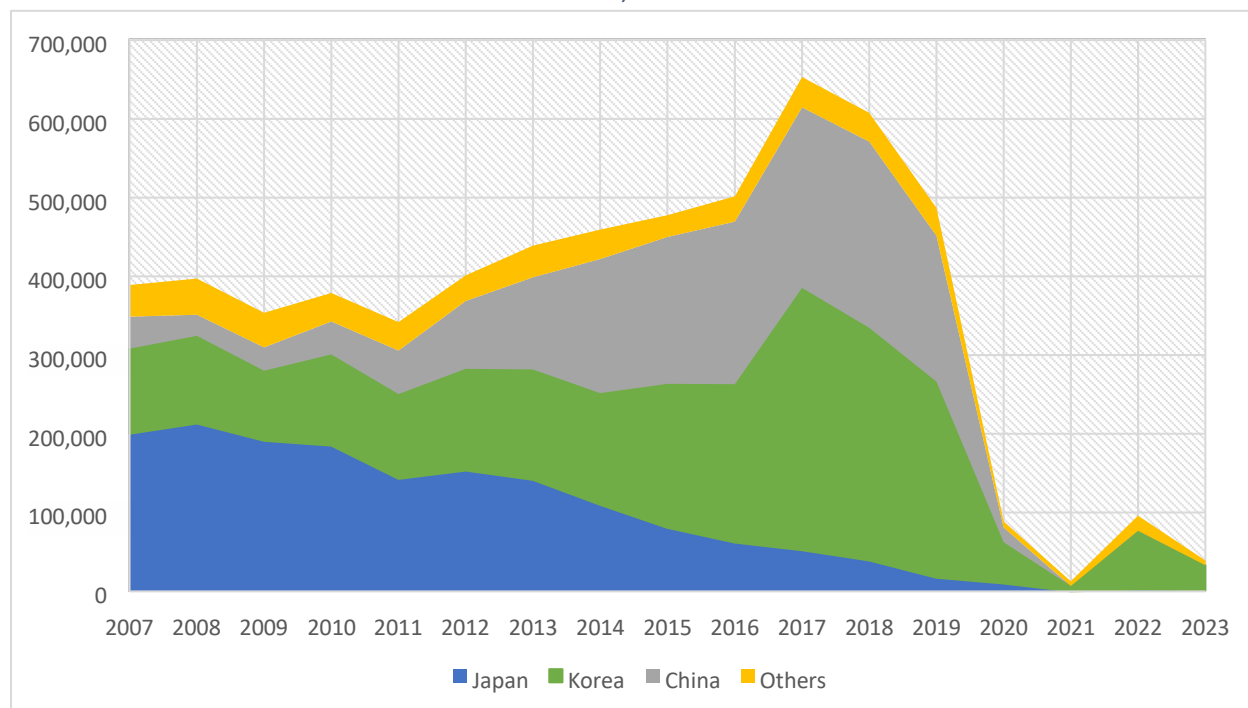
<sup>29</sup> Mooney, C., Eilperin, J., & Chiu, A. (2018, October 25). *Category 5 Typhoon Yutu devastates the Northern Marianas in worst storm to hit any part of U.S. since 1935*. The Washington Post. <https://www.washingtonpost.com/energyenvironment/2018/10/25/category-typhoon-devastates-northern-marianas-worst-storm-hit-us-since/>



Organization informed the world of the presence of a new strain of novel coronavirus disease originating from Wuhan, China. By January 2020, cases of the disease were reported outside of China, raising alarms of a potential pandemic. Within months, the fears of the global spread of the disease were confirmed and

governments around the world established plans to safeguard their populations.<sup>31</sup> Primary among these mitigation tools was the curtailment or elimination of international travel.

FIGURE 7: PRIMARY SOURCE MARKETS FOR CNMI ARRIVALS, CY 2007-2023



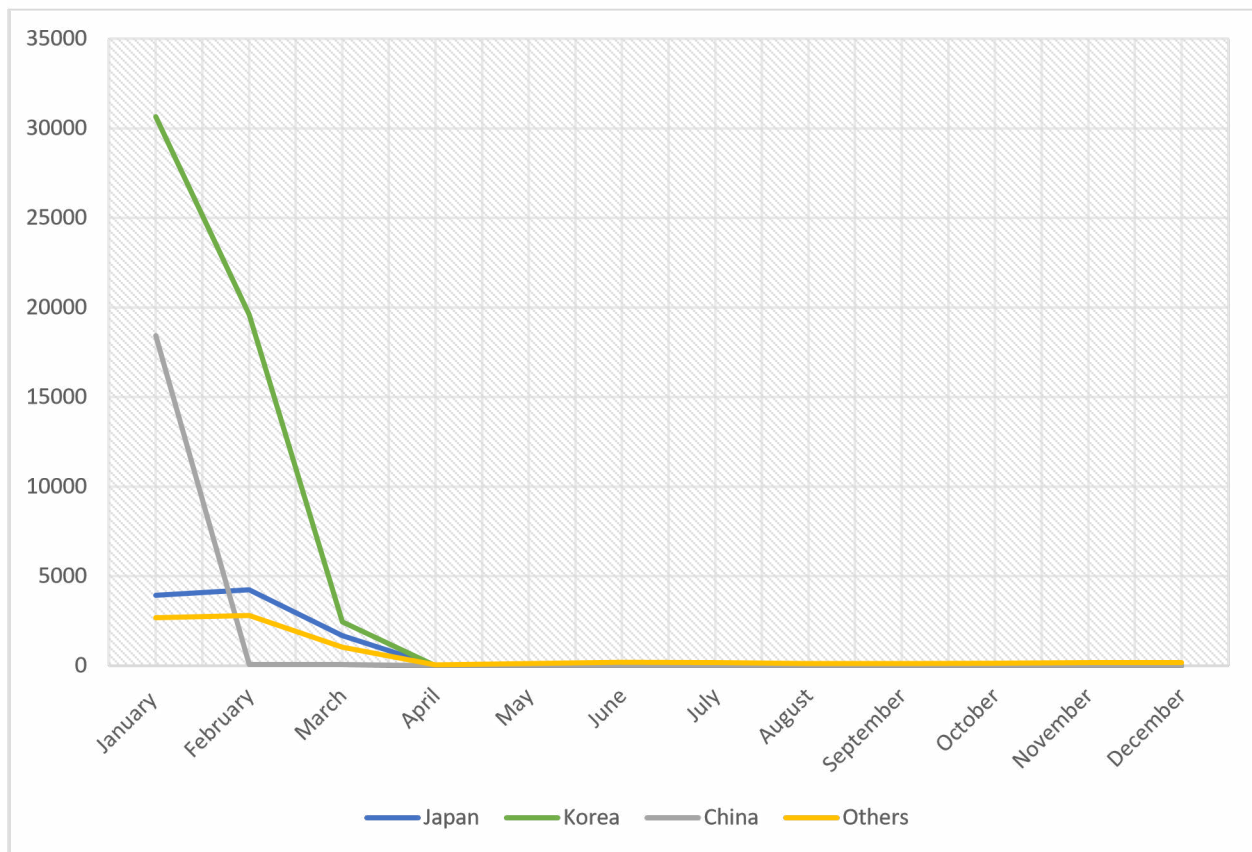
The CNMI was proactive in its approach to managing the spread of the disease. In January 2020, the CNMI communicated its interest in limiting incoming flights to the islands, requesting the U.S. Department of Transportation for authority to halt international travel, along with declaring a public health emergency to mobilize resources to respond to the potential challenges the pandemic would bring to the CNMI health care system. While the CNMI had no ability to cease flights through existing authorities, all international flights to the Saipan International Airport halted in April 2020 following the first reported case of the disease in Guam.<sup>32</sup>

<sup>31</sup> Centers for Disease Control and Prevention. (2023, March 15). *CDC Museum Covid-19 Timeline*. Centers for Disease Control and Prevention.

<https://www.cdc.gov/museum/timeline/covid19.html>

<sup>32</sup> Davis, D., Kern-Allely, S., Muldoon, L., Tudela, J., Tudela, J., Raho, R., Pangelinan, H., Palacios, H., Tabaguel, J., Hinson, A., Lifofoi, G., Villagomez, W., Fauver, J., Cash, H., Muña, E., Casey, S., & Khan, A. (2023). How the commonwealth of the Northern Mariana Islands stalled covid-19 for 22 months and managed its first significant community transmission. *Western Pacific Surveillance and Response Journal*, 14(1), 76–85. <https://doi.org/10.5365/wpsar.2023.14.1.965>

FIGURE 8: CNMI TOURISM ARRIVALS, CY 2020

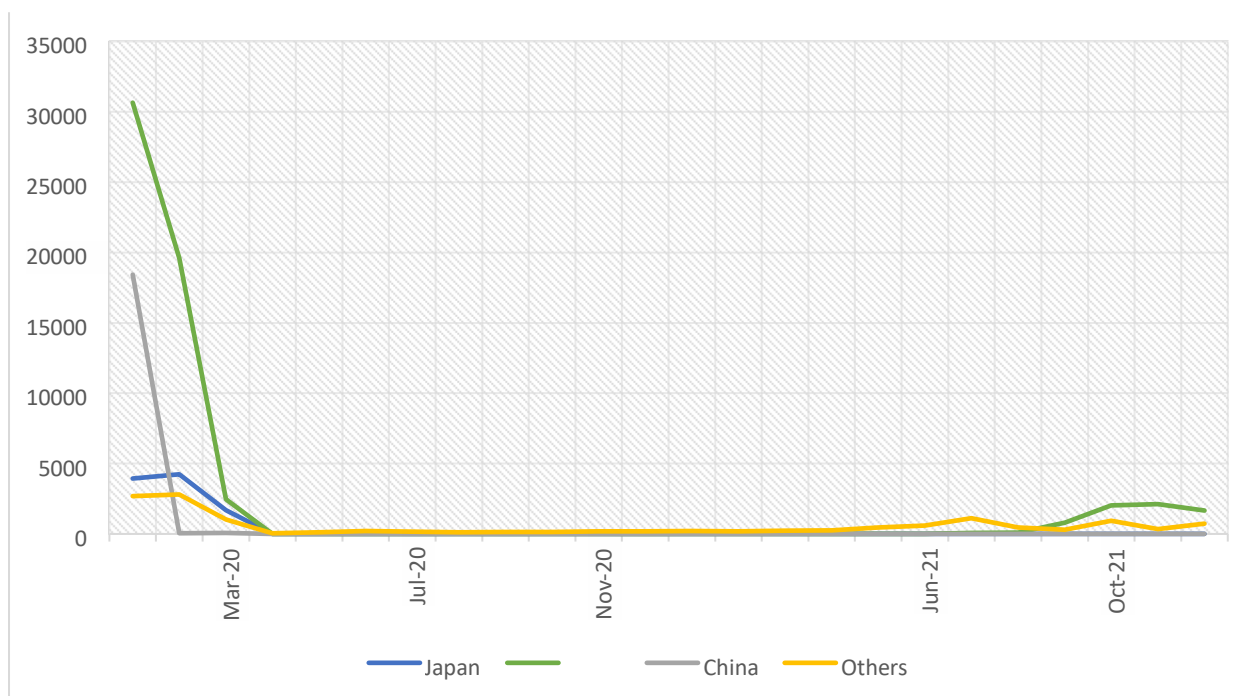


This elimination of international flights showcased itself in the overall output of the economy. 2020 GDP declined by 29.7% between 2019 and 2020, with the value of exported services falling 75.8% or by \$301



million.<sup>30</sup> The impact of the pandemic on tourism arrivals persisted with near zero arrivals continuing well into 2021.

FIGURE 9: CNMI TOURISM ARRIVALS, CY 2020-2021

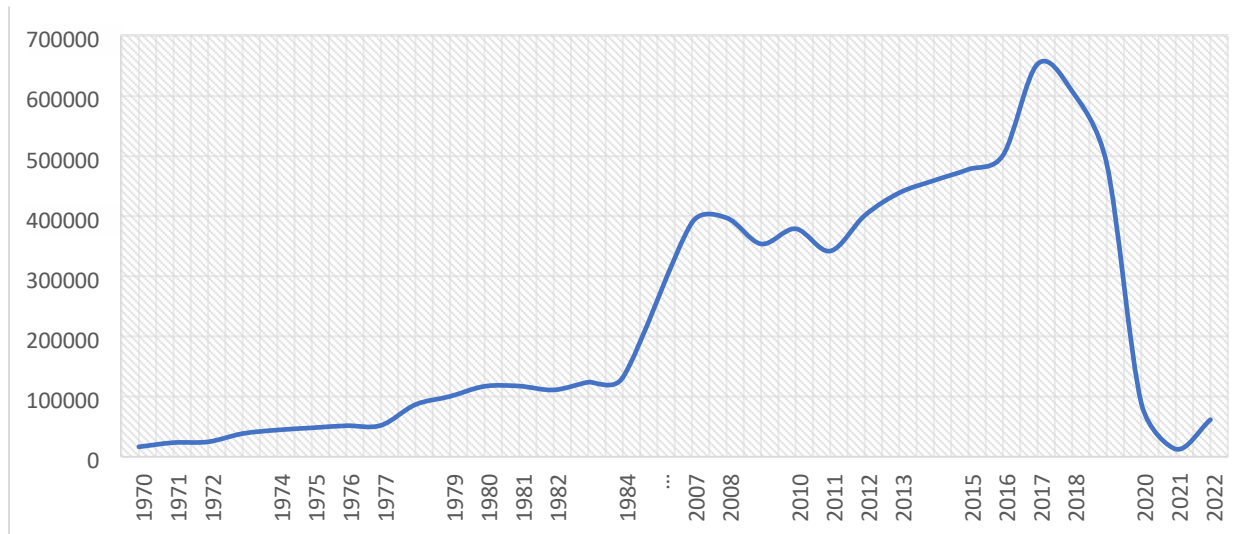


At the end of 2021, after nearly two years since the COVID-19 pandemic, total arrivals for December 2021 were 2,390. While the pandemic began in 2020, the impact has been most severe in 2021, with total arrivals for the year amounting to 12,684 – 86% lower than 2020 arrivals and 97% lower than 2019 arrivals.

<sup>30</sup> U.S. Bureau of Economic Analysis (2023)

In the broader perspective, tourism arrivals for 2021 were lower than total arrivals in 1970, eight years before the Covenant.

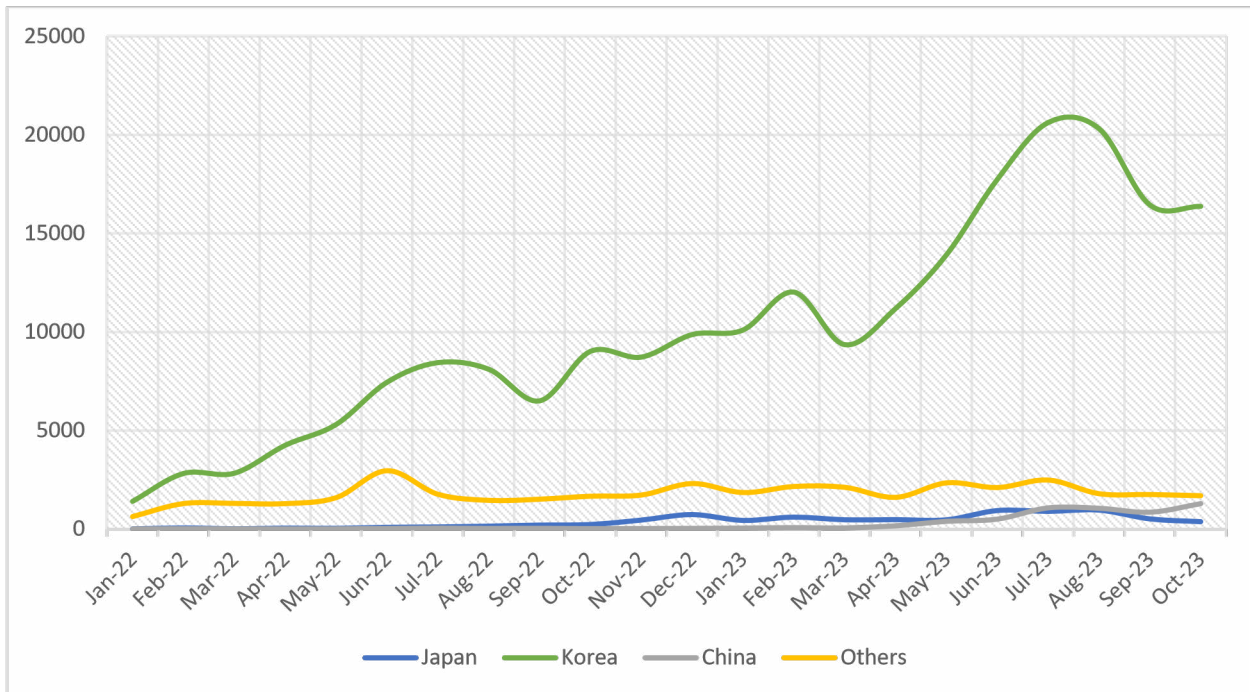
FIGURE 10: HISTORIC CNMI TOURISM ARRIVALS, 1970-2022



In 2023, the tourism industry saw its first signs of resumption. While remaining below pre-pandemic levels, and significantly below pre-Super Typhoon Yutu levels, the sector welcomed a surge of arrivals primarily from South Korea. Additionally, the CNMI also welcomed the reinstatement of direct air service from Japan, following the elimination of service from Delta in 2018 and the halting of service from Skymark during the pandemic. Total arrivals to date for 2023 amounted to 179,661 as of October 2023, which marked a 147% increase from the same time period (Jan-Oct) in 2022, but 66% below 2017 arrival figures.



FIGURE 11: TOURISM ARRIVALS TO THE CNMI BY MAJOR SOURCE MARKET, JANUARY 2022-OCTOBER 2023



As of 2017, the CNMI reported 34 establishments that provided 3,535 rooms or units for accommodations for travelers.

#### CONTRIBUTIONS OF TOURIST EXPENDITURES

As an export industry, the contributions of the tourism sector are derived from the spending of visitors in purchasing goods and services while in the CNMI. The most recent estimations of On-Island Expenditures for key Asian markets, were developed through Exit Surveys conducted in 2011.<sup>31</sup> Table 5 provides the results of the 2011 Exit Survey by nationality. The figures do not include hotel accommodation costs.

TABLE 5: ON-ISLAND EXPENDITURES FOR KEY ASIAN MARKETS, 2011

Market	On-Island Expenditure
Japan	\$758.16
Korea	\$568.73
China	\$681.40

<sup>31</sup> Marianas Visitors Authority (2012). Northern Mariana Islands Tourism Master Plan 2012-2016.

Given the lack of updated data on market spending data, adjusting the most recent figures to adjust for inflation provides a reasonable estimate on the impacts of the market. Using the U.S. Bureau of Labor Statistics Consumer Price Index inflation data, the following figures are updated from 2011 dollars to October 2023 dollars.<sup>32</sup>

TABLE 6: ON-ISLAND EXPENDITURES FOR KEY ASIAN MARKETS, INFLATION ADJUSTED VALUES

Market	On-Island Expenditure	October 2023 Arrivals	Total On-Island Expenditure
Japan	\$ 1,038.08	375	\$ 389,280
Korea	\$ 778.71	16,374	\$ 12,750,603
China	\$ 932.98	1,289	\$ 1,202,610

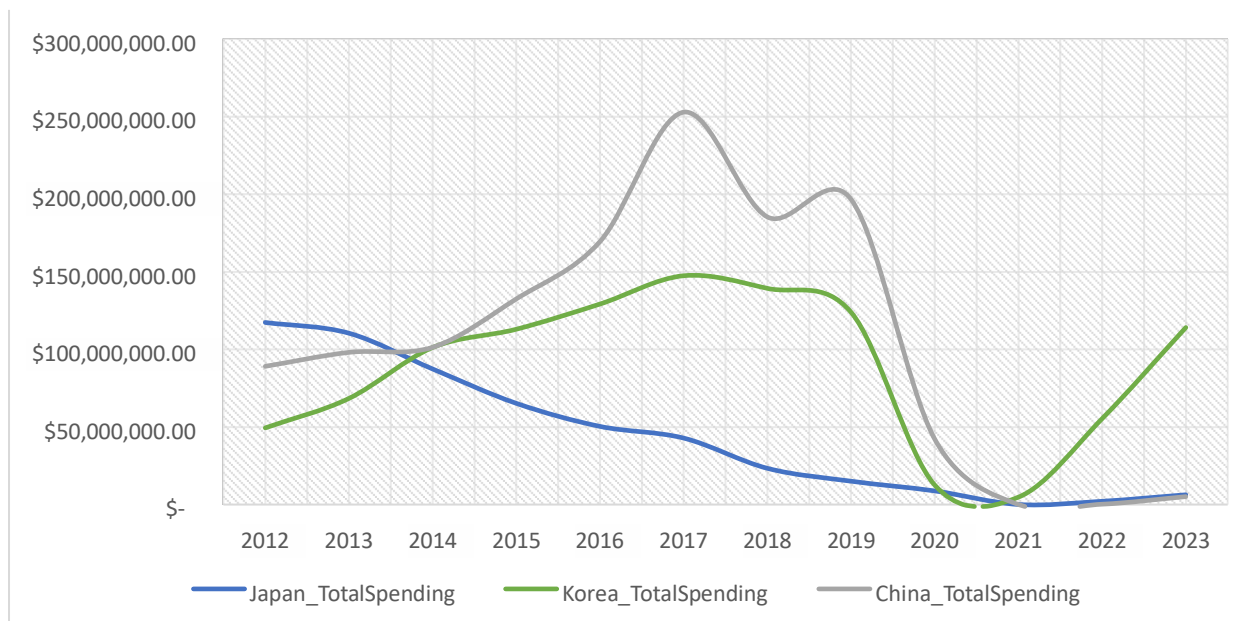
The size of the impact each primary has on the economy has fluctuated in the last decade, as the Japan market continued its steady decline, South Korea saw significant growth, and China outpaced the market in terms of overall spending.

TABLE 7: TOTAL SPENDING OF KEY ASIAN MARKETS, 2012-2023, INFLATION ADJUSTED

	Japan Total Spending	Korea Total Spending	China Total Spending
2012	\$ 117,348,863.35	\$ 49,410,104.46	\$ 89,077,508.13
2013	\$ 110,431,039.27	\$ 68,400,726.39	\$ 98,079,736.85
2014	\$ 87,375,022.89	\$ 101,232,167.26	\$ 101,342,012.04
2015	\$ 65,230,545.75	\$ 112,989,214.41	\$ 132,530,926.52
2016	\$ 50,366,247.37	\$ 129,228,953.15	\$ 169,512,364.37
2017	\$ 42,834,555.24	\$ 147,463,665.16	\$ 252,869,470.05
2018	\$ 23,355,666.84	\$ 139,320,983.91	\$ 185,353,716.40
2019	\$ 15,053,813.09	\$ 123,928,746.95	\$ 196,684,434.68
2020	\$ 8,785,680.51	\$ 12,558,524.71	\$ 42,143,606.27
2021	\$ 50,145.30	\$ 4,795,951.53	\$ 10,058.98
2022	\$ 2,125,745.04	\$ 55,364,231.55	\$ 240,694.34
2023	\$ 6,308,938.90	\$ 114,087,700.18	\$ 5,112,947.08

<sup>32</sup> This information by month and corresponding Consumer Price Index calculation is provided in Appendix B.





Economic multipliers in tourism spending play a crucial role in assessing the impact of tourism on a local economy. When tourists spend money on various services such as hotels, restaurants, attractions, and transportation, this spending generates additional economic activity beyond the initial expenditure. This is because the money spent by tourists is then re-spent by businesses and their employees in the local economy, creating a cascading effect. The economic multiplier effect quantifies how many times money spent by a tourist circulates through a country's economy. For example, if a tourist spends money at a hotel, the hotel then uses some of that money to pay its staff, who may spend it in local shops, thus further stimulating the economy. The strength of the multiplier effect depends on several factors, including the propensity of local businesses and their employees to re-spend within the same region, and the level of economic leakage, which refers to the extent to which tourism revenues are lost to other countries' economies, for instance through imports or foreign ownership of tourism businesses.

Accounting for the propensity for each dollar to remain in circulation within the economy and accounting for leakages that limit the extent to which a dollar travels, the Marianas Visitors Authority utilizes a multiplier of 1.5 to estimate the overall economic impact of tourism expenditures. This assumption suggests that for every \$1 spent on island, an additional \$0.50 is generated in economic activity in subsequent expenditures of from that \$1. For On-island expenditures alone the following is the economic impact of tourism expenditures for the years 2012 to 2023 to date by primary source market.

TABLE 8: ECONOMIC IMPACT OF SPENDING IN KEY ASIAN MARKETS, 2012-2023

	Japan Economic Impact	Korea Economic Impact	China Economic Impact	Total Economic Impact
2012	\$ 176,023,295.02	\$ 74,115,156.69	\$ 133,616,262.20	\$ 383,754,713.90
2013	\$ 165,646,558.90	\$ 102,601,089.59	\$ 147,119,605.27	\$ 415,367,253.76
2014	\$ 131,062,534.34	\$ 151,848,250.89	\$ 152,013,018.06	\$ 434,923,803.28
2015	\$ 97,845,818.62	\$ 169,483,821.62	\$ 198,796,389.79	\$ 466,126,030.03
2016	\$ 75,549,371.06	\$ 193,843,429.73	\$ 254,268,546.56	\$ 523,661,347.35
2017	\$ 64,251,832.86	\$ 221,195,497.74	\$ 379,304,205.07	\$ 664,751,535.68
2018	\$ 35,033,500.27	\$ 208,981,475.86	\$ 278,030,574.60	\$ 522,045,550.73
2019	\$ 22,580,719.63	\$ 185,893,120.43	\$ 295,026,652.02	\$ 503,500,492.09
2020	\$ 13,178,520.77	\$ 18,837,787.06	\$ 63,215,409.41	\$ 95,231,717.24
2021	\$ 75,217.96	\$ 7,193,927.30	\$ 15,088.47	\$ 7,284,233.72
2022	\$ 3,188,617.56	\$ 83,046,347.32	\$ 361,041.51	\$ 86,596,006.38
2023	\$ 9,463,408.36	\$ 171,131,550.27	\$ 7,669,420.62	\$ 188,264,379.25

The provided data outlines the economic impact of Japan, Korea, and China from 2012 to 2023, along with the cumulative total economic impact across these nations. In 2012, Japan's economic contribution started high at approximately \$176 million but showed a consistent downward trend, hitting a notable low of around \$75,000 in 2021, before slightly increasing in the following years. Korea's economic impact initially stood at about \$74 million in 2012 and exhibited a general upward trend, reaching its peak at around \$221 million in 2017. However, it experienced a significant drop in 2020, due to the pandemic, and then saw a sharp rebound in 2021 and 2023. China's figures began at roughly \$134 million in 2012 and increased steadily to a high of approximately \$379 million in 2017. Similar to the other countries, China faced a substantial decrease in 2020 and 2021, followed by a moderate recovery in the subsequent years.

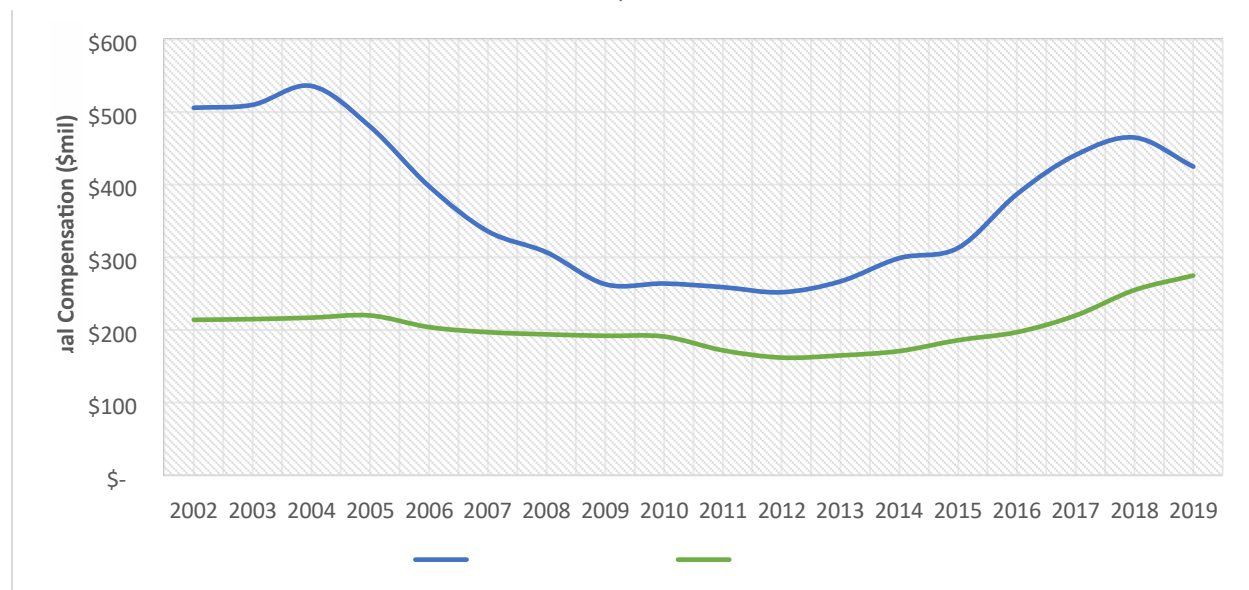
The total economic impact, combining the contributions from all three countries, mirrors these trends. It started at around \$384 million in 2012, peaked at about \$665 million in 2017, and then experienced a significant dip in 2020 and 2021. This pattern suggests the influence of major global events, such as the COVID-19 pandemic, had a profound effect on the economic activities of these countries. The gradual recovery observed in 2022 and 2023 indicates a rebound from these challenges, although the figures have not yet returned to their pre-2020 levels.



## SECTORAL ANALYSIS: MAJOR INDUSTRIES AND THEIR CONTRIBUTIONS

To begin a deeper analysis of the largest sectors that comprise the CNMI economy, a broad overview of the private sector is necessary. Prior to the pandemic, there were 1,742 establishments, generating \$3.62 billion in total sales or revenue.<sup>33</sup> Over the last decade, the private sector provided a significant source of employment income for the CNMI population, however, the strength of private industry to maintain employment compensation has been highly influenced by overall economic activity, compared to government employment compensation. Figure 12, shows the historic levels of annual employment compensation among all private industries and government.<sup>37</sup>

FIGURE 12: ANNUAL EMPLOYEE COMPENSATION BY SECTOR, 2002-2019

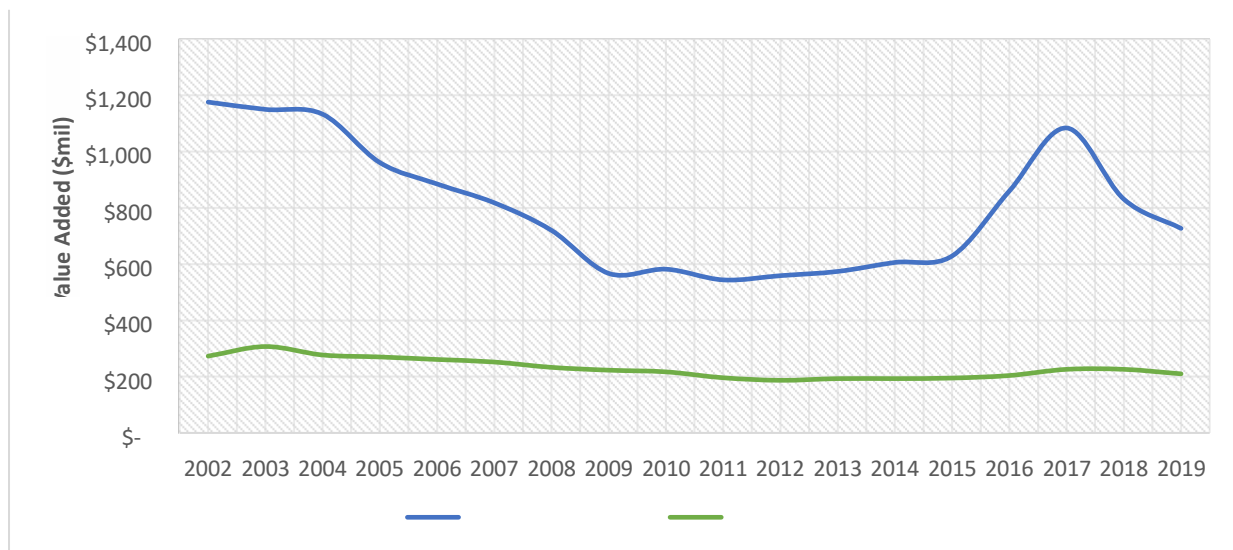


<sup>33</sup> U.S. Census Bureau (2018). Economic Census of Island Areas: Geographic Area Series Commonwealth of the Northern Mariana Islands: 2017. 2017: ECNIA Economic Census of Island Area.

<sup>37</sup> U.S. Bureau of Economic Analysis (2023)

The value of the production of goods and services in the economy is also heavily influenced by the private sector, with greater fluctuations driving both economic decline and growth relative to government units, as shown in Figure 13.<sup>38</sup>

FIGURE 13: REAL VALUE ADDED BY SECTOR, 2002-2019

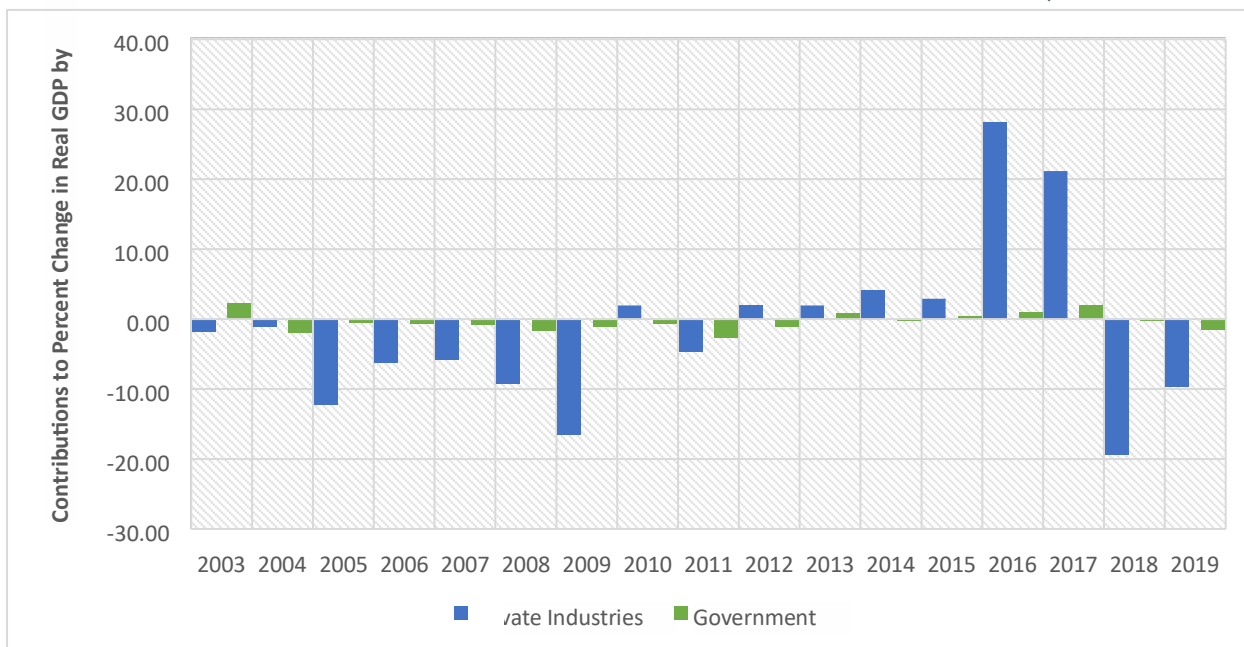


U.S. Bureau of Economic Analysis (2023)



When measured against overall change in Real GDP over the years, it is apparent that year over year changes to private sector output have greater impact to overall economic growth and decline. Government contributions to growth, while a source of stability through consistent output, are vastly outweighed by private sector development over the last years of data, as shown in Figure 14.<sup>39</sup>

FIGURE 14: CONTRIBUTIONS TO PERCENTAGE CHANGE IN REAL GROSS DOMESTIC PRODUCT BY SECTOR, 2003-2019



This data provides somewhat of a contrast to a prevailing thought that government spending, either through government expenditure or employment, is a primary driver of economic activity in the CNMI. The picture the data shows is that the private sector has a pronounced role in both overall growth and decline but is more vulnerable to economic volatility than the public sector.

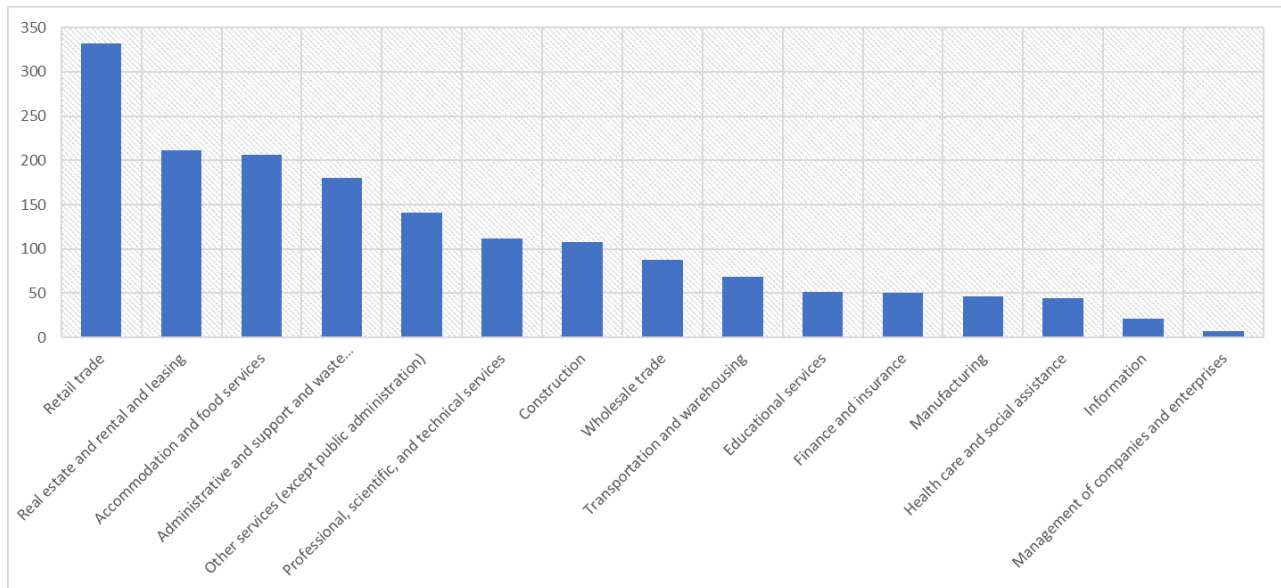
U.S. Bureau of Economic Analysis (2023)





Within the economy of the CNMI there are primary industries that support employment, and internal linkages generating economic activity. In the most recent Economic Census of the CNMI, there were 1,742 establishments in the CNMI (Figure 15).

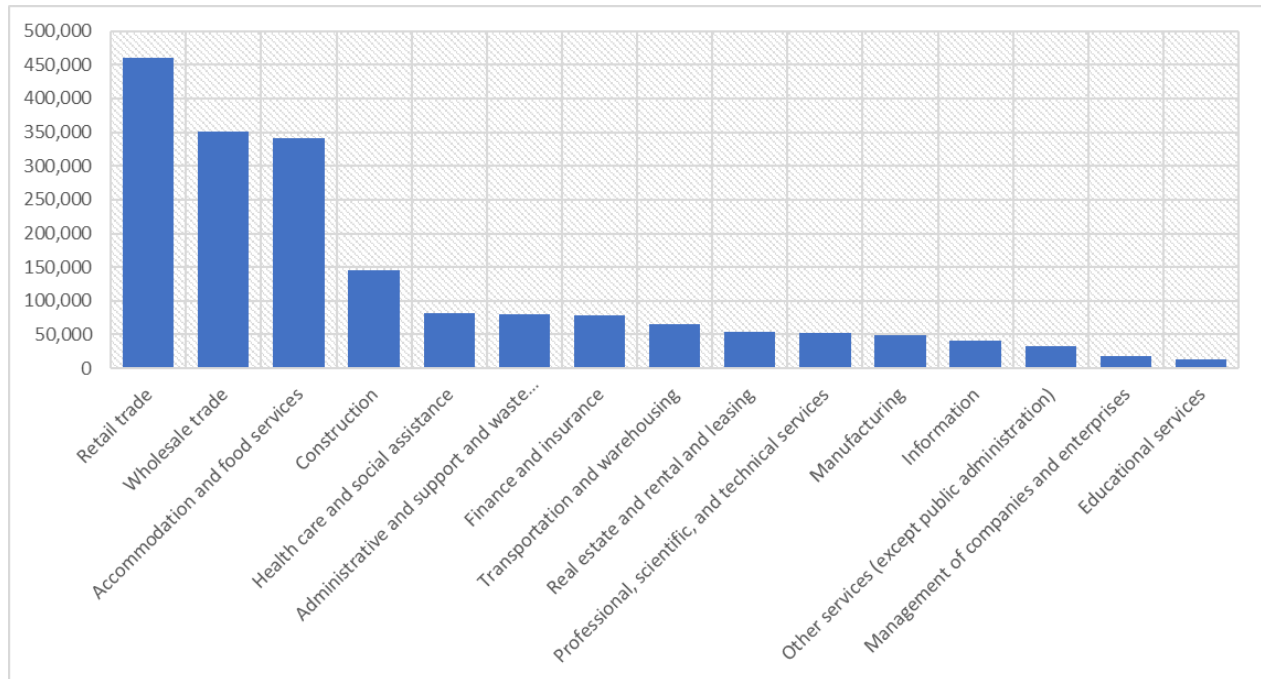
FIGURE 15: NUMBER OF CNMI BUSINESS ESTABLISHMENTS BY SECTOR



The 1,742 industries generated \$3.62 billion in total sales or revenue. The top industry in terms of sales volume is the Retail Trade industry, followed by the Wholesale Trade, and Accommodation and food

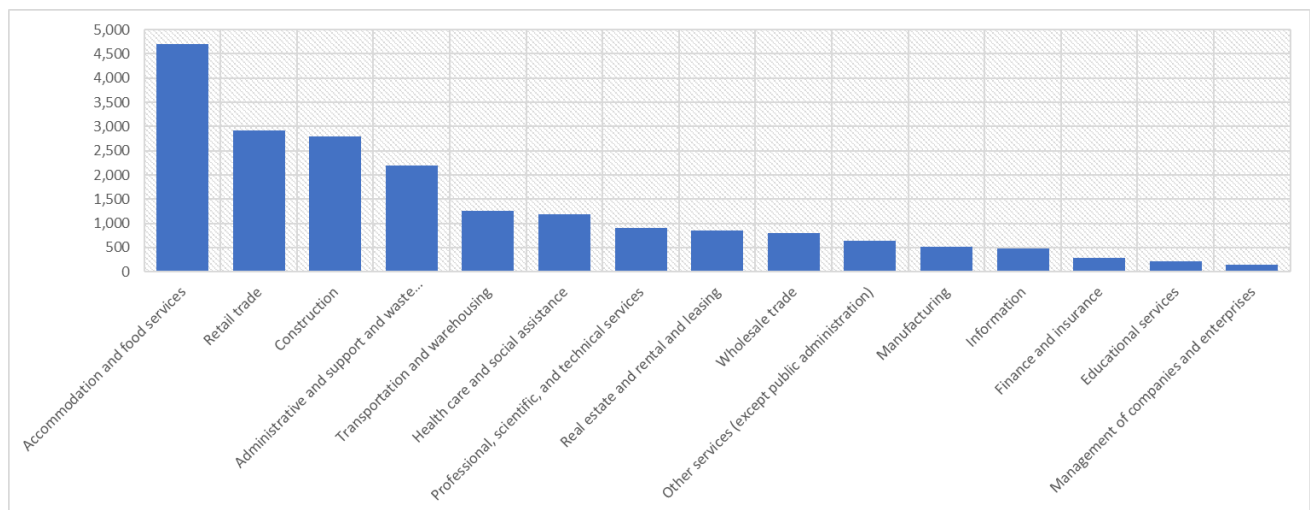
services.

FIGURE 16: SALES, VALUE OF SHIPMENTS, OR REVENUE (\$1,000) BY SECTOR



Within the sectors, Accommodation and food services constitutes the largest sector of employment, followed by Retail and Construction (Figure 17)

FIGURE 17: NUMBER OF EMPLOYEES BY SECTOR



## RETAIL

The Retail Sector is the largest industry by sales/revenue volume with \$460.4 million in annual sales or revenue. Prior to the pandemic, the 332 total retail establishments employed a total of 2,910 individuals, providing \$45 million in annual payroll.<sup>34</sup>

Breaking the sector down by classes of customers the industry serves, the primary class of customers is household and individual consumers represent 44% of overall sales and revenue, with 297 establishments serving this customer class. Visitor tourists, in direct expenditures to retail establishments constituted 31.3% of overall sales and revenue. Combined local and federal government expenditures at retail establishments amounted to 4.6% of the total sales and revenue.

TABLE 9: RETAIL - CUSTOMER CLASSES AND SALES/REVENUE VOLUME

Industry	Class of Customer	Number of Establishments	Sales, value of shipments, or revenue (\$1,000)
Retail trade	All classes of customer	332	460,420
Retail trade	Household consumers and individuals (excluding visiting tourists)	297	201,610
Retail trade	Visiting tourists (including business travelers)	195	144,183
Retail trade	Retailers for resale	157	31,756
Retail trade	Local government	155	18,964
Retail trade	Hotels or other traveler accommodations	159	12,875

<sup>34</sup> U.S. Census Bureau (2018)



Retail trade	Restaurants, food services, and nightclubs	155	11,806
Retail trade	Construction contractors	143	10,090
Retail trade	Other service establishments including truck and passenger car rental and leasing	115	8,780
Retail trade	Wholesalers/distributors for resale	124	8,307
Retail trade	Travel agencies and other passenger transportation services	123	4,867
Retail trade	All other classes of customers	48	2,321
Retail trade	Federal government	120	2,170
Retail trade	Banks, insurance, and real estate companies	102	1,947
Retail trade	Manufacturing and mining industrial users for use as input goods in production	56	749

In 2023, the average hourly wage earned by an employee in the Retail Sector was \$10.48, which was unchanged from average wages in 2022. The hourly wages in this sector have grown by 15.5% since 2019 and 81.3% since 2011.<sup>35</sup>

TABLE 10: RETAIL - AVERAGE HOURLY WAGES, 2011, 2016, 2019-2023

Retail Average Hourly Wage	
2011	\$5.78
2016	\$8.36
2019	\$9.07
2020	\$9.84
2021	\$10.20

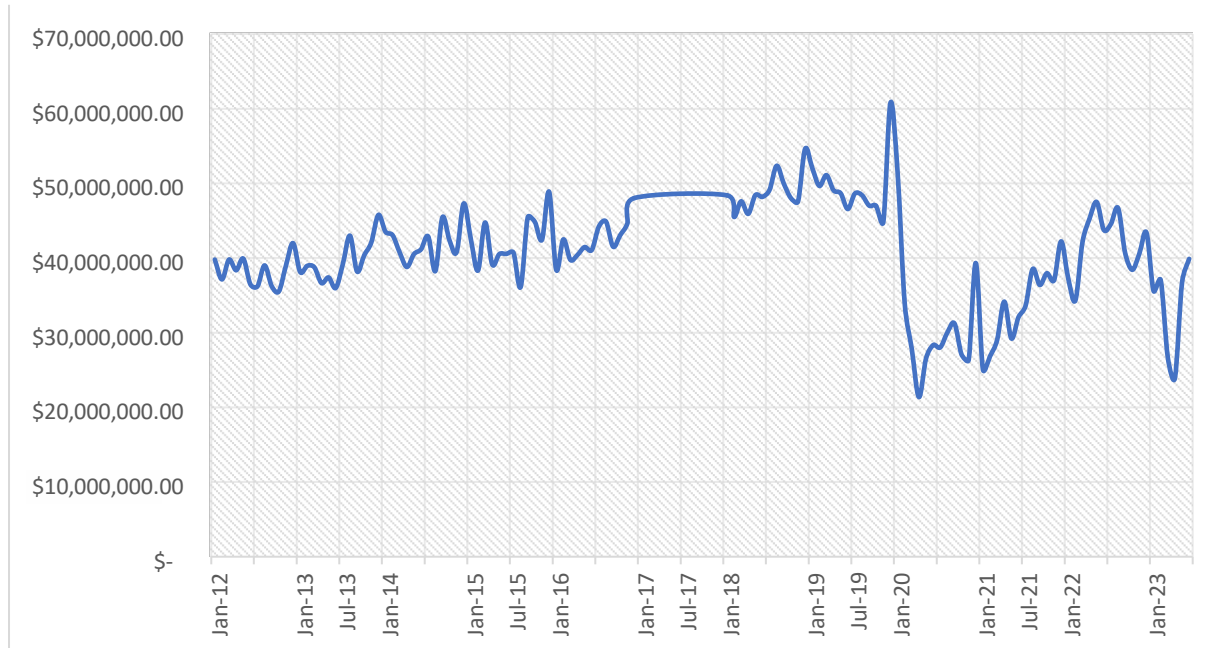
<sup>35</sup> CNMI Department of Commerce, Central Statistics Division. Prevailing Wage Survey Report

2022	\$10.48
2023	\$10.48

Between 2012 and June 2023, the average monthly revenue for the Retail sector was \$40,562,124.85, and, as shown in Figure 18, monthly revenue remained relatively stable in nominal terms with a slight upward trend between 2012 and 2019. The pandemic saw significant reductions to monthly retail revenue, from which the sector has yet to recover to pre-pandemic levels. In context, the average monthly revenue in the retail sector between January 2012 and March 2020 (before the complete elimination of international flights) was \$43,056,285.27. Between April 2020 and June 2023, the average monthly revenue dropped by 18.7% to \$34,998,228.52.<sup>36</sup>

<sup>36</sup> CNMI Department of Finance, Reported Business Revenue. Data on Business Revenue for FY 2017 was unavailable at the time of this report.

FIGURE 18: REPORTED GROSS MONTHLY REVENUE, RETAIL (2012-2023)



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## WHOLESALE

The Wholesale sector was the second largest sector by total sales and revenue with \$350.4 million in the year. The sector employed 797 individuals, with a total annual payroll of \$14 million across its 88 establishments. The largest class of customers for the sector, in terms of sales and revenue, was to retailers for resale, generating 31% of overall sales/revenue volume.<sup>37</sup>

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<sup>37</sup> U.S. Census Bureau (2018)



TABLE 11: WHOLESALE - CUSTOMER CLASSES AND SALES/REVENUE VOLUME

Industry	Class of Customer	Number of establishments	Sales, value of shipments, or revenue (\$1,000)
Wholesale trade	All classes of customer	88	350,393
Wholesale trade	Retailers for resale	56	108,390
Wholesale trade	Household consumers and individuals (excluding visiting tourists)	51	45,731
Wholesale trade	Local government	36	44,396
Wholesale trade	Hotels or other traveler accommodations	53	36,391
Wholesale trade	Restaurants, food services, and nightclubs	46	27,789
Wholesale trade	Wholesalers/distributors for resale	36	14,856
Wholesale trade	Federal government	18	12,646
Wholesale trade	Construction contractors	24	12,441
Wholesale trade	Visiting tourists (including business travelers)	20	2,424
Wholesale trade	Other service establishments including truck and passenger car rental and leasing	14	1,787
Wholesale trade	Travel agencies and other passenger transportation services	8	549
Wholesale trade	Banks, insurance, and real estate companies	13	228

In 2023, the average hourly rate for employees in the Wholesale sector was \$10.32. This marked a decrease from an average rate of \$10.85 in 2022, and from the average rate of \$10.95 in 2021. Overall, the average hourly rate in the sector has grown by 5.4% since 2019, and 37.4% since 2011.<sup>38</sup>

TABLE 12: WHOLESALE - AVERAGE HOURLY WAGES, 2011, 2016, 2019-2023

Wholesale Average Hourly Wage	
2011	\$7.51
2016	\$9.19
2019	\$9.79
2020	\$10.13
2021	\$10.95
2022	\$10.85
2023	\$10.32

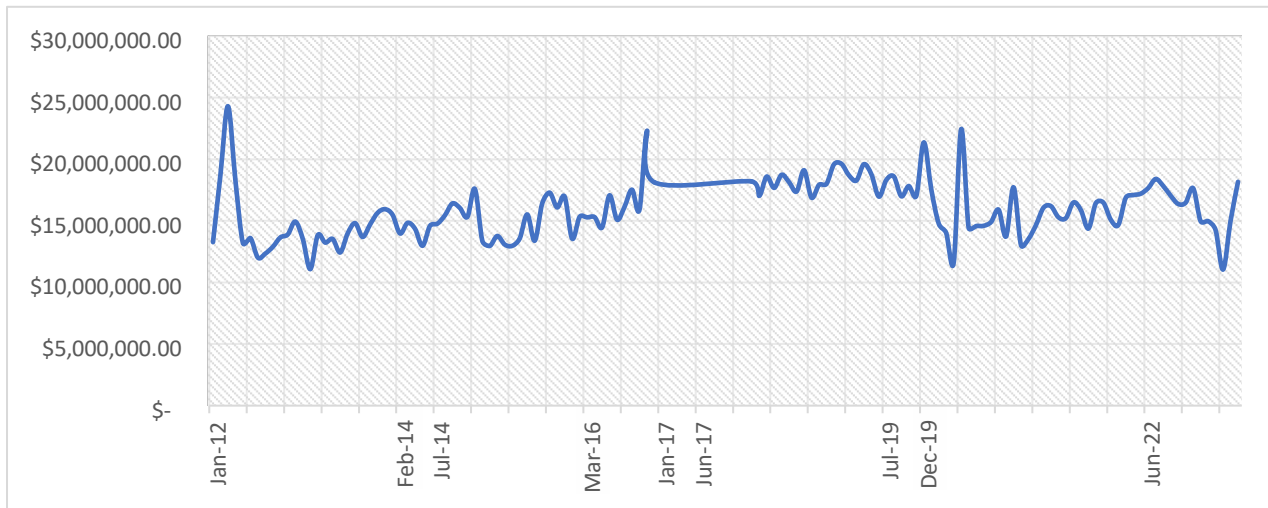
Between 2012 and June 2023, the average monthly revenue for the Wholesale sector was \$15,883,546.05, and, as shown in Figure 19, the sector has seen relatively stable monthly revenue returns in nominal terms. Interestingly, the sector saw no substantial impacts from the pandemic, and average monthly returns between April 2020 and June 2023, were only 1% lower than the monthly average between January 2012, and March 2020.<sup>39</sup>

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<sup>38</sup> CNMI Department of Commerce, Central Statistics Division, Prevailing Wage Survey Report

<sup>39</sup> CNMI Department of Finance, Reported Business Revenue Data

FIGURE 19: REPORTED GROSS MONTHLY REVENUE, WHOLESALE (2012-2023)



#### ACCOMMODATION AND FOOD SERVICES

The accommodation and food services sector, which primarily covers restaurants, hotels and tourist facing enterprises, was the third largest sector with \$341.5 million in annual sales and revenue value across 206 establishments. This sector housed the largest number of employees among the overall labor market with 20.8% of the total labor force. Naturally, the largest class of customers for this sector was visiting tourists, who provided 28% of the total sales and revenue. Household consumers were a close second in total sales, representing 17.3% of the total sales and revenue.<sup>40</sup>

TABLE 13: ACCOMMODATION AND FOOD SERVICES - CUSTOMER CLASSES AND SALES/REVENUE VOLUME

Industry	Class of Customer	Number of Establishments	Sales, value of shipments, or revenue (\$1,000)
Accommodation and food services	All classes of customer	206	341,473
Accommodation and food services	Visiting tourists (including business travelers)	159	96,648
Accommodation and food services	Household consumers and individuals (excluding visiting tourists)	169	58,904

<sup>40</sup> U.S. Census Bureau (2018)



Accommodation and food services	Travel agencies and other passenger transportation services	86	55,687
Accommodation and food services	Restaurants, food services, and nightclubs	96	42,513
Accommodation and food services	Hotels or other traveler accommodations	79	33,776
Accommodation and food services	Local government	82	8,901
Accommodation and food services	All other classes of customers	68	8,584
Accommodation and food services	Banks, insurance, and real estate companies	66	3,700
Accommodation and food services	Federal government	67	3,430
Accommodation and food services	Retailers for resale	72	3,276
Accommodation and food services	Construction contractors	54	910
Accommodation and food services	Other service establishments including truck and passenger car rental and leasing	63	662

In 2023, the average hourly rate for employees in the Accommodation and food services sector was \$10.28, a two-cent increase from the prior year. The sector saw wages fall significantly during the first year of the pandemic with average wages reaching an 8-year low of \$9.81. Wages have yet to fully recover in this sector with 2023 average wages remaining 4.7% lower than in 2019, however, average wages are 72.2% higher than those in 2011. In 2023, average wages were the lowest among the primary sectors in the CNMI.<sup>41</sup>

TABLE 14: ACCOMMODATION AND FOOD SERVICES - AVERAGE HOURLY WAGES, 2011, 2016, 2019-2023

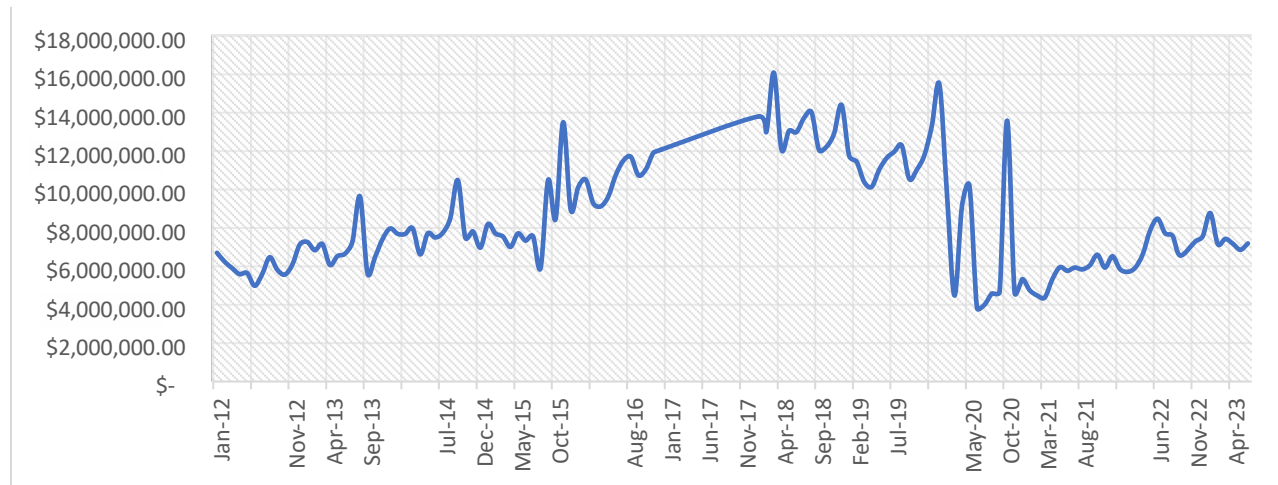
<sup>41</sup> CNMI Department of Commerce, Central Statistics Division. Prevailing Wage Survey Report.

Accommodations and Food Service Average Hourly Wage	
2011	\$5.97
2016	\$11.39
2019	\$10.79
2020	\$9.81
2021	\$10.22
2022	\$10.26
2023	\$10.28

The Accommodation and Food Service sector is an amalgamation of different business types, within the reporting structure of Business Gross Revenue. Hotels, a large component of overall activity in the sector, is described further in subsequent sections. As a proxy for the activity within the sector, Alcohol and Food revenue speaks to the levels of revenue within one component of the sector.

Within the Alcohol and Food establishments, significant rates of growth were seen between 2015 and 2019, aligned with tourism arrivals. This sub-sector saw large mid-pandemic rises in revenue, particularly in October 2020. Despite the spikes in monthly revenue, returns in the sub-sector remain below prepandemic figures in nominal terms.

FIGURE 20: REPORTED GROSS MONTHLY REVENUE, ALCOHOL AND FOOD (2012-2023)



## CONSTRUCTION

The Construction sector was the fourth largest by sales and revenue volume, generating \$146 million in annual sales/revenue. With an annual payroll of \$33.8 million across the 108 establishments, the sector employed 2,803 individuals. Construction contractors were the largest class of customers for the sector, providing 62% of overall sales and revenue. Government, federal and local government combined, represented nearly 20% of the overall sales and revenue volume to the sector. **TABLE 15: CONSTRUCTION - CUSTOMER CLASSES AND SALES/REVENUE VOLUME**

Industry	Class of Customer	Number of establishments	Sales, value of shipments, or revenue (\$1,000)
Construction	All classes of customer	108	145,998
Construction	Construction contractors	78	90,202
Construction	Federal government	44	14,846
Construction	Local government	56	13,763
Construction	Household consumers and individuals (excluding visiting tourists)	69	11,486
Construction	Hotels or other traveler accommodations	44	4,420
Construction	All other classes of customers	41	4,025



Construction	Other service establishments including truck and passenger car rental and leasing	43	3,232
Construction	Retailers for resale	38	788
Construction	Visiting tourists (including business travelers)	10	714
Construction	Banks, insurance, and real estate companies	39	672
Construction	Wholesalers/distributors for resale	27	485
Construction	Travel agencies and other passenger transportation services	29	473
Construction	Restaurants, food services, and nightclubs	33	470

In 2023, the average hourly wages in the Construction sector were \$11.44. This was the second highest average wage rate among the CNMI's primary sectors and marked a nearly 5% increase in average wages from the year prior. This sector, however, average wages in this sector appears to be elastic to changes in overall economic activity, as rates in 2023 are 19.9% lower than those in 2019, though average wages have grown by a considerable 86.3% since 2011.

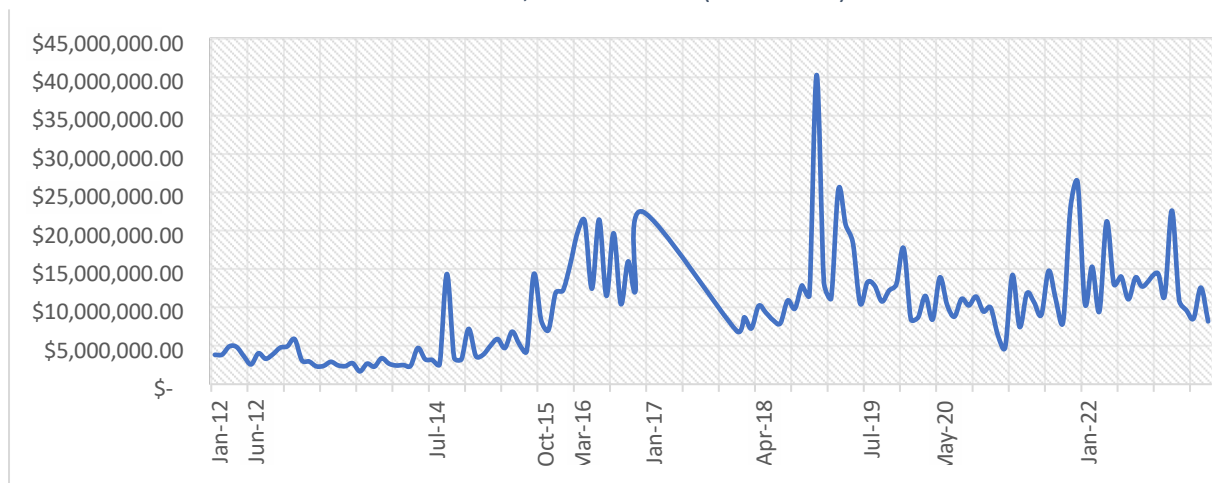
TABLE 16: CONSTRUCTION - AVERAGE HOURLY WAGES, 2011, 2016, 2019-2023

Construction Average Hourly Wage	
2011	\$6.14
2016	\$8.98
2019	\$14.28
2020	\$11.51
2021	\$10.46
2022	\$10.93
2023	\$11.44

From 2012 to 2023, the average monthly revenue of establishments in the construction sector was \$9,783,923.79. Monthly revenue has not been impacted significantly from the pandemic, and nominal revenue figures are higher than those through much of 2018. There is a considerable spike in revenue on

December 2018, in line with the initiation of recovery efforts following Super Typhoon Yutu which made landfall in the CNMI in late October 2018.

FIGURE 21: REPORTED GROSS MONTHLY REVENUE, CONSTRUCTION (2012-2023)



#### HEALTH CARE AND SOCIAL SERVICES

The Healthcare and Social Services sector was the smallest among the main industries in terms of total establishment counts. The 44 establishments generated \$82.5 million in annual sales/revenue, which supported the annual payroll of \$43.3 million among its 1,195 employees. Most of the customers for the sector were households and individual consumers who contributed 85% of total sales/revenue. Visiting tourists were the second largest class of customers providing nearly 8% of total sales/revenue. **TABLE 17: HEALTH CARE AND SOCIAL ASSISTANCE - CUSTOMER CLASSES AND SALES/REVENUE VOLUME**

Industry	Class of Customer	Number of establishments	Sales, value of shipments, or revenue (\$1,000)
Health care and social assistance	All classes of customer	44	82,505
Health care and social assistance	Household consumers and individuals (excluding visiting tourists)	39	70,306
Health care and social assistance	Visiting tourists (including business travelers)	20	6,517
Health care and social assistance	Local government	17	2,806

Health care and social assistance	Other service establishments including truck and passenger car rental and leasing	14	1,419
Health care and social assistance	Restaurants, food services, and nightclubs	14	758
Health care and social assistance	All other classes of customers	12	288
Health care and social assistance	Wholesalers/distributors for resale	13	106
Health care and social assistance	Federal government	15	79
Health care and social assistance	Hotels or other traveler accommodations	13	66
Health care and social assistance	Banks, insurance, and real estate companies	13	60
Health care and social assistance	Construction contractors	12	54
Health care and social assistance	Travel agencies and other passenger transportation services	12	25
Health care and social assistance	Retailers for resale	12	17
Health care and social assistance	Manufacturing and mining industrial users for use as input goods in production	8	5

Average hourly wages in the health care and social assistance sector have historically been the highest among all sectors in the CNMI. In 2023, the average hourly wage was \$22.20, which was a one-cent increase from the prior year. Wages in this sector, however, have seen a noticeable decline. In 2021, possibly driven by increased demands caused by the pandemic, wages were \$23.42. Since 2019, wages have fallen by 0.1%, with the 2023 wages being 94.4% higher than in 2011.

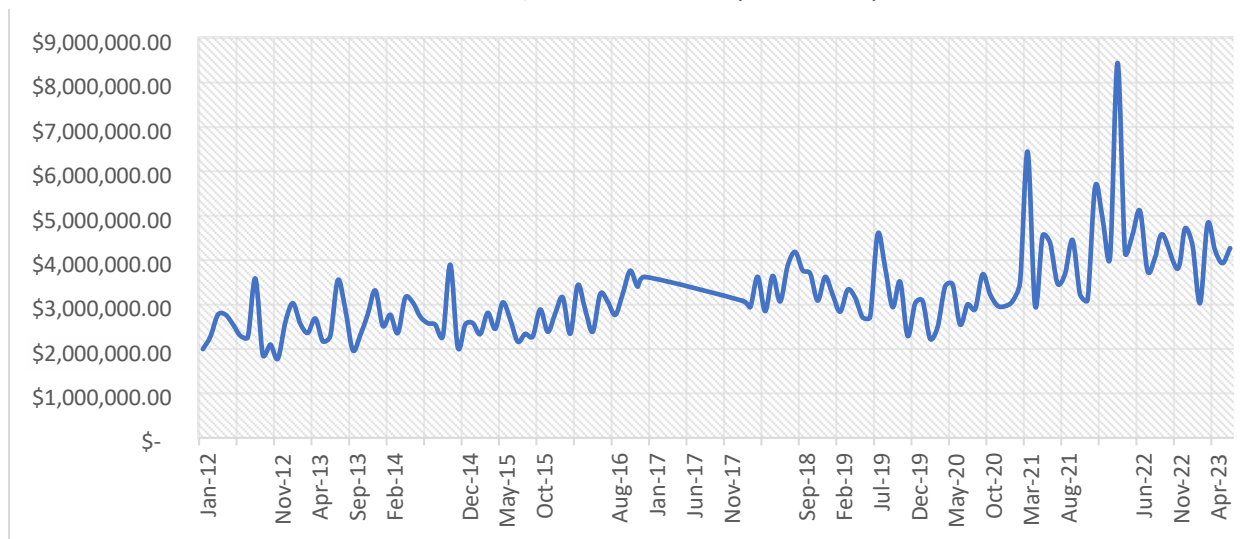
TABLE 18: HEALTH CARE AND SOCIAL ASSISTANCE - AVERAGE HOURLY WAGES, 2011, 2016, 2019-2023



Healthcare and Social Services Average Hourly Wage	
2011	\$11.42
2016	\$18.05
2019	\$22.23
2020	\$23.17
2021	\$23.42
2022	\$22.19
2023	\$22.20

Data from medical services was used as a proxy for total revenue activity within the Health care and Social Assistance sector. Between 2012 and 2019, monthly revenue in nominal terms was fairly stable. Growth in monthly revenue began to surge in 2021, possibly in line with increased demands and federal resources made available to respond to the pandemic.

FIGURE 22: REPORTED GROSS MONTHLY REVENUE, MEDICAL SERVICES (2012-2023)



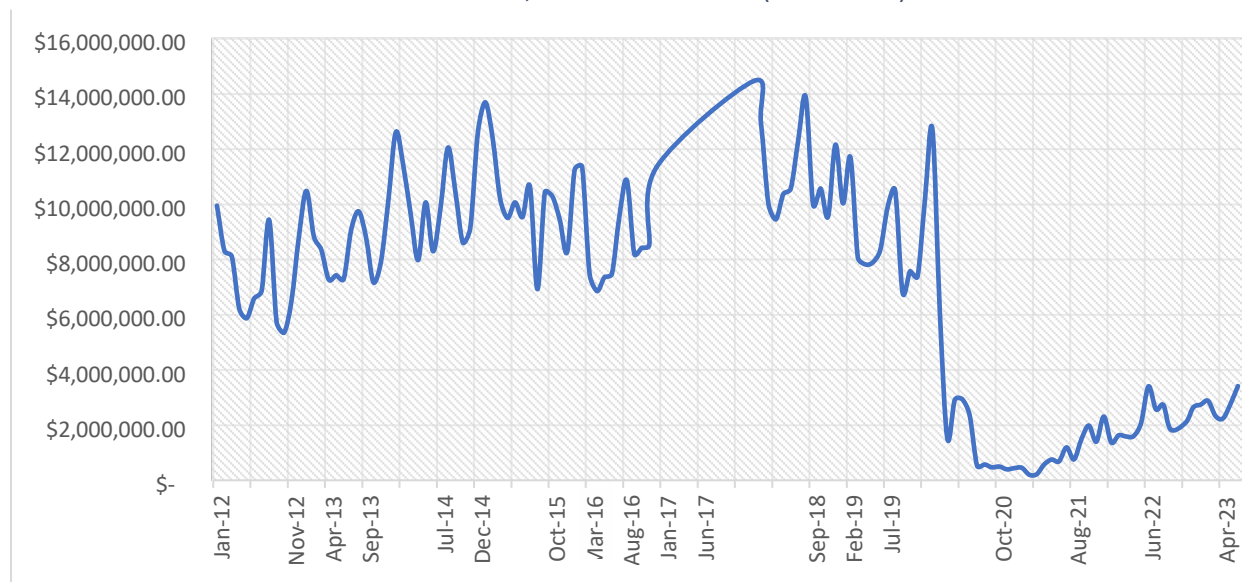
## HOTELS

While necessarily tied to tourism as an essential component of the industry, analysis of hotels directly provides additional insight into the overall economy. As a sub-set of the accommodation and food service industry, hotels provide a critical product necessary for the operation of the tourism economy. Historically, hotels and hotel investments were considered a catalyst to the genesis of the tourism sector, and since that point the health of the hotel sub-sector has represented an important bellwether of overall economic conditions.

HANMI is a valuable data aggregator for the industry. Its members constitute the 12 largest hotel operations in the CNMI, and together the membership of HANMI constitutes a significant share of overall hotel revenue and employment. Prior to the pandemic, HANMI members employed nearly 7% of the total workforce.

Hotel revenue has seen a severe and prolonged decline since the start of the pandemic. In the period between January 2012 and March 2020 the average monthly revenue among the CNMI's hotels was \$9,264,926.05. Between April 2020 and June 2023, the average fell to \$1,658,433.36, an 82% decline between the two periods.

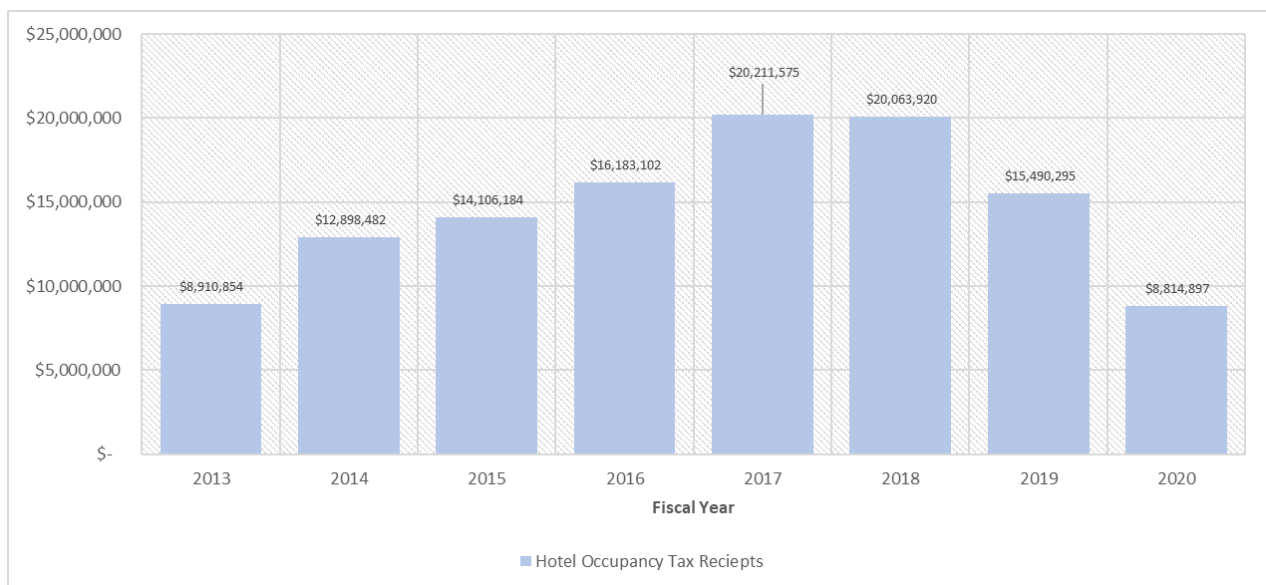
FIGURE 23: REPORTED GROSS MONTHLY REVENUE, HOTELS AND MOTELS (2012-2023)



The strength of the hotel industry has potentially lagging effects on the overall market. Hotel room sales are the primary source of revenue for the Marianas Visitors Authority through the Hotel Occupancy Tax. The tax, 15% of the value of room sales, provides nearly all of the revenue that is intended to support the offshore marketing of the CNMI to tourist source markets. The prolonged reduction in hotel revenue, and subsequent Hotel Occupancy Tax, reduces the ability for the CNMI to market the CNMI in the years ahead. As shown in Figure 24, Hotel Occupancy Taxes increased swiftly from 2014 to 2017, adding greater

resources to MVA to promote greater levels of marketing for the CNMI.<sup>42</sup> However, external events seen in the onslaught of Super Typhoon Yutu (2018-2019) and the COVID-19 pandemic, were outside of the CNMI's sphere of influence and reduced the available resources to rebuild the CNMI's brand identity and presence in major source markets.

FIGURE 24: CNMI HOTEL OCCUPANCY TAXES COLLECTED, FY 2013-2020



## OTHER INDUSTRIES

<sup>42</sup> CNMI Audited Financial Statements, 2013-2020



While tourism is the predominant industry in the CNMI, economic activity is present in other sectors. The industries discussed in this sector represent those that have received considerable attention for policy action and present development efforts.

## *AGRICULTURE*

The CNMI, as a multi-island economy settled prior to modern urbanization, has deep roots in the development of local agriculture to support human habitation and development. Historical records provide evidence of a variety of crops that were grown, consumed, and traded throughout the Marianas prior to the arrival of Spanish settlers.<sup>43 44</sup>

Since that time, however, the large-scale commercial production of agriculture has seen numerous challenges. Luis Cadarso y Rey, Spanish governor of the Philippines, in a 1894 report to his superior regarding the Marianas, wrote “Let us pay a tribute of veneration, then, to the illustrious navigator

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Ferdinand Magellan who sighted and discovered these islands... because they are still so wretched, it is appropriate that our august sovereign take pity on their precarious situation and advise her responsible ministers to set their sights, for just a moment, on how urgent it is not to spend so much money fruitlessly in these islands.” Continuing, Rey reported, “Agriculture, the basis of all wealth in all nations, has not had, nor do I believe it can ever have, substantial development. The geological conditions of the islands, the frequent earthquakes, and the basaltic composition of the soil mean the present labor product can be increased four times at most. This is sufficient to make fresh foodstuffs available and to produce some income from the legumes, fruit, coffee, cacao, etc., to ships stopping at this port. Nothing more can be expected of islands whose superficial extension is small, since Guam, the largest, has only 180 square miles of surface.”<sup>45</sup>

The German administration that followed Spanish occupation, came under the leadership of Georg Fritz, a German bureaucrat who had a passion for agriculture and forestry, who saw potential for the islands in mass production of copra, which is the ground product of coconut meat. Coconuts are the quintessential pacific agriculture product. Their leaves are used for shelter, trunks used for support, and nuts used for sustenance. The prevalence and the ease of which these plants grow on the islands, made it an ideal crop

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<sup>43</sup> Dixon, B., Barton, H., Coil, J., Dickinson, W., Murakami, G., & Ward, J. (2011). Recognizing inland expansion of latte period agriculture from multi-disciplinary data on Tinian, Commonwealth of the Northern Mariana Islands. *The Journal of Island and Coastal Archaeology*, 6(3), 375–397. <https://doi.org/10.1080/15564894.2010.521539>

<sup>44</sup> Hunter-Anderson, R. L., Thompson, G. B., & Moore, D. R. (1995). Rice As a Prehistoric Valuable in the Mariana Islands, Micronesia. *Asian Perspectives*, 34(1), 69–89. <http://www.jstor.org/stable/42928340>

<sup>45</sup> Fontordera, Luis Santos, Luis Cadarso Y Rey, and Marjorie G. Driver. *Reports concerning the Mariana Islands: The Memorias of 1890-1894*. University Station, Mangilao, Guam: Spanish Documents Collection, Richard Flores Taitano, Micronesian Area Research Center, University of Guam, 2000. Print. p. 119

to pursue large-scale cultivation. As a forester by training, Fritz undertook this task and scaled up production of coconuts and copra to unmatched proportions. Despite the success of the infant industry, in terms of both volume and revenues, it took but one devastating typhoon to destroy the entire enterprise. With one major typhoon, thousands of trees succumbed to the strength of typhoon winds, and the plans for the industry under German administration ended.<sup>46</sup>

The Japanese demanded large quantities of sugar, which it met with sugar plantations throughout its Pacific Territories, including Taiwan, the Philippines, Chuuk, and the Northern Marianas among others. In total, sugar constituted 60 percent of all exports out the Pacific Mandated area. It was the exportation of sugar that brought in the greatest revenue source for industry on the islands and gave incentive for increased investment to local infrastructure in the form of roads and a railway system on the island of Saipan. The past three centuries of colonial occupation all dealt with the same geographic limitations to growth, however, the Japanese managed to leverage the available land and sea resources. On the sugar industry Mark Peattie, a historian of the Japanese colonial area, wrote, “Although limitations of soil and climate restricted the glittering success of the sugar industry to the Marianas its example convinced the doubters... that Japan’s small and fragmented Pacific colony could not only pay for itself, but become a net asset to the empire.”<sup>47</sup>

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The Second World War destroyed all the needed infrastructure to continue the sugar cane industry on Saipan. On November 11, 1944, the Inspector General of the U.S. Pacific Fleet and Pacific Ocean Areas submitted extracts from data collection efforts during their inspection of post-war Saipan. Among the questions asked of U.S. military officials on the island at the time was on the condition of the sugar industry. To this question, the Inspector General received the following response:

“Sugar mill destroyed, land needed for air strips and other developments. The sugar industry is finished.”<sup>48</sup>

With the invasion of the islands in 1944, farming by residents came to a halt. In the months that followed, with the need to establish local sources for food, land that was not employed in the service of military installations was put into agricultural production. Excess agricultural harvest was sold to the Naval administration at set prices, who then distributed it to the population.<sup>49</sup>

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<sup>46</sup> Russell, S. (1999)

<sup>47</sup> Peattie, M. (1988)

<sup>48</sup> Shafroth, J.F. (1944). Inspection of SAIPAN. *Extracts from Original Source, Inspector General, U.S. Pacific Fleet and Pacific Ocean Areas*. Retrieved from CNMI Humanities Council, Digital Archive (U.S. Navy Civil Affairs Files (1944-1962)). [https://iyb.nrh.mybluehost.me/nmhc\\_archives/U.S.%20Navy%20Civil%20Affairs%20Files%2019441962/1944/1944%2011%2007%20memo,%20inspection%20of%20Saipan,%20Shafroth.pdf](https://iyb.nrh.mybluehost.me/nmhc_archives/U.S.%20Navy%20Civil%20Affairs%20Files%2019441962/1944/1944%2011%2007%20memo,%20inspection%20of%20Saipan,%20Shafroth.pdf)

<sup>49</sup> Shafroth, J.F. (1944)

As the Northern Mariana Islands steamed toward the culmination of their decades-long quest for self-determination, prospects of economic viability and the agricultural sector saw familiar challenges. Historian Donald Johnson writing in the Journal *Current History* in 1970 laid out these challenges in a tone not dissimilar to that of Luis Cadarso y Rey. In the article, Johnson stated:

“The hard fact is that without outside economic assistance the Trust Territory has little prospect of achieving and maintaining nationhood in today’s world. The mineral resources of the islands offer no adequate base for a modern national economy, at least at present levels of world technology. The soil of the area is insufficient, in area or in fertility, to offer the prospect of a thriving, agricultural-based economy... [T]he major hope for economic advancement in the area in the near future seems to lie in tourism, military bases or other types of change which will demand large increases in foreign investment and influence.”<sup>50</sup>

According to the most recent Census of Agriculture in the CNMI, there were 253 farms in the CNMI, encompassing a total area of 1,515 acres (6.1 square kilometers). The average size of farms was 6 acres (24,281 square meters), however 64% of the total farms were smaller than 4 acres. In total, farms occupy 1.3% of the total land mass in the CNMI.

As a subsector within the agriculture industry, cattle ranching has carved out a unique position within the development of domestic food products in the CNMI, with particular focus on the island of Tinian. The history of the beef cattle industry on Tinian dates back to the 16th century when cattle were first introduced by the Spanish. Following the Spanish-Chamorro War, with no Chamorro residents on the island, cattle

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proliferated, providing a crucial protein source for Spanish galleons traversing the Pacific Ocean. These cattle, often described as milky-white except for their black ears, roamed Tinian in the tens of thousands.

The industry underwent several transitions with changes in administrative control. Under German rule, the herds were preserved and expanded, serving both for sustenance and as a source of revenue, with a slaughter fee imposed on those purchasing cattle for consumption. During Japanese administration, the focus shifted to sugarcane production, leading to a reduction in beef herds, although cattle were still used to graze in sugarcane fields post-harvest.

Post-World War II, significant development occurred under Ken Jones, who established an extensive beef and milking cattle program, with over 7,000 beef cattle and 1,000 milking cows. Products from this era were distributed across the region, including Saipan, Guam, and beyond, for sale in retail stores and military installations.

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<sup>50</sup> Johnson, D. D. (1970). The Trust Territory of the Pacific Islands. *Current History*, 58(344), 233–239. <https://doi.org/10.1525/curh.1970.58.344.233>



Today, Tinian's cattle industry is characterized by family-owned and operated ranches, providing fresh beef for local consumption and traditional cultural events such as weddings, funerals, and fiestas.

In 2013, it was reported that 37 operations on Tinian were involved in cattle farming. These operations sold 177 cattle, amounting to a total live weight of 88,500 pounds and generating sales of \$70,800. The average value of a marketed animal was estimated at \$400, based on DNLR Slaughter Permits issued in 2012.<sup>51</sup>

The overall herd value in 2012 was estimated at \$547,550. This valuation was based on various cattle categories, including beef cows, cow replacements, steer, bulls, steers heifers, and bulls, with their respective average live-weight values contributing to the total estimated value. For example, the 517 beef cows were valued at \$600 each, contributing \$310,200 to the total herd value.<sup>52</sup>

In 2013, there were 37 operations utilizing 742.5 hectares for cattle production, with plans for future expansion on an additional 325 hectares.

In 2021 Tinian's newest slaughterhouse, the Tinian Kualitat Meat Processing Center, opened as the only U.S. Department of Agriculture certified slaughterhouse on the island. The center, run by the Municipality of Tinian and the Tinian Cattlemen's Association, aims to expand the role of the cattle industry in employment and economic activity. Supporting this effort, CEDA is currently administering a U.S. Economic Development Administration funded project to examine the feasibility of the Tinian beef cattle industry and provide technical assistance to local ranchers.<sup>53</sup>

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As shown in Figure 25, the business revenue from the agricultural sector has seen a considerable upward trend in the midst of the pandemic, with total reported revenue reaching a 10-year high of \$424,649.61 in December 2022. This rise in revenue saw a rapid decline in subsequent months, however, returning to levels at or below pre-pandemic revenue figures.

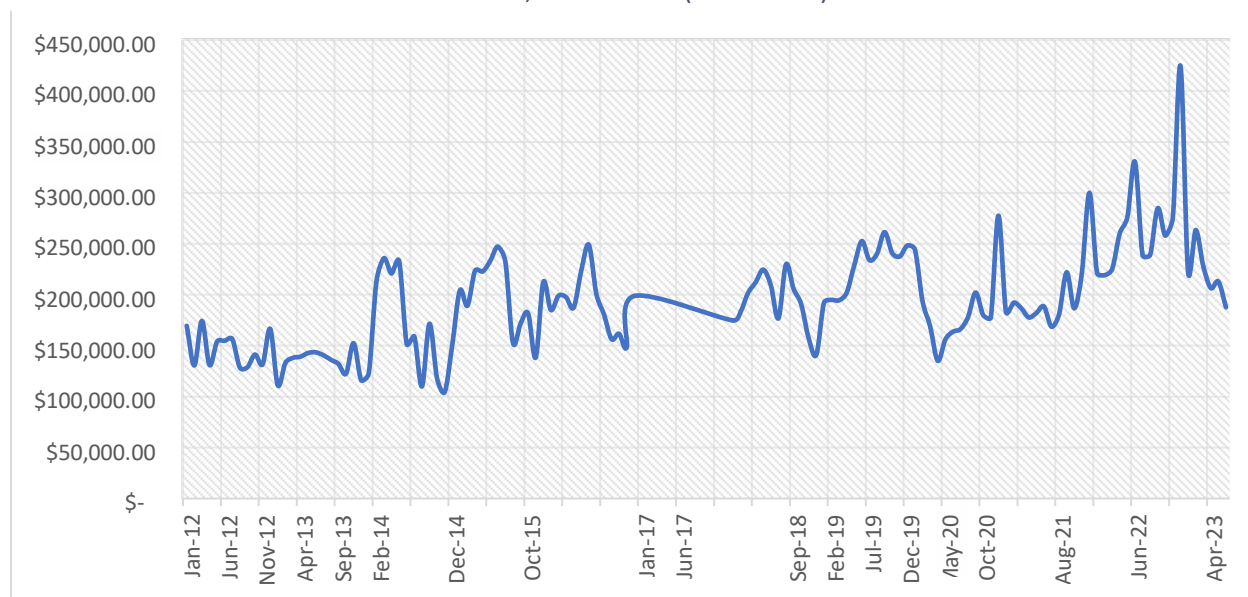
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<sup>51</sup> Duponcheel, L. (2013). Beef Cattle Herd Survey, 2013: Island of Tinian, Commonwealth of the Northern Mariana Islands. Northern Marianas College, Cooperative Research, Extension & Education Service.

<sup>52</sup> Duponcheel (2013)

<sup>53</sup> Manglona, T. (2022, February 21). *Tinian's cattle industry might make a comeback*. KUAM. <https://www.kuam.com/story/45910360/tinians-cattle-industry-might-make-a-comeback>

FIGURE 25: REPORTED GROSS MONTHLY REVENUE, AGRICULTURE (2012-2023)



In 2018, total revenue for all agricultural products was \$1,580,081, with the sale of vegetables and melons representing the largest share of total market value at \$638,609. By market value, Saipan represents the largest market, with \$1,096,848 in total market value, followed by Rota (\$313,133) and Tinian (\$170,100). However, on a market value per farm basis, Tinian sees the greatest per farm return with 27 farm operations generating on average \$11,597.52. This is compared to Saipan's 182 farm operations at \$6,026.64, and Rota's 44 farm operations at \$4,025.<sup>54</sup>

To place the agricultural industry in perspective with the larger economy, total reported revenue for the sector throughout 2022 (January to December) was \$3,254,557.98, which is 95% of the revenue generated from the Hotel and Motels sector and 8% of the Retail sector revenues for the single month of June 2023.

### AQUACULTURE

Aquaculture is the cultivation of aquatic animals and plants, including freshwater and marine life, for food and other purposes. The development of the aquaculture industry in the CNMI has received considerable

interest since the establishment of the Commonwealth government. In 1985, the CNMI Coastal Resources Management Office published a preliminary study on the technical feasibility of aquaculture in the CNMI, in which locations across Saipan, Tinian and Rota were surveyed to assess their adequacy for the

<sup>54</sup> U.S. Department of Agriculture (2020). Census of Agriculture: Northern Mariana Islands (2018) Commonwealth and Island Data.

development of commercial aquaculture, along with potential technologies that may be employed and species that may be cultivated.

The study concluded that low technology, low-cost commercial aquaculture facilities were preferable to larger capital-intensive operations, given the water, soil and infrastructure constraints at the time. Saipan was considered the prime location for the development of aquaculture due to its soil characteristics and existing infrastructure. The report also highlighted constraints that were seen to influence the sector, of which included the uncertainty of sufficient and reliable water supply given the lack of rivers, streams, and other surface waters required to sustain the operations. A potential remedy to this constraint was to tap brackish ground water, necessitating farms to drill new wells or redevelop former U.S. military wells. However, the salinity of the water would narrow the selection of species for production and the costs of developing new water sources was prohibitive.

In 2007, the CNMI enacted Public Law 15-43 mandating the Cooperative Research, Extension, & Education Service (CREES) of the Northern Marianas College (NMC) to be the lead authority in aquaculture development for the CNMI. In this mandate, NMC CREES has conducted studies related to the development of aquaculture over the years, with the most recent being the 2011 Aquaculture Development Plan (2011-2015).

The 2011 plan is a comprehensive report that outlines the strategic direction for developing the aquaculture industry in the CNMI. It begins by assessing the current state of aquaculture in the region, including an analysis of the existing infrastructure, resources, and key species such as tilapia and shrimp. The report identifies various challenges faced by the industry, including technical, financial, and regulatory hurdles, and emphasizes the need for developing a sustainable and economically viable aquaculture sector.

The second part of the report focuses on strategic recommendations for fostering industry growth. It details the importance of improving infrastructure, enhancing technical expertise, and establishing strong regulatory frameworks. The plan also addresses the need for market development and the promotion of aquaculture products, highlighting the potential for export markets.

In 2018, there were 3 farms within the fish and other aquaculture products category, a reduction from 5 farms in 2007. In 2018, all 3 farms were located on Saipan, with potential closures of farms on Rota and Tinian representing the location of the reduction. In 2007, 33,350 pounds of fish and aquaculture products were sold for a total value of fish of \$65,725. In 2018, total volume of fish and aquaculture sold fell to 1,100 pounds, with monetary values not disclosed in the Agricultural Census data.<sup>55</sup>

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<sup>55</sup> U.S. Department of Agriculture (2020). Census of Agriculture: Northern Mariana Islands (2018) Commonwealth and Island Data.



## *MILITARY TRAINING*

The strategic location and unique geography of the Northern Mariana Islands has long been of interest to the United States military. The islands' position within the far Western reaches of the Pacific Ocean was seen to be advantageous for the expansion of America's sphere of influence and control throughout the post-World War II period, and acquisition of the islands to prevent access from Cold War rivals during the mid-20<sup>th</sup> century was a significant motivator for the political status negotiations that culminated with the signing of the Covenant. In addition to cultivating a close political asset in the region, the U.S. government saw potential for the development of training sites that would "signal to all concerned the determined intent of the United States to defend what is expected to become, upon status confirmation, the expanded western frontier of the United States."<sup>56</sup> For this objective, U.S. military planners during the Trust Territory period saw the island of Tinian as a prime candidate for development.

In a 1971 Plan for Tinian Development prepared by the Commander in Chief, Pacific Command (CINPAC) the predecessor to Indo-Pacific Command (IndoPacom), the rationale for Tinian as the site for development was outlined. The plan provided that "In a review of the topography of the Mariana Islands, Tinian and Saipan were found to be the only islands suitable for developing an airfield large enough to accommodate strategic operations and other military activities. The relatively large population and concentration of civil activities on Saipan indicate that is not a promising location, so attention has thus focused on Tinian in terms of military development."

Continuing, the plan provided the "desired objective" for the use of Tinian in support of U.S. strategic interests that involved the "acquisition of the entire island of Tinian, for development into a joint military complex."<sup>57</sup>

While formal agreements for the use of Tinian progressed during the political status negotiations, it is worth noting that training on Tinian had and continued to occur. The Tinian Mortar Range, located approximately 7 miles from the main village of San Jose and is adjacent to Chiget Beach, was used as a military firing range between 1945 to 1994, where 60-millimeter (mm) and 81 mm mortars, 40 mm grenades, and small arms were fired within an area of about 94 acres.<sup>58</sup>

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<sup>56</sup> Moorer, T.H., (October, 18, 1971). Memorandum for the Secretary of Defense: Military Basing in the Trust Territory of the Pacific Islands. U.S. Joint Chiefs of Staff. Archived on the Northern Marianas Humanities Council Digital Archive.

<sup>57</sup> CINPAC (Dec. 31, 1971). Department of Defense Plan for Tinian Development. Archived by Northern Marianas Humanities Council.

<sup>58</sup> *Tinian Mortar range MRS*. CNMI Bureau of Environmental and Coastal Quality Division of Environmental Quality - Public Record. <http://cnmideregpublicrecord.weebly.com/tinian-mortar-range.html>

Ultimately, with the signing of the Covenant, the United States and Marianas Political Status negotiators, reached a compromise that saw the leasing of 17,799 acres of Tinian (an area representing 2/3rds of the

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islands area), the entire island (206 acres) of Farallon de Mendinilla (FDM), and 72 acres on Saipan for the United States to “carry out its defense responsibilities.” The agreement for the use of lands within the CNMI was not without limits, however, and Section 802(c) required that the United States and the CNMI negotiate a separate “Technical Agreement” that memorialized the intended uses of land on the island. The technical agreement envisioned that Tinian would serve as an operational joint service base and airfield that would achieve integration with the Tinian resident population through arrangement such as joint administration of the San Jose Harbor, island-wide utilities services, equal recreational access to beaches, terms in which the Tinian population may use the military medical facilities, and the allowance for Tinian residents to view movies at the on-base movie theater, among other terms.

The formal lease of the Tinian land and FDM was executed in 1983 stipulating, among other things, the permitted uses for the islands and the conditions in which Tinian and FDM would be returned to the CNMI at the end of the lease period. The lease terms were for an initial 50-year term with the option to extend for an additional 50 years. Under this lease agreement, the U.S. military was authorized to use the island for live-fire bombing and artillery training, and associated limitation on public access of the island and its surrounding waters during the lease term.

Training on FDM commenced and the island has been continually used as a live-fire training grounds up to the present. On Tinian, however, the full establishment of the operational joint service base as envisioned by the Technical Agreement never materialized. In its place, the Military Leased Area (MLA) on Tinian has been used for occasional training operations and maneuvers training.

The CNMI is a central location for four Department of Defense training activities, one of which is currently under development. These are:

Tinian Divert Airfield – Airfield improvements to provide additional capacity for military aircraft in training activities, humanitarian assistance, and support for disaster relief, along with the development of facilities and infrastructure to support KC-135 tanker aircraft. This airfield intends to provide resiliency, training, and capabilities in the event Guam’s Andersen Air Force Base is unavailable.

Marianas Islands Range Complex (MIRC) - The MIRC is the name for both the geographic area in which training activity occurs within and around the Marianas archipelago and the name for the training project. The MIRC covers land, sea, and airspace on and around Guam, Rota, Tinian, Saipan, and FDM.

Mariana Islands Training and Testing (MITT) - The MITT expanded on the MIRC in size of training area and in the permitted actions within the training area, adding new types of training activities, increased frequency of training, the inclusion of new weapons systems, and the removal of prior restrictions on training in ecologically sensitive areas.

CNMI Joint Military Training Project (CJMT) - Proposed in a 2015 Draft Environmental Impact Statement, CJMT sought to establish live-fire military training activities on the islands of Tinian and Pagan, for a period of 20 weeks per year. This project proposed a significant investment in the CNMI by the DoD and sought to support the training of up to 2,200 military personnel per exercise, the development of four new live-fire ranges, the construction of a 3,000-person base camp, impose additional restrictions on access for Tinian residents to the MLA, and develop fuel, water, wastewater and communications infrastructure on Tinian for exclusive military use. In response to this proposal, the CNMI community submitted more than 27,000 comments, largely in opposition to the project. Responding to the concerns of the community, the DoD announced its intent to revise the CJMT project. This revision is presently under development.

In addition to these four projects, the CNMI, particularly the island of Tinian, was a component of the Guam & CNMI Military Relocation project which sought to reduce U.S. military presence on Okinawa by relocating personnel to Guam. Under this project, new live-fire training activities were envisioned on Tinian.

Under federal law, the development of training projects in the CNMI is governed by the National Environmental Policy Act (NEPA), which requires federal agencies to identify, evaluate and disclose to the public the environmental impacts of proposed actions. The information provided to the CNMI community is derived from Environmental Impact Statements (EIS) produced by the DoD for each respective project. These EIS documents include impacts on the economy from proposed military actions.

According to the Office of Local Defense Community Cooperation, the CNMI is 4<sup>th</sup> among the five U.S. territories in terms of DoD spending, with a total of \$15.1 million spent on the islands. There was a total of 99 military personnel on the island generating approximately \$2.5 million in spending, and total investment by the DoD represented 1.3% of the CNMI's GDP.<sup>59</sup>

## **ECONOMIC CHALLENGES**

The present challenges are significant and place the CNMI economy in a precarious position. In 2023, the U.S. Government Accountability Office (GAO) published its annual report on the Public Debt Outlook for the U.S. Territories. In this report, the GAO noted that the CNMI's challenge of meeting its financial obligations worsened, and its economy has limited prospects for recovery and growth. Expanding on this finding, the report provided the following:

"The CNMI Government's strategy to encourage tourism and economic activity by building casinos and hotels on Saipan and Tinian has not been successful, leaving the territory without a viable plan to recover its economy through other means. CNMI's inflation adjusted GDP fell by 11.3 percent in 2019 and another

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<sup>59</sup> U.S. Department of Defense, Office of Local Defense Community Cooperation (2021). Defense Spending by State: Supplemental Report.



29.7 percent in 2020 with sharp declines in tourist spending, casino gambling revenue, and private fixed investment. With the tourism industry struggling to recover, federal assistance slowing, and weak financial management practices persisting, CNMI is at risk of a severe financial crisis.”<sup>60</sup>

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These challenges predated the challenges caused directly by the pandemic. For example, in a credit option updating the credit analysis of the CNMI in 2019, Moody’s Investor Service summarized their findings by stating the following:

“The credit quality of the Commonwealth of the Northern Mariana Islands (CNMI, Ba3 negative) reflects its small economy, concentrated in tourism; its vulnerability to natural disasters as evidenced by the typhoons in late 2018; and a large liability resulting from past underfunding of a now-closed defined benefit pension plan. The government’s financial position is strained, with narrow liquidity and a significant accumulated general fund deficit, while its expectation of future financial improvement is highly reliant on the completion of development of a single large casino. The Settlement Agreement entered into between the government and the pension plan beneficiaries in 2013, and the government’s fulfillment of its payment obligations under the agreement through fiscal 2019, represent progress in addressing the pension funding issue, but the volatility of the economy and ongoing budget pressures could challenge the government’s ability to fund these payment obligations over the long term.”<sup>61</sup>

The analysis further listed four primary credit challenges to the issuance of new debt by the Commonwealth government. These challenges were listed as:

- “Economy is very small and concentrated in the volatile tourism industry.
- The commonwealth is vulnerable to natural disasters, although this risk is offset to some extent by the availability of federal assistance.
- After two years of operating surpluses, the government has returned to operating deficits driven by the stagnant revenues and a step up in payments to the Settlement Fund.
- Issuance of GRT bonds represents a deficit financing for fiscal year 2020. “

These recent findings offer an important characterization of the CNMI economy, but they can also be seen as symptoms of larger impediments that are necessary for detailed analysis and development of measures to address their effects. This Section aims to identify and expand on the challenges that influence the CNMI economy with the interest of developing a fuller problem set of the impediments that exist today.

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<sup>60</sup> U.S. Government Accountability Office (2023). U.S. Territories: Public Debt Outlook – 2023 Update. GAO-23-106045.

<sup>61</sup> Moody’s Investor Service (2019). Northern Mariana Islands (Commonwealth of the): Update to credit analysis following assignment of initial Ba3 issuer rating. Credit Opinion.

## RESOURCE LIMITATIONS

Achieving economic growth in the context of small island economies is an exceedingly complex endeavor. Small islands by their nature face severe resource constraints inhibiting the ability to obtain the economies of scale necessary to compete in the global marketplace. The CNMI is no different in this regard and is limited in the land, resources, and labor needed to achieve economic development.

The development constraints caused by limitations on the availability of land have been a factor since at least the Spanish colonial era. The availability of land and the resources of the land as a primary input to

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commercial output is foundational to economic development. At its heart, the importance of the availability of land as a resource is an issue of scale.

Economies of scale is an economic term defined as the “the factors which make it possible for larger organizations to produce goods or services more cheaply than smaller ones.” On a macroeconomic level, the principles of scale can be described as external economies of scale, which is defined as the conditions that arise when “the entry of new firms into an industry causes the minimum average total cost of all firms in the industry to fall.” This happens when greater levels of individual firms within a sector or industry that provide inputs to other firms increase competition and efficiency and offer lower prices that aid in supporting the sector as a whole.<sup>62</sup>

The CNMI, being limited in land, reduces the potential to achieve substantial economies of scale in industries that have land requirements. These include industries such as agriculture and aquaculture that have direct land-use requirements and those that have impacts on surrounding land, such as manufacturing, industrial developments, or large-scale resort or hotel developments.

This issue has received considerable attention in the modern development of the CNMI. In 1968, in preparation for the eventual resolution to the political status question for the Trust Territory of the Pacific Islands, the Trust Territory government commissioned a report on the Economic Development Plan for Micronesia.<sup>63</sup> The report, which proposed a lengthy long-range plan for developing the islands of Micronesia, inclusive of the Northern Mariana Islands, stated:

“The most striking and pervasive physical characteristic of Micronesia is that of the smallness and wide dispersion of the land area... No single economic factor or combination of related factors is as important as this all-important element.” Expanding on the significance of land to economic development, the report covered a wide swath of the implications of limited land availability across potential sectors.”

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<sup>62</sup> A Dictionary of Economics (4th edition). (2012). Oxford University Press.

<sup>63</sup> Robert R. National Associates, Inc. (1966). Economic Development Plan for Micronesia: A Proposed Long-Range Plan for Developing the Trust Territory of the Pacific Islands.

On natural resources the report found:

“The land area of the islands does not include many exploitable natural resources. There are some small and not very high-grade deposits of phosphates and bauxite in some spots. There are adequate supplies of limestone, rock, and sand to provide building materials. Unless, however, techniques are developed for extracting minerals from the sea, there seems to be little opportunity for economic expansion based on mineral exploitation in Micronesia.” On forestry and agriculture:

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“The islands produce little wood that can be used for lumber. The agricultural potential of most of the islands is limited. However, many kinds of tropical vegetation grow well, particularly the coconut palm which provides a major source of food, drinking water, and income through the sale of copra.”

On broader development:

“The physical scarcity of land, aggravated by the traditional restrictions on exchanges and sale of lands, will in some instances impede development. Some parcels of the sizeable public lands in the Trust Territory are suitable and are available for development purposes to partly offset the traditional ownership restrictions, though traditional restrictions will continue to impede some kinds of development.”

In 1978, the Office of Transition Studies and Planning produced a comprehensive Physical Development Master Plan for the Commonwealth of the Northern Mariana Islands. In discussion of land and land use characteristics, the plan described the total 184 square miles of land within the CNMI by stating that “Large areas of Saipan, Rota and Tinian remain undevelopable due to the limitations posed by geology, soils and slope.”<sup>64</sup>

In 1989, the CNMI Office of Planning and Budget published the CNMI Government’s Economic Development Strategy to serve as a “Prospectus for Guiding Growth” in the Commonwealth. In this prospectus, the Office noted among the factors influencing development that the physical constraints include “little to no surface or subterranean mineral resources; a limited land area particularly as relates to assembling large tracts of agricultural land; poor soil conditions; no stream or river courses which could be used for irrigation purposes during dry periods or for a potable water supply.”<sup>65</sup>

Also in 1989, within the discussion of the expansion of alternative industries within the CNMI economy, the 1989 Overall Economic Development Strategy, produced by the Commonwealth Development

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<sup>64</sup> Office of Transition Studies and Planning (January 1978). Physical Development Master Plan for the Commonwealth of the Northern Mariana Islands.

<sup>65</sup> CNMI Office of Planning and Budget (1989). Economic Development Strategy: A Prospectus for Guiding Growth. <sup>72</sup> Commonwealth Development Commission (1989). Commonwealth of the Northern Mariana Islands Overall Economic Development Strategy 1989.



Commission (now defunct), brought attention to the issue of scale. The strategy document stated, “In view of its very small size, it does not appear that the Commonwealth, even if it were to double its present population and level of economic activity, has any significant comparative advantage to follow a similar course of development and compete on the world markets. Even Puerto Rico, which is 150 times as large as the CNMI, has found that over the long term its comparative advantages are limited and difficult to exploit.”<sup>72</sup>

In the 2003, Comprehensive Economic Development Strategy (CEDS) for the CNMI, the limitation on land was further analyzed. The 2003 CEDS noted that “Of the 29,811 acres of land on Saipan, only 1,500 acres or about five percent of the land could be considered fair in overall productivity ratings for agricultural use. Lands considered poor in overall productivity account for some 10,400 acres or 35 percent of Saipan... The poorest lands are those with steep slopes, very shallow soil, rocky surfaces, or marshes. This land type

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accounts for some 60 percent of 17,900 acres on Saipan and is best adapted for watershed, grazing, or conservation uses.”<sup>66</sup>

The 2019 update to the CNMI CEDS listed the lack of exportable natural resources as a weakness of the economy, stating: “Unlike many US states or island nations, the CNMI does not have ample land mass with rich in-demand resources which can be exported. While the CNMI covers an expansive ocean area and does benefit from use of marine resources, current policies and physical infrastructure would not support the viable exportation of these resources to provide meaningful economic contributions.”<sup>67</sup>

In the same year as the 2019 CEDS update, the DPL Public Land Use Plan spoke to the characteristics of the available public land and its impact on development potential. On Saipan the plan found that of the 2,819 hectares of public lands, 564 acres (20%) had a slope less than 10% suitable for development. Of Tinian’s 1,163 hectares of public lands, 627 hectares (54%) have a slope less than 10% and are not in the Military Lease Area suitable for development, and of Rota’s 2,618 hectares of public lands, only 387 (15%) hectares are suitable for development.<sup>68</sup>

Natural resources and land limitations are a significant challenge to greater levels of physical development. There exist no readily available natural resources of which commercial sale can be developed upon, and much of the existing land is either encumbered, or is unsuitable for development. The inability to obtain greater natural resources and larger areas of suitable or productive land precludes land intensive industries from achieving economies of scale and providing a competitive advantage for the CNMI in the globally competitive market.

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<sup>66</sup> CNMI Department of Commerce, Commission on CEDS (2003). Comprehensive Economic Development Strategy, July 2003.

<sup>67</sup> CNMI Office of Planning and Development (2019). 2019 Commonwealth of the Northern Mariana Islands Comprehensive Economic Development Strategy Update.

<sup>68</sup> CNMI Department of Public Lands (2019). CNMI Comprehensive Public Land Use Plan Update for Rota, Tinian, Saipan, and the Northern Islands.

Further complicating the challenges brought by limitations on the physical availability of land for development is the political limitations on acquisition of available land. In categorizing the impact of political land ownership restrictions, the 2019 CEDS provided that.

“Among the most critical issues of the CNMI’s economic development are the land alienation provisions contained in the CNMI’s Constitution. Commonly referred to as Article XII, this provision limits land ownership to individuals of Northern Marianas descent. This has long served as an obstacle for business development, and for commercial and consumer lending. Financial institutions within the CNMI are hesitant to provide lending due to the institution’s inability to own real estate, which is commonly used as a form of collateral, in addition to the inability to package CNMI mortgages into mortgage-backed securities due to ownership restrictions. Institutional and individual investors are reluctant to invest in the CNMI because of this provision and must contend with ensuring a return on investment within a specified lease

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period of the property on which their business operates. Discussions are ongoing regarding issues of land ownership.”

#### *LIMITED AVAILABILITY OF LABOR*

Possibly no other resource limitation has received as much attention or policy action as the human resources available within the CNMI to operate its economy. In many ways, the CNMI’s challenges with labor and the means in which it sourced and utilized its labor force have defined the major epochs of development within the islands. These challenges in labor availability have evolved into complex struggles and developments within local and federal immigration regimes that persist.

In 1975, total employment within the Northern Mariana Islands totaled 6,158 individuals. Of the total employment, 3,107 (approximately 51%) were in government employment. Recognizing the relative scarcity of labor within the new Commonwealth, planners foresaw the labor challenges of meeting the human resource demands of a growing economy as such:

“Not only is the population small, but the large percentage of the population which is under 15 years or over 65 years of age, and those who are between 15 and 65 years of age who are in school or are otherwise not available to accept employment, severely limits the size of the labor force. It is from the labor force, which is defined as those who are employed or are seeking employment, that the labor and skills required for development must be drawn. Because of the requirement to provide essential services for the people of NMI, as well as to provide a mix of labor with other resources to achieve the economic objectives of the Plan, some external labor will be needed to supplement local labor resources.”<sup>69</sup>

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<sup>69</sup> Robert R. Nathan Associates, Inc. (1977)

These limitations and challenges on labor became apparent as the economy began its post-Covenant development and new industries began to form. In 1983, the first garment factory opened with 250 employees, 100 of whom were local.<sup>70</sup> By 1989 was “widely known” that “the present economy of the CNMI cannot be sustained entirely by the indigenous population nor are there sufficient numbers of ‘off-island’ U.S. citizens available to augment the limited Chamorro/Carolinian labor force.”<sup>71</sup>

At the time, this inability for local labor to meet the demand of the economy was a matter of demographics. Of the 12,788 U.S. citizens within the 15 to 64 years of age segment, 50% of the 6,081 women and 25% of the 6,704 males were not seeking work due to familial obligations, schooling, or health reasons. In total, the labor force could rely on a domestic U.S. worker population of about 8,000 to support economic activity of which most were already gainfully employed. In the same year, the CNMI issued 18,766 nonresident work permits, more than doubling the available U.S. citizen workforce.

In fifteen years since the CNMI’s first garment factory, over 15,000 foreign workers in 30 factories powered the industry which boasted a gross production value nearing \$1 billion. By 1994, garment shipments

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represented more than one third of the CNMI Government revenues. The rise in foreign workers and the economic significance of their presence was the result of the Covenant’s provision on the applicability of federal immigration and wage laws to the CNMI.<sup>72</sup>

Section 503 of the Covenant provided that the immigration and naturalization laws and the minimum wage laws of the United States would not automatically apply to the CNMI but provided Congress the unilateral authority to apply the law “in a manner and to the extent made applicable to them by Congress...” The reason stated in the Senate Report on the for the inclusion of this provision and the exemption of the CNMI from the U.S. Immigration laws was:

“... to cope with the problems which unrestricted immigration may impose on small island communities... It may well be that these problems will have been solved by the time of the termination of the Trusteeship Agreement and that the Immigration and Nationality Act containing adequate protective provisions can then be introduced to the Northern Mariana Islands.”<sup>73</sup>

CNMI Officials contend that this rationale for the incorporation of Section 503 misrepresents the intentions of the Marianas negotiators of the Covenant. The Northern Marianas Political Status Commission’s principal legal advisor, Howard Willens, in a 1999 memorandum to Lieutenant Governor Jesus Sablan, stated in opposition to these views that:

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<sup>70</sup> Willens & Siemer (2002)

<sup>71</sup> CNMI Office of Budget and Planning (1989)

<sup>72</sup> Willens & Siemer (2002)

<sup>73</sup> United States Congress. House Committee on Interior and Insular Affairs. Subcommittee on Territorial and Insular Affairs (1975). Congressional Hearing to Approve “The Covenant to Establish a Commonwealth of the Northern Mariana Islands”, and other purposes.



“The only real issue between the parties related to whether these laws would automatically become effective upon termination of the Trustee Agreement. The U.S. Delegation wanted the immigration laws to apply automatically upon termination; the Northern Marianas negotiators disagreed. Section 503(a) was a compromise between the parties and left the matter up to the discretion of the U.S. Congress after termination in light of the economic and social conditions in the Commonwealth at that time. Characterizing the applicability of these as “temporary” or not “permanent” is not especially helpful; no one questions the authority of the U.S. Congress to make the laws applicable when it decides that such an action is appropriate.

“There was no agreement between the parties that the immigration laws should, or would, become applicable after termination of the Trusteeship Agreement. Members of the two delegations may have had views on this question but no agreement was reached on this subject, among other reason because the termination of the Trusteeship Agreement was at least six years off in the future and no sensible person really wanted to try and anticipate what the situation would be in 1981 (or 1986 as it in fact turned out). So

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it is incorrect to say that Congress should “fully implement section 503 by applying [these laws] to the CNMI as anticipated.”<sup>74</sup>

The exponential increase in foreign labor in the CNMI resulted in growing concerns within the federal government. In 1986, the Reagan Administration stated that “Unless action is taken to curb the improper use of alien labor in Headnote 3(a) industries, this important territorial incentive will continue to come under mainland attack.” In 1992, the Bush Administration stated that “We believe, that basing the garment industry, or any industry, on non-resident alien labor greatly diminishes its value to the local economy and can create social as well as economic strains that could grow to ominous dimensions in the future.”

These concerns festered as wider media coverage highlighted labor abuses in the Saipan garment factories, leading the Clinton Administration to send a request for 902 Consultations in 1997 to the CNMI Government with the intent of discussing the application of federal immigration law to the CNMI as envisioned by Section 503. This request met no response by the CNMI at the time, but with the transition of governorships following the 1997 elections, the Clinton Administration once again communicated their interest in pursuing 902 consultations with the new CNMI administration and these talks commenced.

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<sup>74</sup> Willens, H. (January 11, 1999). Memo to Lieutenant Governor Jesus Sablan: Covenant Negotiating History Relating to the Applicability of the U.S. Immigration Laws After Termination of the Trusteeship Agreement.

These talks covered the continued concerns of the federal government on the efficacy of the CNMI immigration system to manage the rates of immigration required for both the tourism and manufacturing sectors. Citing diminished government revenues that came because of the Asian Financial Crisis and the collapse of tourism arrivals that resulted in government austerity, the federal government felt there was insufficient resources to ensure adequate safeguards to prevent unlawful immigration to the CNMI. These talks continued to 2001 and resulted in a no unified position from the CNMI and federal government on the insistence of the federal government to pursue Congressional action to federalize the CNMI's immigration system. During the consultations the federal government provided a draft of the legislation it supported to pursue such a change, but also noted the extensive progress the CNMI had made in reforming its regulation of labor rights and the protection of workers in the Commonwealth.<sup>75</sup>

By 2000, the U.S. Government Accountability Office (GAO) issued a report on the CNMI economy, noting, "[t]he CNMI is more self-sufficient fiscally than other outlying areas, such as Guam, Puerto Rico, the U.S. Virgin Islands, and the Freely Associated States." In the same year, Frank Strasheim, Region IX Administrator for OSHA, commented in the Saipan Tribune, "We think that garment factories have come a long way. What I can see is the prospect of the garment industry in Saipan not only doing much better on workers' safety but become a worldwide model for the garment industries everywhere."

Enhanced enforcement in Saipan's factories led to a 70% higher compliance rate compared to those in the U.S. states. Recognizing these achievements, OSHA awarded the Saipan Garment Factory Association the

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"Excellence 2000 Partnership" award and held the first Northern Marianas Alliance for Safety and Health Conference on Saipan in 2003.<sup>76</sup> The 2000 GAO report also found, "[t]he garment and tourist industries are dependent on foreign workers for much of their workforce because the labor pool of local residents, even including those currently unemployed, is insufficient to support an economy of the size and scope that exists in the CNMI."<sup>77</sup>

The main argument against the CNMI's control over immigration throughout the decades of federal concern was the oversized reliance on foreign workers to operate its garment manufacturing industry under the auspices of Headnote 3(a). However, by 2005 the CNMI's garment industry had already suffered a significant blow to its competitive advantage through the normalization of trade relationships with China and the termination of the Multifibre Arrangement of 1974.

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<sup>75</sup> Cohen, E., (December 9, 1999). Report to the President of the United States on Consultations Under Section 902 of the Covenant with the Commonwealth of the Northern Mariana Islands.

<sup>76</sup> Short. FM (2005). An Experiment in Protecting Workers' Rights: The Garment Industry of the U.S. Commonwealth of the Northern Mariana Islands. 7 J.Bus L. 971

<sup>77</sup> U.S. Government Accountability Office (2000). Northern Mariana Islands: Garment and Tourist Industries Play a Dominant Role in the Commonwealth's Economy. GAO/RCED/GGD-00-79

Yet, as the manufacturing sector steamed toward full collapse, motivation continued to exist within Congress to pursue the federalization of immigration in the CNMI. In Congressional testimony during these discussions, CNMI officials believed that applying federal immigration controls during the economic downturn that resulted from the collapse of the garment industry would exacerbate the economy's struggles and delay recovery. A U.S. Senate member, acknowledging the CNMI's fourth year of economic contraction in 2007, stated, "the only way to improve the CNMI economy is to attract new businesses, but the best way to do that is to remove the cloud of uncertainty affecting businesses since the termination of the Trustee Agreement in 1986, by installing a new permanent immigration law for the Commonwealth."<sup>78</sup> While the goal was to acknowledge the CNMI's unique economic situation and establish a system to enable growth, the structure of the law enacted did not align with these aspirations.

After more than two decades of hearings, congressional delegation trips, and negative media coverage on concerns related to the hiring and management of foreign workers employed in the Commonwealth's manufacturing facilities, the Federal government enacted U.S. Public Law 110-28, U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, and Public Law 110-229, the Consolidated Natural Resources Act of 2008, which in tandem removed local control of minimum wage and immigration, extending federal regulations over both, exercising both rights given to Congress under Section 503. The following year, the last of the garment factories in the CNMI closed.

The Commonwealth of the Northern Mariana Islands (CNMI) has undergone a series of legislative changes affecting its immigration transition program since the passage of Public Law 110-229. These changes have

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been incremental, with the most substantial amendments introduced by the U.S. Public Law 115-218, also known as the Northern Mariana Islands U.S. Workforce Act of 2018.

A key focus of these legislative amendments has been the program's termination dates and the conclusion of the CNMI-only Transitional Worker (CW) visa. Initially set to end in 2014, the program was extended by the U.S. Secretary of Labor. However, a 2015 amendment (U.S. Public Law 113-235) revoked this extension power, setting a fixed end date of December 31, 2019, and leading to a scheduled phase-out of CW-1 visas. In anticipation, the United States Citizenship and Immigration Services (USCIS) began reducing the number of CW-1 visas in 2017, aiming to phase out the program by early fiscal year 2020.

The potential economic impact of this phase-out was significant. The U.S. Government Accountability Office (GAO) reported that the CNMI's economy could shrink by up to 62% from 2015 figures if the

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<sup>78</sup> United States Congress. Senate Committee on Energy and Natural Resources (2007). Hearing to Receive Testimony on S. 1634, A Bill to Implement Further the Act Approving the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, and for other purposes.



program ended as scheduled.<sup>79</sup> Despite this, the CW-1 visa cap was reached for the first time in fiscal year 2016, reflecting the CNMI's economic recovery. Congress reacted in 2017 by passing U.S. Public Law 11553, increasing vocational education fees and excluding construction occupations from the CW program.

In response to the impending expiration in 2019, Congress enacted the Northern Mariana Islands U.S. Workforce Act in 2018, bringing forth significant changes:

1. Extending the transition period until December 31, 2029.
2. Raising the CW-1 visa cap to 13,000.
3. Introducing a reduction schedule, cutting 500 visas annually for the first five years, followed by a 1,000-visa reduction in subsequent years until 2029.
4. Requiring Temporary Labor Certifications from the U.S. Department of Labor for CW-1 petitions. 5. Mandating that CW-1 wages meet the prevailing wage as determined by an annual CNMI Government survey.
6. Implementing a "touch back" rule requiring CW employees to spend at least 30 days outside the U.S. before their third renewal application.
7. Continuing the ban on construction occupations within the CW program.
8. Establishing a three-year CW permit for long-term resident foreign workers in the CNMI.

However, the enactment of this law coincided with Super Typhoon Yutu's devastation of CNMI, which led to an urgent need for construction labor to rebuild Saipan and Tinian. To address this, the U.S. government, within the Further Consolidation Appropriation Act of 2020 (U.S. Public Law 116-94), passed the CNMI Disaster Recovery Workforce Act. This legislation allowed for 3,000 additional CW-1 visas for foreign construction workers, provided they were directly involved in recovery efforts from a presidentially declared major disaster or emergency.

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Through the 21<sup>st</sup> Century, the reliance on foreign labor diminished with the collapse of the garment industry, the prolonged economic decline, and the institution of federal wage and immigration laws. In 2020, the GAO summarized the developments within the CNMI labor force with the following:

“The size of the CNMI workforce grew from 2014 to 2017 before contracting by about 2,000 workers (5.6 percent) in 2018, according to CNMI tax data. By 2020, the CNMI workforce had dropped by 5,400 (19 percent) workers from the 2016 level. The overall number and share of foreign workers in the CNMI workforce fell significantly over the last 20 years, from about 36,300 workers in 2001, to about 9,700

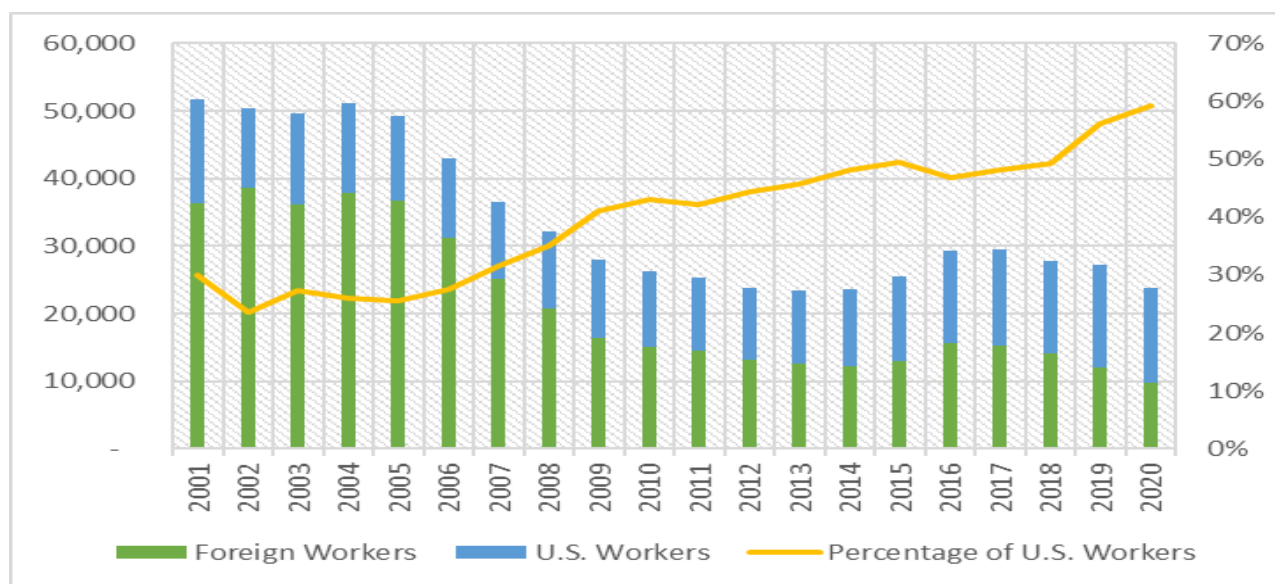
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<sup>79</sup> U.S. Government Accountability Office (2017). Commonwealth of the Northern Mariana Islands: Implementation of Federal Minimum Wage and Immigration Laws. GAO-17-437.

workers in 2020, representing about a 73 percent decline.<sup>30</sup> The number of United States workers remained more stable than the number of foreign workers, dropping from about 15,500 workers in 2001, to about 14,000 workers in 2020, about a 9 percent decline.<sup>31</sup> Overall, the share of United States workers has increased over those 20 years, representing 30 percent of the workforce in 2001 and 59 percent in 2020.”<sup>80</sup>

This is depicted in Figure 26.

FIGURE 26: U.S. WORKERS TO FOREIGN WORKERS AND PERCENTAGE OF US WORKER RATIO, 2001-2020

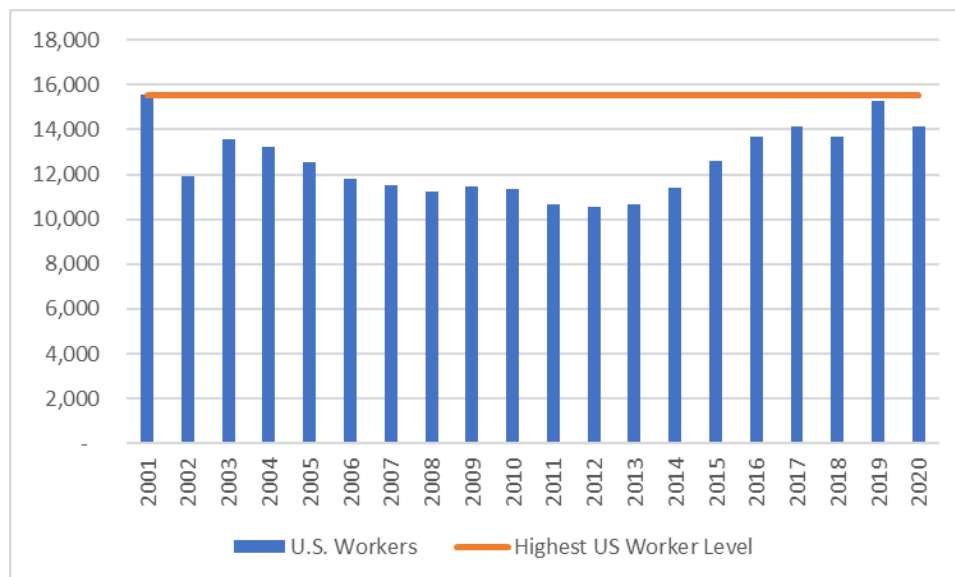


Yet, despite the increase in the ratio of U.S. workers to foreign workers over the years, the total number of U.S. workers in the labor force has remained consistent. As shown in Figure 27, the total number of U.S. workers was higher in 2001 than in any subsequent year.

<sup>80</sup> U.S. Government Accountability Office (2022). Commonwealth of the Northern Mariana Islands: Recent Workforce Trends and Wage Distribution. GAO-22-105271

FIGURE

27: TOTAL NUMBER OF US WORKERS IN THE CNMI LABOR FORCE, 2001-2020



The Northern Mariana Islands U.S. Workforce Act’s annual reductions will continue on its accelerated reduction schedule of 1,000 fewer CW-1 permits until elimination of the program in 2029. Unless the CNMI secures a new, larger, and sustainable source of labor outside of its limited domestic labor pool, or unless a significant structural change to the economy occurs altering the labor force demands while meeting the needs of the community, the CNMI will not have suitable numbers of workers to operate the many existing elements of its economy.

According to job opening data collected by the CNMI Department of Labor, the largest sector seeking employment was the Construction and Extraction sector, whose workforce demand constituted 43% of total job openings in 2022 and 32% of all job openings between 2012 and 2022. This was followed by Installation, Maintenance and Repair (18.18% in 2022) and Food Preparation and Serving (8.79% in 2022).



FIGURE

Sectoral demand as measured by annual job openings has remained fairly consistent throughout the 11-year period as shown in Figure 28.<sup>81</sup>

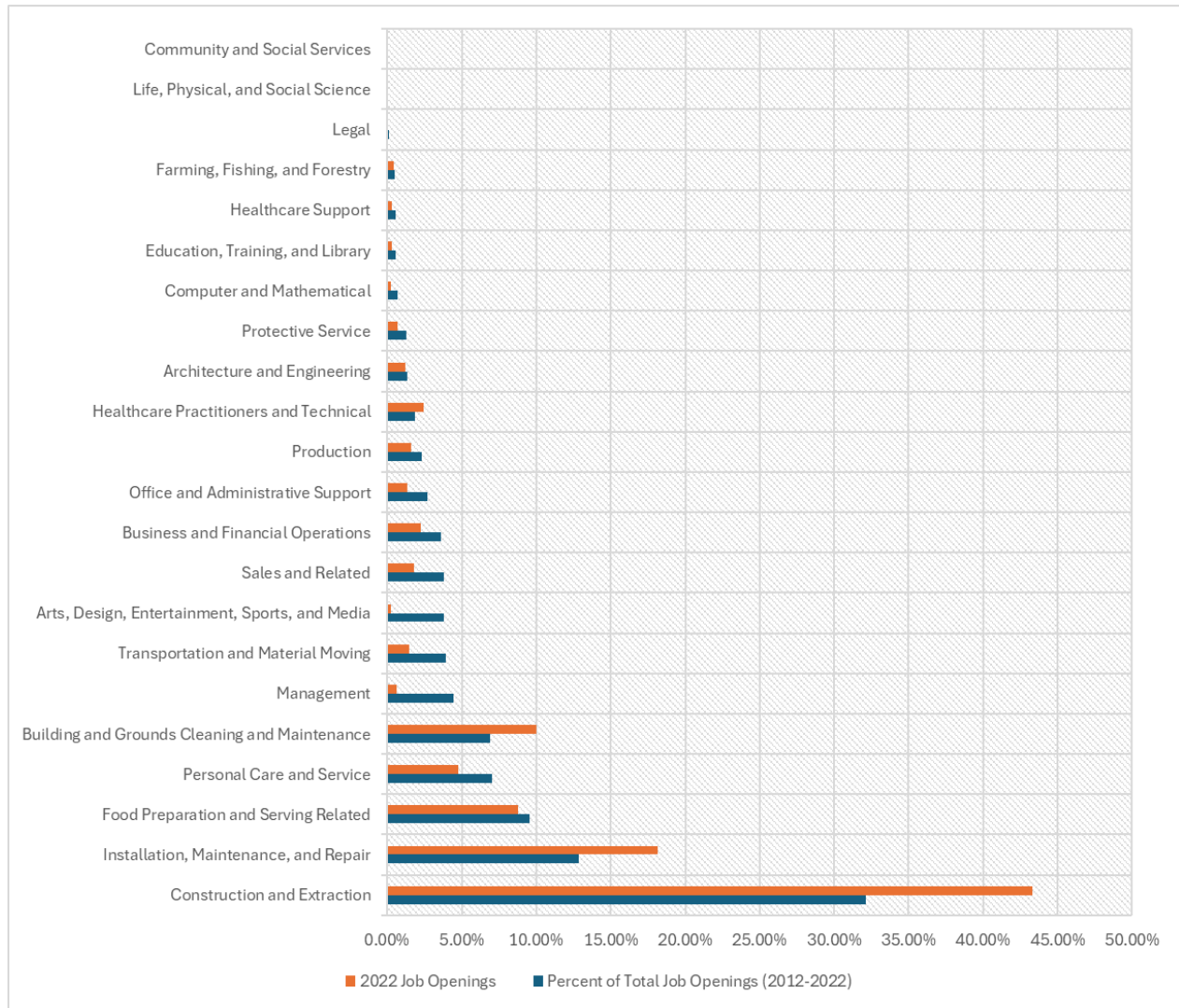
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<sup>81</sup> CNMI Department of Labor, Employment Services Division, 10-Year Report and 2022 Annual Report Data.

FIGURE

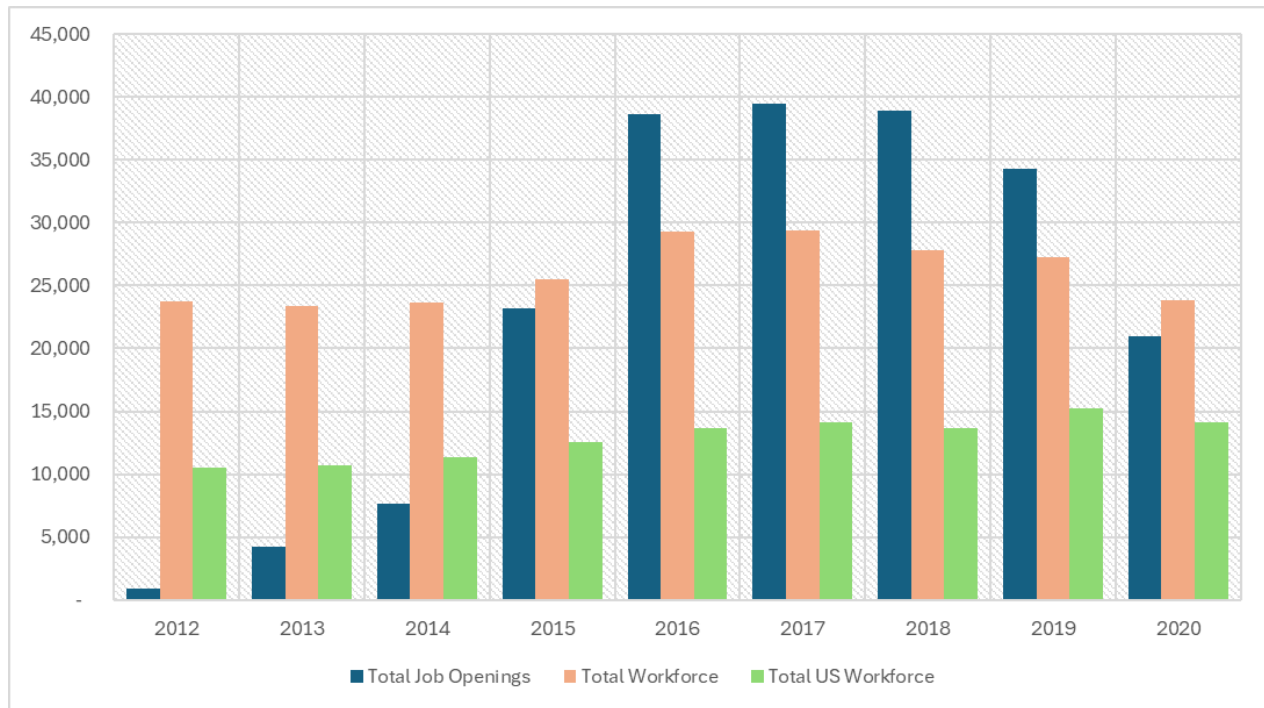
28: CNMI JOB OPENINGS (% OF TOTAL JOB OPENINGS BY SECTOR), 2012-2022 AND 2022



During period of economic expansion, such as the period prior to the pandemic, job openings exceeded total workforce capacity and U.S. worker capacity in the CNMI.

29: CNMI TOTAL JOB OPENINGS, TOTAL WORKFORCE, AND TOTAL U.S. WORKFORCE NUMBERS, 2012-2020

FIGURE



Most recent data on the employment of foreign workers in the sectors of the CNMI workforce is derived from a 2017 analysis from the U.S. Government Accountability Office, that found heightened prominence of Non-U.S. workers in high demand sectors, with Construction being comprised of 86% non-U.S. workers, and Accommodation and food services being 80% non-U.S. workers.<sup>82</sup>

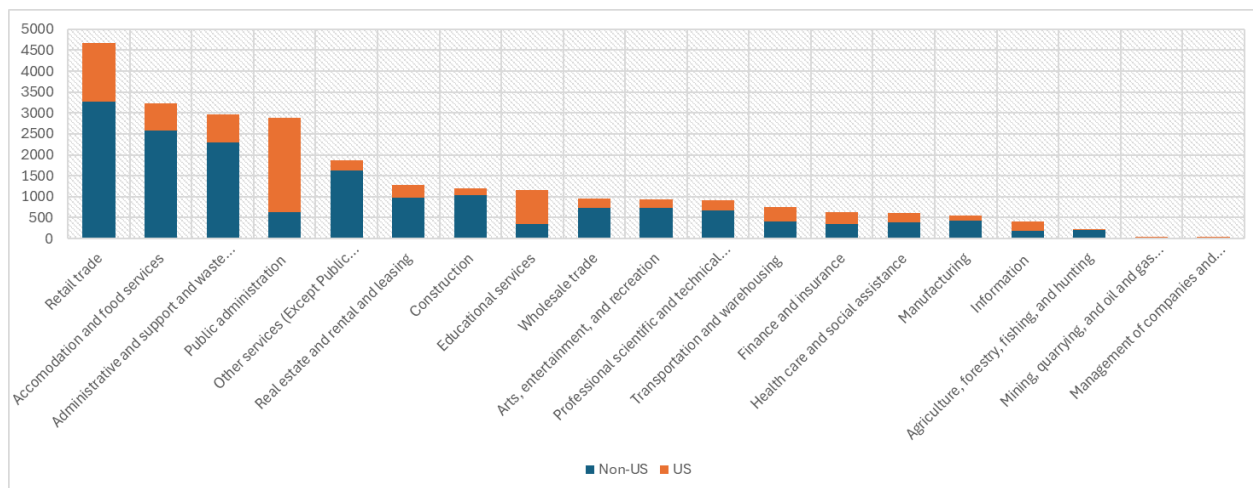
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<sup>82</sup> U.S. Government Accountability Office (2017) and CNMI Department of Labor, 10-Year Report Data



FIGURE

30: NUMBER OF U.S. AND NON-U.S. WORKERS IN CNMI SECTORS, 2017



The 2019 CEDS categorizes the 2029 deadline for the end of the transition program as a threat to economic development, stating the following:

“The minimization and eventual elimination of the CNMI’s foreign labor source by 2029 continues to present a significant threat for the CNMI’s economic condition. The jurisdiction must contend with replacing thousands of workers in a market of which labor demand far exceeds its available supply. In previous periods of economic upturn, the CNMI could source labor from surrounding Asian markets at a low-cost, however provisions of US Public Law 110-229 prohibit the long-term use of this practice. The reduction of its foreign labor source coupled with increased economic activity, both in the CNMI and Guam, presents a dynamic that can escalate development costs in the CNMI. While Department of Defense projects within the region are anticipated to serve as a further pull on the CNMI’s labor pool, this dynamic is mitigated through Congressional provisions to allocate H-2B slots for military related projects in Guam and the CNMI.”<sup>83</sup>

### EXTERNAL CHALLENGES

The CNMI today is highly reliant on its tourism sector to generate economic activity, employment, and government revenue. It is the primary export of the Commonwealth and the means in which external financial capital enters into the system. The tourism sector, as seen in the current challenges with the COVID-19 pandemic, is significantly volatile, but the sector is influenced by lesser events than global pandemics. Sustainable returns from the tourism sector relies heavily on positive macroeconomic and socioeconomic conditions of source markets, avoidance of natural disasters, and is influenced by federal immigration and border protection policies. The reliance on an industry with such volatile inputs outside

<sup>83</sup> CNMI Office of Planning and Development (2019)

FIGURE

of the CNMI's control, makes the CNMI exceedingly vulnerable to unforeseen events around the world.  
This

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vulnerability to external events is a primary challenge that is inherent in the structure of the modern economy.

The external challenges can be categorized into three primary areas:

### Macroeconomic Conditions

The choice of the individual tourist to undertake a vacation is discretionary. Vacations are not an essential requirement to sustaining life. As such, the individual choices of tourists to travel to the CNMI is dictated by individual budget constraints and financial ability to undertake travel. Levels of employment, productivity, wage growth, or leave benefits in South Korea, Japan, or Hong Kong play a large role in the available pool of potential tourists from which the CNMI can draw upon. The collapse of the Japan tourism market following the Asian Financial Crisis highlights the role economic conditions in source countries plays in the structure of the CNMI's tourism market.

More broadly, the macroeconomic conditions of source markets are also impactful in relation to the conditions and policies of the United States. The CNMI's economy operates under the monetary policy of the United States, and as such, exchange rates between the U.S. dollar (USD) and the currencies of the CNMI's source markets, impact the cost of travel. The international foreign exchange market is a complex, rapidly evolving space with innumerable inputs influencing exchange rates between currencies. However, there are country-level monetary policy actions that have pronounced impacts. Most recently, the decisions of the U.S. Federal Reserve Board to control the rates of inflation through the mechanism of adjusting the Federal Funds Rate, has rippling impacts across the U.S. economy, with one repercussion being higher interest rates drawing greater levels of foreign interest in securing higher yields denominated in USD. The draw of higher yields increases demand for USD-based investments, which in turn increases the value of the dollar relative to other currencies. A higher-valued dollar reduces the cost of importing goods in lower-valued currencies for U.S. consumers but increases the costs of exports as more foreign currency is required to purchase USD-based products. The CNMI as an exporter of services in the tourism space, denominated in USD, sees, during periods of high interest rates and appreciation of the dollar, its accommodation offerings more expensive in relative value even without changing the nominal value of the services.

These two factors alone highlight a precarious position for the economy. The CNMI has no ability to influence or stabilize the economic conditions of source countries, thus leaving the important condition of financial ability for tourists to undertake travel completely outside of its control. The CNMI also has limited inputs or ability to influence U.S. market conditions or monetary policy. In tandem, external macroeconomic forces from outside and within the United States have a disproportionate influence on the CNMI economy without any ability for local control.



## Climate Conditions

The frequency and severity of natural disasters is a necessary concern for the economic stability of the CNMI. The economy and the community have yet to fully recover from the impacts of Super Typhoon Yutu in 2018, which compounded upon the destruction brought by Typhoon Mangkhut (2018) and Typhoon Soudelor (2015). Super Typhoon Yutu is a notable example of the consequences of typhoons on economic activity.

The Action Plan for the Community Development Block Grant – Disaster Recovery Program, which supported more than \$200 million in U.S. Housing and Urban Development funds to offset the cost of damages of Super Typhoon Yutu, described the impact as follows:

“Within 45 days, the Commonwealth of the Northern Mariana Islands (CNMI) was struck with two typhoons one of which was a super typhoon. The islands of Saipan, Tinian, and Rota were in the path of Typhoon Mangkhut with sustained winds of 100 mph when the eye passed over Rota. Mangkhut damaged homes, caused power outages and knocked down power poles, flooded some areas, and uprooting large trees. Super Typhoon Yutu left major damage and was a direct hit to the Islands. The overall economy and the destruction of housing were profound and critical infrastructure was compromised. The effects of both Typhoon Mangkhut and Super Typhoon Yutu continue to be wide-ranging. There was also the complete destruction of Saipan’s commuter terminal servicing Tinian and Rota. Initial impacts from Yutu closed the Saipan International Airport for twenty (20) days with eight (8) airlines canceling flights for 22 days. Five (5) hotels sustained major damage and major tourist sites were also heavily damaged. In November 2018 following the disaster, the visitor rate dropped by 42,000 as compared to the same month from the previous year. These storms had major impacts on employment, housing, infrastructure, and tourism.”<sup>84</sup>

While the impacts of Super Typhoon Yutu were profound, damaging typhoons are not a unique occurrence in the CNMI. The Commonwealth has experienced multiple disasters in the past to the magnitude of Yutu. In the past 25 years, CNMI has been affected by 11 typhoons with winds of more than 100 mph and have resulted in millions of dollars in damage.

Rising global temperatures caused by climate change are seen to have even greater impacts for the Pacific Region. The World Bank estimates that with a 4 Celsius degree increase to global temperatures would result in a “dramatic increase” in the intensity and frequency of heat waves, a likely increase in cyclone intensity, coral reef destruction, and accompanying sea level increases diminishing the limited land area within the islands.<sup>85</sup>

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<sup>84</sup> Northern Marianas Housing Corporation (2023). Community Development Block Grant – Disaster Recovery (CDBG-DR) Program Action Plan.

<sup>85</sup> The World Bank (2013). Acting on Climate Change & Disaster Risk for the Pacific.

The data on the potential for future impacts of natural disasters on the CNMI economy is sparse. Impacts from typhoons will vary depending on the location of the greatest areas of damage. However, the climate impacts to the CNMI's coral reefs are potentially quantifiable. In 2019, BECQ sponsored a study on the

Value of Ecosystem Services from Coral Reef and Seagrass Habitats in CNMI. The study assessed the role of coral reefs and seagrass in commercial fishing, non-commercial fishing, tourism, recreation, and research providing an estimated value of coral reefs amounting to \$104,505,943 and of seagrass \$10,333,872.<sup>86</sup>

Ecosystem Service	Coral Reefs	Seagrass	Total Value
Commercial Fishing	\$ 688,600	\$ 43,600	\$ 732,200
Non-commercial fishing	\$ 731,800	\$ 46,300	\$ 778,100
Amenity-Based Value	\$ 4,912,228	\$ 926,672	\$ 5,838,900
Foreign Tourism	\$ 65,580,600	\$ 8,059,400	\$ 73,640,000
Recreation	\$ 9,090,700	\$ 1,117,200	\$ 10,207,900
Biodiversity - Research Value	\$ 1,119,700	\$ 140,700	\$ 1,260,400
Biodiversity - Non-research	\$ 1,179,900		\$ 1,179,900
Coastal Protection	\$ 21,202,415		\$ 21,202,415
Annual Total Values	\$ 104,505,943	\$ 10,333,872	\$ 114,839,815

These annual values amount to approximately 13.4% of the CNMI's GDP in 2020. Impacts from natural disasters and climate change on coral reefs and marine habitats have quantifiable costs to the economy. In both typhoons and in the ongoing consequences of climate change, the causes and inputs are external to the CNMI with disproportionate impacts.

### Federal Government Policy

The U.S. Government has long held an oversized role in the early Trust Territory Government, and the CNMI Government. Prior to the signing of the Covenant, the Trust Territory Administration was, often, the largest single employer with the Northern Mariana Islands and its underdeveloped economy. In addition, federal policy on foreign investment restrained foreign interests in hotel and accommodation investments.

<sup>86</sup> Bureau of Environmental and Coastal Quality, Division of Coastal Resource Management (2019). Value of Ecosystem Services from Coral Reef and Seagrass Habitats in CNMI.

The influence of the federal government in the structure of the economy was a pressing concern in the early economic planning efforts of the Commonwealth government, with issues involving salary competitiveness between private and public sector positions, crowding out of resources for private industries, and the reliance of federal appropriations to maintain financial resources.

Following the development of the garment industry and the expansion of tourism, greater focus was given to federal policy that sought to constrain the types of economic activity that were occurring (discussed above). Current federal policy has primarily two influences on the economy – funding and restrictions.

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Funding, while beneficial and critical to government infrastructure projects, and specific program outcomes, comes with challenges the economy must accommodate. Federal funds supporting infrastructure development both as a result of Super Typhoon Yutu and in stimulus spending because of the COVID-19 pandemic have given the CNMI an unprecedented wealth of resources to rehabilitate and construct key infrastructure components. However, the surge of funding has not been fully met by the local capabilities of the labor force to maximize its impacts. With limited manpower in the construction sector, increased demands on construction labor to satisfy federal programs may result in significant cost increases to non-federal projects. With additional targeted as it is currently within the construction sector, reliance on federal funds to support stimulated levels of economic activity may grow and rapidly contract when funding expires and is not renewed.

Restrictions on economic activity are the more direct prohibitions on specific activity, the exercising of federal supremacy to limit the opportunity for future development, or the acquisition of assets that restrict local access.

This challenge is highlighted by the 2019 CEDS which summarized the complex threat of national policy shifts restricting source markets by stating the following:

“While much of the CNMI’s economic threat derives from federal provisions, the global political landscape also serves as a threat to the jurisdiction’s economic outlook. Should diplomatic relations between the United States and nations that host CNMI’s tourism market segments sour, the CNMI would be left to contend with replacing entire market segments without advanced warning or transition. The anticipated increase in Department of Defense assets within the region may serve to increase US restrictions, which can be detrimental to the CNMI’s economy. Provisions which are well intentioned to protect US assets may also serve to the detriment to the CNMI’s economic well-being by placing additional restrictions on source country travel and/or investment.”<sup>87</sup>

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<sup>87</sup> CNMI Office of Planning and Development (2019)



A recent example of direct prohibition is the ongoing discussion on the use of U.S. Department of Homeland Security's (DHS) discretionary parole authority to permit the entry of visitors from the People's Republic of China (PRC) to the CNMI visa-free.

In 2008, President George W. Bush signed into law the Consolidated Natural Resources Act of 2008 (CNRA) that, through provisions in Title VII of the Act, instituted federal control over immigration to the CNMI.

The wide-reaching changes in immigration to the CNMI contained in the law put in place new requirements for tourists to enter the CNMI, requiring visitors to either obtain visas from the U.S. Department of State or be a citizen of a country covered by the Guam-CNMI Visa Waiver Program (G-CNMI VWP). The G-CNMI VWP operates similarly to the national Visa Waiver Program and allows visa-free entry into Guam or the CNMI for citizens of certain countries.

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Within the list of eligible countries for the G-CNMI VWP, visitors from the People's Republic of China (PRC) were not included. The interim final regulations published by the U.S. Department of Homeland Security in 2009 concluded that tourism from Chinese nations provided a "significant economic benefit" under the CNRA, permitting PRC inclusion in the list of eligible countries, however, DHS concluded to not include the PRC while leaving open the possibility of doing so later after the introduction of additional security measures.

Although not included in the G-CNMI VWP, on October 2009, DHS Secretary Janet Napolitano announced the exercise of discretionary authority to parole nationals of the PRC and Russia into the CNMI for business or pleasure. Parole was authorized for a period of 45 days and permitted entry into only the CNMI and no other jurisdiction, provided that the traveler met certain conditions.

The ability to provide discretionary parole came under the authorities granted to DHS in the Immigration and Nationality Act (INA) as amended within 8 U.S.C. §§ 1103(a), 1182(d)(5). Additionally, the Congressional Intent of Title VII of the CNRA provided a strong acknowledgement of the government's role in ensuring the implementation of the law recognized the challenges of economic growth in the CNMI by stating:

"AVOIDING ADVERSE EFFECTS. —In recognition of the Commonwealth's unique economic circumstances, history, and geographical location, it is the intent of the Congress that the Commonwealth be given as much flexibility as possible in maintaining existing businesses and other revenue sources, and developing new economic opportunities, consistent with the mandates of this subtitle. This subtitle, and the amendments made by this subtitle, should be implemented wherever possible to expand tourism and economic development in the Commonwealth, including aiding prospective tourists in gaining access to the Commonwealth's memorials, beaches, parks, dive sites, and other points of interest."

On January 2017, President Donald J. Trump signed Executive Order (EO) 13767 directing the DHS Secretary to "take appropriate action to ensure that parole authority under section 212(d)(5) of the INA

(8 U.S.C. § 1182(d)(5)) is exercised only on a case-by-case basis in accordance with the plain language of the statute, and in all circumstances only when an individual demonstrates urgent humanitarian reasons or a significant public benefit derived from such parole.”

In following EO 13767, DHS reviewed the use of parole authority in the CNMI and on October 4, 2018, DHS submitted a rule to rescind “Discretionary Parole Policies Relating to Nationals of the PRC and the Russian Federation Seeking Entry into Guam and/or the CNMI for a Temporary Visit for Business or Pleasure” to the U.S. Office of Management and Budget for review under EO 12866.<sup>88</sup> Following this submission, on October 19, 2018, the CNMI sent a formal request to the President to initiate Covenant Section 902 Consultations.<sup>[2]</sup> The request for consultation pointed to a single issue and provided that “the matter we

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need to consider is the continuation of the CNMI’s continued access to the China tourism market, in a manner that is agreeable to the federal government and the survival of our economy.”<sup>89</sup>

While the 2019 902 Consultation resulted in an agreement for the formal inclusion of PRC citizens to enter the CNMI within the framework of the G-CNMI VWP, the historically sizable market for the CNMI’s tourism sector remains in a perilous position whose ability to enter the CNMI is at the discretion of the federal government.<sup>90</sup>

A review of the policy conflicts between the CNMI and the federal government highlights the conflicts within federal policy that arise in the absence of an overarching federal policy as it relates to the goals of development of the U.S. territories. In a review of U.S. Territorial Policy that saw the statehood being applied to the former territories of Alaska, and Hawaii and unincorporated territorial status for Guam, CNMI, Puerto Rico, U.S. Virgin Islands and American Samoa, former U.S. Department of Interior official, Allen Stayman, wrote:

“In the case of the unincorporated territories, however, there is no political status goal, and therefore no policy-guiding principle. These Islands remain in status limbo, neither fully domestic nor foreign – a condition that complicates the development of solutions.”

To Stayman, the lack of federal policy and federal policy’s compatibility with island development in this context comes into conflict.

“in addition to the lack of policy-guiding principles, the Islands’ small size and relative lack of political influence make it difficult for Island officials to persuade policymakers in Washington to consider and

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<sup>88</sup> U.S. Office of Information and Regulatory Affairs: RIN 1651-ZA05

<sup>89</sup> Commonwealth of the Northern Mariana Islands. GOV18-046. October 19, 2018

<sup>90</sup> Report to the President on 902 Consultations Related to the DHS Discretionary Parole Program (May 15, 2019).

accept often unorthodox solutions to the territories' problems. As was the case during consideration of national minimum wage legislation in 2008, the Islands may be swept up into the national debate and a national policy will be applied without an adequate understanding of its local impact.”<sup>91</sup>

## *INTERNAL CHALLENGES*

### Infrastructure

The CNMI's present infrastructure can be described as outdated and inadequate. Seaports, airports, power generation units, and water distribution and treatment systems are aged and have faced considerable challenges in meeting increased demands and providing sufficient capacity.<sup>92</sup> In some cases, critical infrastructure, such as wastewater treatment facilities, are nonexistent in the islands of Tinian and Rota,

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and the Northern Islands are completely devoid of all critical infrastructure, with the exception of a partial grass runway on Pagan, of which a large area is covered by volcanic deposits from the 1981 eruption of Mount Pagan.<sup>93</sup>

The infrastructure in the CNMI, including power, water, wastewater, solid waste, and roadways, is outdated. Much of the foundational infrastructure systems were established shortly after the end of World War II. During a hearing on President Joseph Biden's "Build Back Better Plan" on March 21, 2021, before the U.S. House of Representatives Committee on Natural Resources, the CNMI articulated that its infrastructure is "critically outdated, at capacity, or in need of substantial maintenance in order to maintain adequate standards equal to that of the larger United States."<sup>94</sup>

On Saipan, the water distribution networks, which are decentralized, consistently face leakage issues throughout its 286 miles of transmission and distribution water mains. Of the water generated from the islands 14 wellfields, 59% is considered "non-revenue" water.<sup>95</sup> The island's two main wastewater treatment plants, were constructed between 1960 and 1985.<sup>96</sup> The Commonwealth's three power plants in Saipan have an average age of 40 years and are equipped with engines using mid-20th Century

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<sup>91</sup> Stayman, A (2009). U.S. Territorial Policy: Trends and Current Challenges. Pacific Islands Policy, No. 5. Hawaii. Available at: <http://hdl.handle.net/10125/9196>

<sup>92</sup> CNMI Office of Planning and Development (2019)

<sup>93</sup> Commonwealth Ports Authority (2008). Pagan Airstrip Master Plan.

<sup>94</sup> U.S. Congress. House of Representatives, Committee on Natural Resources (2021). Oversight Hearing on "How the Biden Administration's Build Back Better Plan can benefit the U.S. Territories.

<sup>95</sup> Office of Planning and Development (2019)

<sup>96</sup> Commonwealth Utilities Corporation (2015). Wastewater Master Plan – Saipan, Commonwealth of the Northern Mariana Islands.



technology.<sup>97</sup> Since the procurement of these engines, there have been significant advancements in areas such as technology, fuel efficiency, and air emissions.

Maintenance delays for the power generating units have led to notable challenges in the cost and efficiency of operating Saipan's power system. The Commonwealth Utilities Corporation (CUC) is currently experiencing a reduced demand due to the COVID-19 pandemic and a decrease in tourist numbers to the CNMI. Saipan requires 33MW of power supply, with a peak load of 37MW. Currently, the Commonwealth Utilities Corporation (CUC) power plants are limited to a capacity of 36MW, including an 8MW reserve. This total also incorporates 12MW of power supplied through a power purchase agreement with Aggreko.<sup>98</sup>

In Tinian and Rota, the urgency for critical infrastructure is more pronounced. Unlike Saipan, Tinian and Rota do not possess integrated wastewater treatment systems, relying instead on individual and commercial septic systems. Additionally, neither island has an EPA certified RCRA compliant landfill site.<sup>99</sup> Tinian's water supply comes from a single source, the Maui II horizontal well, and both Tinian and Rota have a high occurrence of unmetered water.<sup>100</sup> The port facilities in these locations require extensive upgrades and repairs to boost efficiency and safety. Significant improvements are needed for Tinian Harbor and its

breakwater. However, an evaluation by the U.S. Army Corps of Engineers concluded that rehabilitating the harbor might cost more than the benefits it would bring to the community.<sup>101</sup>

Despite the continued need for further development and the remaining challenge the present infrastructure has on future economic development, it should be noted that significant investments have been made on the critical infrastructure of the CNMI through, in large part, federal grant awards, from entities such as the U.S. Economic Development Administration and the U.S. Environmental Protection Agency, who have supported the improvement, protection and advancement of the CNMI's water and wastewater systems.

Between Fiscal Years 2017 and 2023, the Commonwealth Utilities Corporation received the following financial assistance for its water and wastewater systems:<sup>102</sup>

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<sup>97</sup> Commonwealth Utilities Corporation (2015). 2015 Integrated Resource Plan.

<sup>98</sup> De La Torre, F. (2023). "Aggreko contract expiring June 1". Saipan Tribune.

<sup>99</sup> Office of Planning and Development (2019)

<sup>100</sup> Commonwealth Utilities Corporation (2015). Groundwater Management and Protection Plan, Commonwealth Utilities Corporation.

<sup>101</sup> U.S. Army Corps of Engineers. Final Interim Feasibility Report – Tinian Harbor Modification Study. 2018

<https://www.poh.usace.army.mil/Portals/10/docs/Completed%20Civil%20Works%20Studies/Final%20Interim%20Feasibility%20Report%20Tinian%20Harbor%20Modification%20Study.pdf>

<sup>102</sup> Commonwealth Utilities Corporation (2023). Citizen Centric Report FY 2023.

Awarding Entity	Funding (FY 2017-2023)
Environmental Protection Agency (EPA)	\$79,059,775
Economic Development Administration (EDA)	\$2,158,020
American Rescue Plan Act (ARPA)	\$8,206,268
Department of Interior, Office of Insular Affairs (OIA)	\$1,525,228
Community Development Block Grant – Disaster Recovery (CDBG-DR)	\$548,777
Hazard Mitigation Grant Program (HMGP)	\$719,113

## Transportation

Being a collection of remote islands in the Western Pacific, the CNMI's accessibility to the rest of the world is predominantly reliant on air and sea transport. This reliance poses significant logistical hurdles and elevates the cost of transporting goods and people to and from the islands. The high transportation costs not only affect the price of imports, such as food and consumer goods, making them more expensive compared to mainland prices, but also impact the export potential of locally produced goods. As a result, the local economy struggles with high living costs and limited market competitiveness.

Another critical aspect of the CNMI's transportation challenges is the dependency on a few key airlines and shipping companies for connectivity. This reliance makes the CNMI vulnerable to changes in service routes, frequencies, and pricing policies of these carriers. For instance, the withdrawal of a major airline or shipping line can lead to reduced tourist arrivals and hindered access to essential supplies, deeply affecting the CNMI's tourism-driven economy. The islands' infrastructure, such as airports and seaports, often requires significant investment to meet international standards and accommodate larger, more efficient modes of

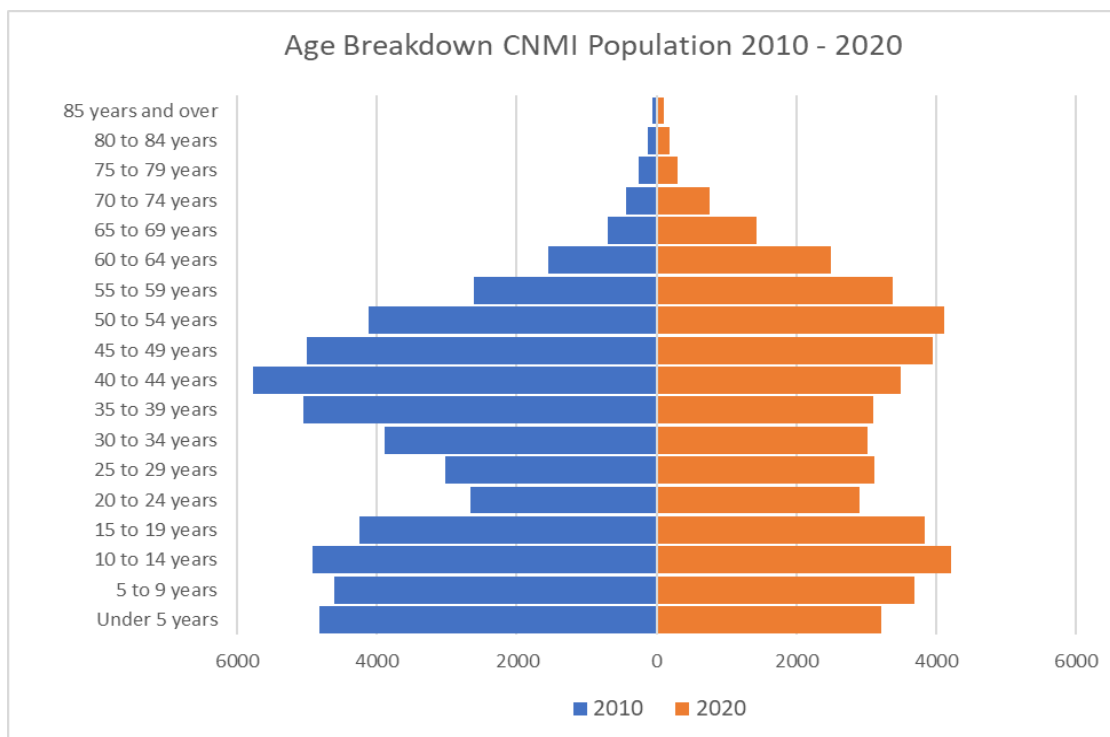
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transport. The lack of such infrastructure further limits the CNMI's ability to expand its transportation networks and improve economic connectivity.

The CNMI's vulnerability to natural disasters, such as typhoons, exacerbates its transportation challenges. The frequent occurrence of severe weather events can lead to disruptions in both air and sea transportation, causing delays in the delivery of crucial supplies and affecting the mobility of residents and tourists. These disruptions often result in economic losses and highlight the need for robust, disasterresilient transportation infrastructure. Addressing these transportation challenges is vital for the CNMI to enhance its economic stability, ensure consistent supply chains, and foster a sustainable tourism industry, which is a major contributor to its economy.

## Population

It has been revealed by the 2020 Census that the CNMI experienced one of the greatest rates of population decline in the United States. The overall population witnessed a decline of 12.2% over the course of 10 years. This decline can be seen most significantly in the proportion of the population between 30 to 49 years of age. This is in addition to an increase in the population on the tail end of working age (55-85+).



The considerable population decline between the 10-year interval has pronounced impacts on the available workforce able to meet the needs of the economy and the pipeline for the domestic labor force in the coming years.

While population decline can be attributed to economic conditions or the impacts of the pandemic, the rate of decline over the preceding 2 decades is a challenge and an alarm for the economy. Much of the decline between 2000 and 2020 can be attributed to a reduction in the availability of foreign labor, however, reductions to non-foreign labor have been pronounced seeing a 12% decline in individuals born in the CNMI between 2010 and 2020. This is a problem that will continue to worsen. In 2000, the ratio of individuals below 15 to those older than 50 was 2.82:1, in 2010 that ratio was 1.46:1. In 2020, that ratio declined to 0.87:1 and for the first time in decades the number of individuals below 15 was less than the number above

50.

	2000	2010	2020
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Below 15	15,589	14,361	11,138
Above 50	5,520	9,845	12,771

These conditions give rise to the threat of accelerating structural ageing and the potential for rapid depopulation in the CNMI. Jackson (2014) provides an early-warning diagnostic tool for understanding and anticipating accelerating structural ageing at a sub-national level.<sup>103</sup>

Applying this diagnostic tool to the available data for the CNMI, an alarming trend becomes apparent. In looking at four key indicators – Appearance of a youth deficit (age-groups 15-24 fall below 15% of the population), Prime reproductive age groups (ages 25-39) fall below 15% of the population, Workforce entry/exit ratio falls below unity (ages 15-24/ages 55-64) <1, and more elderly than children (ages 65+/ages 0-14) > 1 – we see the following trends:

	Youth Deficit	Reproductive Potential	Workforce Entry/Exit	More Elderly than Children
2000	17%	39%	5.65	0.07
2010	13%	22%	1.67	0.11
2020	14%	20%	1.15	0.25

From these indicators it is apparent that there is a persistent youth deficit in the population, a reduction in the reproductive potential of the population, a lower number of entrants to the workforce as compared to exits, and a growing ratio of elderly to children.

The conditions for continued depopulation are present in the CNMI, and the implications for continued ability to remain viable are profound. Further population decline reduces the available manpower for infrastructure development, decreases the capabilities to generate private sector income, reduces the

domestic consumer base for economic activity, and worsens regional disparities as high skilled workers can find greater opportunities through their enhanced labor mobility in Guam, Hawaii, or the mainland. This negative reinforcement loop, if not corrected, will reduce the economic potential of the CNMI to levels seen at the end of the Trusteeship, reversing decades of economic development efforts by both the federal and local governments.

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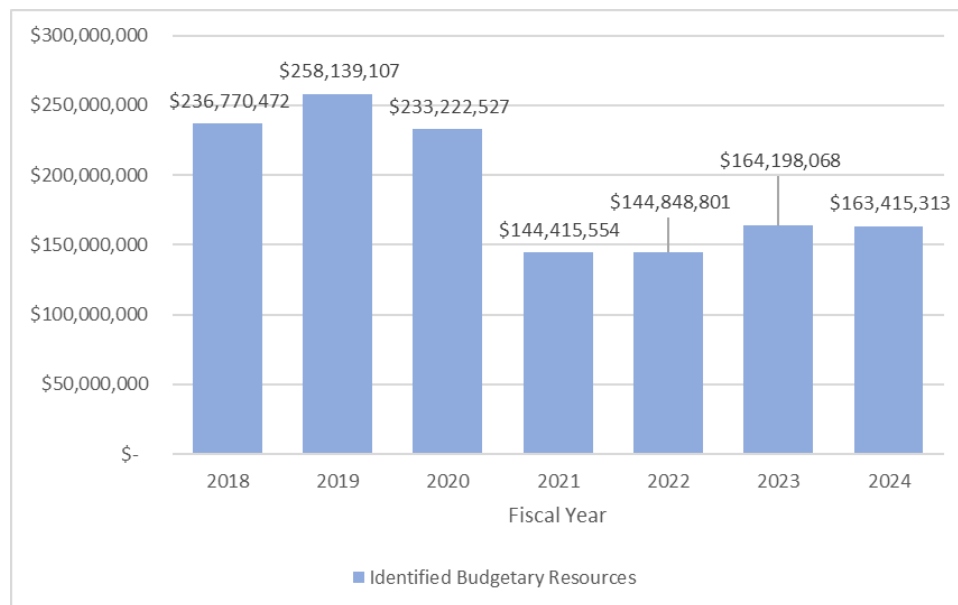
<sup>103</sup> Jackson, N. (2014) Sub-National Depopulation in Search of a Theory - Towards a Diagnostic Framework, New Zealand Population Review, 40: 3-39.

## Government Revenue

With the current environment, economic activity is significantly constrained due to the reduction in tourist arrivals and subsequent commercial activity. Due to these conditions, government revenue has declined, necessitating austerity measures, furloughs, and curtailments of government programs. The CNMI Government is a large source of employment income for residents of the Commonwealth, and government expenditures represent a vital customer base for private business operations. Reductions in government revenue and the institution of austerity compound economic constraints and reduce the consumer base for the economy overall.

The budget for the operations of the CNMI Government in FY 2024 is \$163,415,313, which is 37% lower than the total CNMI budget for FY 2019.

FIGURE 31: IDENTIFIED CNMI GOVERNMENT RESOURCES, FISCAL YEARS 2018 - 2024



In 2020, as a response to the fiscal impacts of the COVID-19 pandemic and long-standing challenges to the fiscal health of the Commonwealth government, the U.S. Office of Insular Affairs sponsored a Fiscal Summit to gather public and private officials to discuss the state of the CNMI Government's finances and propose solutions that would mitigate insolvency. In the preparation for this summit, the participants were provided with a briefing paper discussing the conditions that necessitated action. The paper provided:

"It is important to note that the CNMI entered this period of fiscal and economic crisis from a position of financial weakness. That weakness reflects a combination of: i. rapid growth in expenditures in the period since FY13; ii. A dated tax and revenue system that relies heavily on volatile tourism and gaming sources to support ever-growing government services to the people; iii. Judicially mandated pension obligations; iv. Expenditures persistently under budgeted, especially for medical referrals, overtime, utilities, and

banking fees; v. the prevalent practice of earmarking revenue sources- thereby adding binding rigidities to the fiscal operations of the Commonwealth; and moderately high outstanding liabilities relative to the size of the economy.”

Of these issues, several are worth highlighting. On expenditure growth, the Briefing Paper provided analysis of CNMI Financial Statements and charting the rise of expenditures from \$144 million in Fiscal Year (FY) 2013 to over \$255 million in FY 2019. This increase was driven in large proportion by the rise in personnel expenditure, which grew from \$43 million to \$102 million in that time. While other expenditure categories grew by 52% between FY2013 and 2019, personnel expenditures grew by 136%. Studies throughout the development of the CNMI economy have highlighted the need to reduce the role of government employment, in favor of private sector employment, however, in recent years, government employment continued to be a substantial means of income for many in the CNMI.

The rigidity of the government budget is a considerable challenge to maintaining government operations. CNMI law contains several statutory requirements for the direction of government revenue from certain sources. Table 19 provides a listing of the existing earmarks within CNMI law:

TABLE 19: CNMI LEGISLATIVE EARMARKS

Legislated Earmarks	Earmark
Cigarette Excise Tax to Tobacco Control (PL 13-38)	30% of Cigarette Tax
Excise Tax Transfer to Solid Waste R/F 10% (PL 13-42)	10% of Beautification Tax
7% Solid Waste R/F per 4 CMC §1402(g)(1) - PL 18-64	7% of Total Excise Tax
MVA - Hotel (80%) 4 CMC §1803b	80% of Hotel Occupancy Tax
OPA Current Year Transfers	1% of Appropriated Budgets of CNMI Departments and Agencies
PSS Technical Education (4 CMC §1503)	25% of Gaming Machine Jackpot Tax
Revenue and Taxation Enforcement (4 CMC §1503)	\$200,000 of Amusement Fees Collected
GHLI: sourced from 4 CMC §1402(g)(3) - PL 18-64 50% Cigarette Excise Tax	50% of Cigarette Excise Tax
3% Cancer Fund per 4 CMC §1402(g)(2) - PL 18-64	3% of Total Excise Tax
NMIRF - Hotel (20%) 4 CMC §1803b	20% of Hotel Occupancy Tax
NMIRF - Alcohol Container (30%) 4 CMC §1803b	30% of Beverage Container Tax on Alcohol
MVA - Alcohol Container (20%) 4 CMC §1803b	20% of Beverage Container Tax on Alcohol
Retirement DB Plan Members Fund (15% E-gaming PL 18-30)	15% of E-gaming Fees



Northern Marianas RF account (60% E-gaming PL 18-30)	60% of E-gaming Fees
Special Account - 3rd Senatorial District (15% E-gaming PL 18-30)	15% of E-gaming Fees
Special Account - 1st & 2nd Senatorial District (10% Egaming PL 18-30)	10 % of E-gaming Fees
ABTC Enforcement Operations (4 CMC §5578)	All Alcohol and Tobacco License Fees and Fines
Ambulance Fee Revolving Fund (PL 13-12) 1 CMC § 2546	All ambulance fees
Solid Waste Fund (2 CMC §3551)	All solid waste fees
BMV Fund - BMV Operations (9 CMC §2118)	45% of Operator Licenses
BMV Fund - DPW Road Maintenance (9 CMC §2118)	45% of Operator Licenses
BMV Fund - CUC Street Light Upkeep (9 CMC §2118)	10% of Operator Licenses
BMV Fund - BMV Operations (9 CMC §2119)	45% of Vehicle Registration Fees
BMV Fund - DPW Road Maintenance (9 CMC §2119)	45% of Vehicle Registration Fees
BMV Fund - CUC Street Light Upkeep (9 CMC §2119)	10% of Vehicle Registration Fees
Special Account for 3rd & 2nd Senatorial District (PL 20-59; 4 CMC § 1508)	\$13 million of Amusement Fees Collected

Of the identified resources of the total FY 2024 budget of \$163,415,313, only \$114,238,931 was available for legislative appropriation. The FY 2024 budget, while suspending many of the statutory earmarks of funds, saw the following earmarked reductions:

TABLE 20: EARMARKS AND TRANSFERS, FISCAL YEAR 2024 BUDGET

Earmarks and Transfers	Amount
7% Solid Waste Revolving Fund	\$ -
CIQ Overtime Revolving Fund	\$ -
MVA - Hotel Occupancy Tax (80%)	\$ (4,584,654)
Revenue and Tax Enforcement	\$ -
Government Health and Life Insurance (50% Cigarette tax)	\$ -
Solid Waste Revolving Fund	\$ -
Developers Infrastructure Tax (100%)	\$ -

2007A Refunding Bond Payment	\$ (3,617,000)
2007B Refunding Bond Payment	\$ (3,265,375)
Debt Service Settlement Fund	\$ (34,000,000)
2020 Pension Obligation Note Payment	\$ (2,886,600)
MPLT 2019 Loan Payment	\$ (822,753)
<b>Total</b>	<b>\$ (49,176,382)</b>

In addition to statutory earmarks (when not suspended) and debt service payments, the budget is further constrained by Constitutional earmarks that require a percentage of identified funds to be the guaranteed amount of appropriations to these entities. These Constitutional earmarks require that at least 25% of the general revenues to be provided to the public elementary and secondary education system, and 1% of general revenues to the Northern Marianas College.

Budgetary rigidity and payment of judicially mandated pension obligation payments (Debt Service Settlement Fund - \$34,000,000) represents a significant component.

Prior to 2013, CNMI Government employees had the option to join a defined benefit retirement scheme managed by the CNMI Retirement Fund. This scheme provided pension benefits for qualified retirees, their dependents, and beneficiaries. However, due to persistent underfunding of the employee portion of the fund, in 2006, the CNMI Government halted its contributions, leading to a 2009 class action lawsuit in the U.S. District Court for the Northern Mariana Islands against the CNMI Government. In 2012, an attempt by the Retirement Fund to seek bankruptcy protection was rejected by the U.S. District Court, which declared that the fund, being a government entity, was ineligible for Chapter 11 bankruptcy protection.

This class action culminated in a 2013 settlement, resolving all disputes through a Settlement Agreement between the Settlement Class and the CNMI Government. The agreement included a 25% reduction in benefits, with the CNMI Government committing to cover a minimum of 75% of the benefits, a commitment potentially extending until 2057.

As a result of this Settlement Agreement, a Settlement Fund was established to inherit the assets of the Retirement Fund and to receive yearly contributions from the CNMI Government, in addition to being designated the recipient of the \$779 million judgment. In the event of inadequate contributions by the CNMI Government towards the pension obligation as per the Settlement Agreement, a Consent Judgment could be enforced to recover the due amounts for the Settlement Fund.

The CNMI Government received a schedule detailing the Minimum Annual Payments (MAP) required to adequately fund 75% of the full benefits for the Class Members for the year. This is outlined in Table 21 of the Settlement Agreement. Additionally, the agreement stipulates that if the CNMI economy improves such that 17% of its total annual revenue exceeds the minimum amount in Table 21, the CNMI must pay

the excess to the Settlement Fund. These additional payments are termed the Alternative Payment of a Greater Amount, or “APGA”.

TABLE 21: NMI SETTLEMENT FUND PAYMENT TERMS AND SCHEDULE

	Minimum Payment	APGA	Total Liability	Amount Paid	Accrued Liability
<b>2014</b>	\$ 25,000,000.00	\$ 5,919,798.00	\$ 30,919,798.00	\$ 25,000,000.00	\$ 5,919,798.00
<b>2015</b>	\$ 27,000,000.00	\$ 1,209,244.00	\$ 28,209,244.00	\$ 27,000,000.00	\$ 7,129,042.00
<b>2016</b>	\$ 30,000,000.00	\$ 11,534,522.00	\$ 41,534,522.00	\$ 30,000,000.00	\$ 18,663,564.00
<b>2017</b>	\$ 33,000,000.00	\$ 17,693,036.00	\$ 50,693,036.00	\$ 40,129,042.00	\$ 29,227,558.00
<b>2018</b>	\$ 45,000,000.00		\$ 45,000,000.00	\$ 56,534,522.00	\$ 17,693,036.00
<b>2019</b>	\$ 44,000,000.00		\$ 44,000,000.00	\$ 44,000,000.00	\$ 17,693,036.00
<b>2020</b>	\$ 43,000,000.00		\$ 43,000,000.00	\$ 43,000,000.00	\$ 17,693,036.00
<b>2021</b>	\$ 42,000,000.00		\$ 42,000,000.00		
<b>2022</b>	\$ 41,000,000.00		\$ 41,000,000.00		
<b>2023</b>	\$ 40,000,000.00		\$ 40,000,000.00		
<b>2024</b>	\$ 39,000,000.00		\$ 39,000,000.00		

If the CNMI Government assesses that the Settlement Fund has accumulated assets equal to the actuarial present value of accrued benefits for the Settlement Class, along with sufficient resources for future expected expenses, it may petition the District Court to terminate the MAP payments.

These constraints on government revenues, in addition to the historic expansion of personnel expenses, lead to a fiscal condition unsuited for weathering severe economic downturns. Local government expenditures also represent a customer base for local industries, representing 6.4% of the total customer revenue among the CNMI’s five highest grossing sectors.

## ECONOMIC OPPORTUNITIES

### EXPLORED AREAS FOR GROWTH AND EXPANSION

Development planners have long considered and advocated for the need to diversify the CNMI economy to be less reliant on the tourism and garment industries. Toward the discussion on economic diversification potential for the CNMI, a review of the concepts proposed for diversification is worthwhile to provide the groundwork for further investigation.



In 1977 as a component for planning the future economic development of the Commonwealth, several industries were targeted for growth and expansion. Agriculture, fishing, manufacturing, construction, services, and tourism were all seen as potential areas of growth. Since that time, the CNMI economy has grown and contracted on the whims of two primary industries – tourism and garment manufacturing. However, over this period, the need for diversification has been persistent, and in response, many have contributed to exploring new development areas.

In 1989, the CNMI saw potential in expanding tourism to accommodate a higher value visitor. This was seen to include the development of museums, theaters, underwater submarine observatory, scenic and a miniature train. On industries outside of tourism, they saw potential in the exploitation of marine resources such as fish or the recovery of underwater minerals. Manufacturing outside of garments was considered and posed ventures into furniture, handicrafts, confectionaries, electronic assembly, and pharmaceuticals.

In 1999, prompted by the dramatic decline in visitation from Japan, the Asian Financial Crisis and amidst the upcoming inclusion of China to the WTO and the threat of federal action to remove local immigration control, the Northern Marianas College led an ambitious and community supported effort to assess, understand, and analyze the CNMI economy, marking out points of weaknesses and opportunities for growth. In listing the target industries, the CNMI should pursue the study offered a wide range of development concepts possible for the islands at the time.

Financial Services industry to include financing trans-pacific or intra-Asian trade, development of dollardenominated trust accounts, and the establishment of a securities exchange based in the CNMI.

Captive Insurance Industry to utilize the CNMI's proximity to Asia and its location on the international date line, to allow firms with sufficient resources to self-insure their risks.

Telecommunications Industry - while capital intensive, could support information technology services such as data processing, financial services, and telemarketing.

Data Processing Industry - while both capital and labor intensive, data processing operations could utilize the CNMI's position to provide better daylight service to Asian clients of U.S. corporations.

Software Production Industry – Utilizing the CNMI's access to foreign workers for the production, packaging and distribution of software, while cross training the domestic labor force to represent a larger segment of the employees within this sector.

Other industries considered to have potential were Resource-based industries, small-scale commercial fisheries, manufacturing for Asian markets, foreign sales corporations, pharmaceutical manufacturing, scientific research, specialized advanced education, retirement villages, airline support training, forward deployment of Asian operations for U.S. firms, store-and-transfer shipping, and telemarketing.

The study then listed these opportunities by development objectives, reproduced in Table 22.

TABLE 22: RELATIONSHIP OF OPPORTUNITIES TO DEVELOPMENT OBJECTIVES, 1999

<b>Proposed Industry</b>	<b>Additional Income</b>	<b>Government Revenues</b>	<b>Employment Opportunity</b>	<b>Preserve Culture</b>	<b>Preserve Environment</b>
<b>Trade Financing</b>	Moderate	Moderate	Low	Neutral	High
<b>Captive Insurance</b>	Moderate	High	Moderate	Neutral	High
<b>Dollar-Denominated Trust Accounts</b>	Moderate	Moderate	Low	Neutral	High
<b>Securities Exchange</b>	High	Moderate	Moderate	Moderate	High
<b>Communications</b>	Moderate	High	Moderate	Neutral	Moderate
<b>Data Processing</b>	High	High	High	Low	Moderate
<b>Software Production</b>	Moderate	Low	High	Low	High
<b>Specialty Agriculture</b>	Low	Low	Moderate	High	Neutral
<b>Small-scale Commercial Fisheries</b>	Moderate	Low	Moderate	High	Moderate
<b>Manufacturing</b>	High	High	High	Low	Low
<b>Pharmaceuticals</b>	Moderate	Moderate	Low	Neutral	Low
<b>Scientific Research</b>	High	High	Low	Neutral	Low
<b>Specialized Advanced Education</b>	Low	Low	Low	Neutral	High
<b>Retirement Villages</b>	Moderate	High	Moderate	Low	Moderate
<b>Forward Deployment of U.S. Firms' Asian Operations</b>	High	High	Moderate	Neutral	Moderate
<b>Store-and-transfer Shipping</b>	High	Moderate	High	High	Moderate
<b>Telemarketing</b>	Moderate	Moderate	High	Low	High

In a 2003 report on the CNMI economy produced by the Bank of Hawaii, the potential for Tinian's gaming industry and the capability for Rota to establish itself as an eco-tourism destination were discussed, but greater focus was given to the potential for the CNMI to establish a new industry in Higher Education. The report stated, "The principal advantages the commonwealth would have in offering educational opportunities are its proximity to East Asia, pleasant climate, and an already multicultural labor market and society." In championing the efforts of the Northern Marianas College to establish its education

industry development initiative “Pacific Gateway USA”, the report noted that “Many in the area’s rapidly rising ranks of business and government leaders recognize the benefits of American-style education and familiarity with the American system. The market for higher education and instruction in English, as the Northern Marianas College points out in its presentation, is quite large, fueled by increase in international business, especially in Asia, where 60 percent of the world’s total population resides.”<sup>104</sup>

In 2007, as the CNMI economy once again began a steep decline, the U.S. Office of Insular Affairs sponsored a study on the business opportunities in the CNMI. Targeted to an audience of external investors, the study stated the following:

“Despite its economic slowdown, the CNMI has fundamental competitive advantages. These advantages include (1) location (proximity to major Asian markets); (2) U.S. governance (U.S. jurisdiction, U.S. federal law is applied and all business transactions are protected under the U.S. federal court system, Englishspeaking and dollar-based economy); and (3) its unique control on taxation and customs policy.

“Despite of the recent decline of the CNMI economy, it might be appropriate for investors to explore other business opportunities. Since the diversification of industries in one economy almost always beneficial to the society as a whole, the CNMI Government is also looking forward to seeing a variety of businesses developed. New business opportunities can be found in the following areas:

1. Tourism (theme tourism, shopping, hotel or golf course, and other resort development)
2. Education (University Education, English as a Second Language)
3. Island Products (Agriculture, Aquaculture, Spring Water on Rota, etc.)
4. Infrastructure (Renewable Energy, Transshipping Service, Sewage System)

- 
5. Film Industry (Production and Post-Production).<sup>105</sup>

In 2021, the Office of Insular Affairs noted the challenges the CNMI has faced in pursuit of diversification and explained the role of strategy planning within the CEDS framework:

“Economic growth and diversification are complex and formidable challenges for the CNMI, and OIA has consulted with the Department of Commerce (DOC) on actions it has undertaken to support the CNMI. DOC has a much broader and deeper range of programs to support economic growth and diversification in the CNMI, and the Comprehensive Economic Development Strategy (CEDS) program that is funded by the Economic Development Administration is perhaps the most relevant Federal program in the effort to identify opportunities for economic growth and diversification. What follows is a representation of how

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<sup>104</sup> Bank of Hawaii (2003). Commonwealth of the Northern Mariana Islands Economic Report. East-West Center, University of Hawaii.

<sup>105</sup> Kandl. T., Shin J.S. (2007). Commonwealth of the Northern Mariana Islands Business Opportunities Report. Prepared for the United States Department of Insular Affairs.



OIA and DOC programs, including the CEDS, are supporting the CNMI's pursuit of economic growth and diversification."

The CEDS process has been at the forefront of the CNMI's economic planning efforts, with the most recent 2019 CEDS, providing updates to the 2016 CEDS to incorporate the new planning environment following Super Typhoon Yutu. The 2009-2014 CEDS was critical in assisting with the implementation of American Recovery and Reinvestment Act (ARRA) funds, and the 2003 CEDS offers important insight to the planning conditions of the Commonwealth within the structural transition of the economy in the 21<sup>st</sup> Century. The CEDS process offers advantages to economic diversification efforts, in supporting community cooperation on the development of economic development project priorities aligned with evaluation criteria that seeks projects that provide: (i) Public Benefit; (ii) Industry Growth; (iii) Support of new or emerging industry; (iv) impact to the CNMI's Strengths, Weaknesses, Opportunities, and Threats (SWOT); (v) Employment Sourcing; (vi) Economic Circulation; (vii) Environmental Impact; and (viii) Infrastructure Impact.

The exploration of economic diversification in the CNMI has been a recurring theme, with various studies and reports over the years identifying potential areas for growth beyond the dominant tourism and garment industries. The discussions have ranged from traditional sectors like agriculture and fishing to more novel areas such as the tech industry and eco-tourism. These studies have consistently highlighted the need for a multifaceted approach to economic development, considering the CNMI's unique geographic and political context. This ongoing dialogue underscores the challenges of diversifying an economy heavily reliant on a few industries and the importance of innovative, sustainable strategies for future growth. Further study into the structure of the CNMI economy, its assets, challenges, and present sectors, will be undertaken to review the past concepts for diversification (many of which remain valid) to understand the obstacles that exist that have prevented success. This effort aims to guide future endeavors to plan for diversification in targeting development initiatives within the CEDS process and government policy to mitigating historic obstacles and cultivating the industrial ecosystem that can achieve the dynamic economies of scale necessary for true industrial development.

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## **GOVERNMENT'S ROLE AND INITIATIVES**

### *OVERVIEW OF GOVERNMENT'S ECONOMIC POLICIES AND STRATEGIES*

One broad role of government is to provide the institutions in which economic development can occur. This includes protecting property rights and distributing tax revenue to support the delivery of public goods, such as law enforcement, fire fighters, and roads. However, in the United States and around the world, governments have evolved from this basic role and, in recognizing the need and the benefit of economic growth, have adopted policies and tools that target government resources to promoting and securing private investment.

The CNMI has adopted this government role in several ways. The CNMI, operating under the American system of laws, has guaranteed the protection of property rights through its law enforcement network and independent judiciary, governed by rights afforded by both the CNMI and U.S. Constitution. The CNMI has also established the means to pursue private investment through the Commonwealth Economic Development Authority and the CNMI Department of Commerce's Economic Development Division.

CEDA maintains the statutory mandate to “identify, formulate, initiate, stimulate and facilitate business and commercial enterprises, with special emphasis on agricultural and marine resources, manufacturing and processing activities, import substitution, export development, and responsible use of indigenous raw materials” and to “identify, formulate, initiate, stimulate, and facilitate business and commercial enterprises where a service necessary and vital to economic development is required, or where profit incentives are not sufficient to attract private sector investor” through its Development Corporation Division.<sup>106</sup>

The CNMI Department of Commerce, similarly, is tasked with supporting private investment, with its statutory duties including “to be responsible for the stimulation, encouragement and regulation of private investment, including foreign investment” and “to do any and all things necessary to stimulate economic growth in the private sector.”<sup>107</sup> This is performed through the Department's Economic Development Division, while the Division itself is not an entity created by law.

CEDA operationalizes these duties, primarily through the administration of its tax incentive program, known as the Qualifying Certificate (QC) program. The QC is intended to reduce business start-up and operating costs, geared toward industries the CNMI wished to incentivize to invest. The program grants tax relief through rebates and/or abatements of taxes to qualified investors.

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Under the law, contained within 4 CMC § 50201 et seq., specific industries are targeted for qualification for the program. These industries include franchise restaurants, water parks, aquariums, cultural centers, theme parks, resort hotels and condominiums, golf courses, convention centers, dinner theaters, special events such as conventions and sporting events, CNMI based airlines and other aviation related activities, manufacturing or processing of high technology products, and internet related businesses and/or businesses engaged in internet commerce.

Qualified investors are eligible to receive up to 100% in rebates and/or abatements on CNMI taxes which include the business gross revenue tax, income taxes, capital gains taxes, excise taxes, developer infrastructure taxes, and alcoholic beverage taxes for a period of up to 25 years.

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<sup>106</sup> 4 CMC 10102

<sup>107</sup> 1 CMC 2453

Utilizing tax incentives to attract investment is a widespread tool of government and public economic development organizations. Over the course of the last three decades, spending by governments across the United States on tax incentive programs has greatly expanded toward the goal of increasing economic activity across distressed and underdevelopment areas. It is in this growing utilization of tax incentives to draw in investment that has created a highly competitive environment between states and local governments to offer the most enticing opportunity for development, with each state maintaining at least one type of development incentive based on tax alleviation.<sup>108</sup>

One analysis performed on the impact of the QC program saw that between 2002 and 2014, CEDA received 17 applications for tax abatements or rebates on their proposed investments. Of the 17, six approved beneficiaries were included in the analysis. Of the six beneficiaries, the program accounted for \$127,395,619 in proposed direct investments, resulting in a calculated amount of direct economic benefits of \$186,545,802 within the 2002-2014 period.<sup>109</sup> The breakdown of these benefits is outlined below: TABLE

23: DIRECT ECONOMIC BENEFITS OF QUALIFYING CERTIFICATE PROGRAM

	2002-2014
Bar Tax & Room Tax	\$ 7,961,009
Business Gross Revenue Tax	\$ 12,326,548
Corporate Income Tax	\$ 160,486
Utilities	\$ 5,254,587
Excise Tax	\$ 512,209
License/Permit Fees	\$ 191,424
Social Security/Medicare Taxes	\$ 4,184,970
Employee Withholding Taxes	\$ 3,673,130
Community Contributions	\$ 2,710,010
Local Purchases	\$ 94,721,207
Gross Payroll	\$ 54,850,222
Total	\$ 186,545,802

<sup>108</sup> Buss, T. F. (2001). The Effect of State Tax Incentives on Economic Growth and Firm Location Decisions: An Overview of the Literature. *Economic Development Quarterly*, 15(1), 90–105. doi:10.1177/089124240101500108

<sup>109</sup> Commonwealth Development Authority (2015). *Direct Economic Benefits of Qualifying Certificate Program*



For these investments, the QC provided a cumulative value of more than \$5,595,049 to the investors in the form of tax rebates and abatements.<sup>110</sup>

In addition to tax incentives, the CNMI has participated in several business investment summits sponsored by the U.S. Department of Commerce, through its SelectUSA program.

### *GOVERNMENT ECONOMIC POLICY*

The specific, singular economic policy of the CNMI Government is difficult to ascertain at the time of this report, however, effort and pronouncements have been made toward diversifying tourism source markets and expanding the role of U.S. military investment in both land use and tourism. A review of historical economic policy, however, sheds light into the current paradigm of economic policy that may still be operational today. The 1989 Prospectus for Guiding Growth provided the following description of the CNMI Government's policy at the time:

"The Commonwealth Government acknowledges that private sector investment programs cannot be dictated or planned by any government entity operating within the precepts of a free society, they can, however, be directed." <sup>111</sup>

An analysis of the historical development of the CNMI economy showcases a fidelity to this belief and marks a stark contrast in approach to alternative means of stimulating private investment. The development of the modern tourism economy was built on a foundation of opening opportunities for private investment and allowing investors to enter the CNMI and capitalize on them. The push to secure Approved Destination Status for the CNMI from the People's Republic of China, and the subsequent advocacy to continue the use of discretionary parole as a mechanism for PRC nationals to enter visa-free is an example of this, so too was the lifting of the decades-old prohibition on casino gaming on Saipan, which saw the development of the unfinished casino resort complex in Garapan. Similar efforts to reduce government bureaucracy in permitting, and incentivizing air service from Japan and South Korea, were all aimed at freeing restrictions to economic activity in hopes of generating investment.

To provide a contrast, this report proposes a method to conceptualize two distinct approaches to securing private investment. The policy of the CNMI Government to alleviate restrictions on development and investment, while supporting the business climate conditions to offer potential investors is akin to

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preparing a field for seeding. Once the seeds have been planted, there is hope for the ideal conditions in which the plants will prosper, and if it does the farmer reaps the harvest. Alternatively, you have the hunter who embarks to track down their food source, understanding their movements and anticipating their

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<sup>110</sup> At the time of the CEDA study it only reported tax benefits from two sources – BGRT and Bar Tax.

<sup>111</sup> CNMI Office of Planning and Budget (1989)

actions. Between Farmers and Hunters, the CNMI policy has been squarely in the camp of the farmer. This has resulted in seeds being planted in tourism and garment manufacturing, while the external conditions deteriorated.

This contrast intends to note the minimal proactive effort made in the last decades to target, seek out, adapt and respond to potential investors that will meet the development objectives of the Commonwealth. To this end, the 1999 NMC study offered an important insight. It stated:

“With few exceptions, the industries will take time to develop. In most cases this means a number of years. Therefore, they will not provide the ‘quick fix’ that may be needed in the near-term to mitigate the economic and political difficulties that the CNMI is currently facing. Nevertheless, decision regarding which of these industries should be pursued and actions designated to attract them should commence immediately. Otherwise, the CNMI may find itself in a downturn once again in several years, without having performed the preliminary work to protect against recession.”

#### *FEDERAL GOVERNMENT SUPPORT*

In response to Super Typhoon Yutu and the COVID-19 pandemic, the CNMI was granted approximately \$1.1 billion in federal funding. A substantial portion of this, over \$600 million, is dedicated to the construction and repair of public infrastructure and facilities. This allocation includes significant investments in utilities, port facilities, roads, and public facilities, with specific funds earmarked under the CDBG-DR program for these purposes.

Additional financial support was provided through the FEMA Public Assistance Program, which focused on the Commonwealth Utilities Corporation, the Commonwealth Ports Authority, and the Public School System's rebuilding efforts. These funds are specifically aimed at restoring and enhancing critical utilities and educational facilities, pivotal for the CNMI's recovery and development.

Recent federal activity in further response to the economic disruptions caused by the pandemic saw a surge of funding awards targeted toward the CNMI's infrastructure, energy, and ability to adapt to climate change.

The Inflation Reduction Act channels funding to the CNMI to address climate change impacts. This includes technical assistance funding for territories like the Northern Mariana Islands, aimed at supporting climate action and increasing resilience against extreme weather and sea level rise. The act also boosts funding for coastal communities to enhance climate resilience and support coastal conservation, restoration, and protection efforts.<sup>112</sup>

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<sup>112</sup> <https://www.whitehouse.gov/wp-content/uploads/2022/09/The-Inflation-Reduction-Act-Delivers-for-the-Northern-Marianaislands.pdf>

The Bipartisan Infrastructure Law has allocated \$114.4 million to the Northern Mariana Islands for over 12 projects, including \$23.9 million for transportation infrastructure and \$62 million for clean water. This law has also enabled over 3,000 households in the territory to access affordable high-speed internet. Key investments include \$4.6 million for roads and bridges, \$3.1 million through the RAISE program, and significant funds for clean energy and power grid resilience. The Environmental Protection Agency has provided \$62 million for clean and safe water, with a focus on lead pipe replacement and safe drinking water. Additionally, the CNMI received \$1.5 million for public transportation improvements and around \$7.4 million for clean energy and power infrastructure. This funding is part of a larger effort to bolster resilience against climate change, extreme weather, and other challenges.<sup>113</sup>

The U.S. Economic Development Administration has served as a proactive champion toward the development of the Commonwealth Government. In addition to supporting the study of innovative economic initiatives, such as the Tinian Beef and Cattle Industry Feasibility Study and funding for the development of the CNMI's water systems, the EDA supports direct grants to support the physical and economic infrastructure of the CNMI. Through the 2019 CEDS Update the CNMI qualified for financial support from the EDA, including funds from the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (U.S. Public Law 116-20) for the following critical infrastructure projects, and associated economic impacts:<sup>114</sup>

- \$6 million for constructing a technical and career education center at Marinas High School. This project is funded with \$6,000,000 in 2019 Disaster Supplemental funding, matched by \$6,000,000 in local investment. It aims to provide career and technical education opportunities, increasing the skilled labor pool for the region's employers. The project is expected to help create 85 jobs, support recovery efforts from Super Typhoon Yutu, and advance economic resiliency by fostering higher skill employment opportunities.
- \$19.6 million for constructing a new office center for the Department of Finance's modern financial system. This is supported by \$19,630,360 in 2019 Disaster Supplemental funding with no local match. The new typhoon-resilient Economic Business Center and Financial Management Information System (FMIS) will enhance efficiency and real-time response, bolstering job creation and economic resiliency. It is estimated to create 1,500 jobs and support recovery from Super Typhoon Yutu.
- \$21.2 million for completing the redevelopment of the Oleai Sports Complex. Funded with \$21,160,000 in 2019 Disaster Supplemental funding, this project, with no local match, will construct the Oleai Sports Complex and Cultural Events Center in Saipan, a designated Opportunity Zone. It is expected to support major inter-island sports events, create 480 jobs, leverage \$1,200,000 in private investment, and aid in recovery efforts from Super Typhoon Yutu.

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<sup>113</sup> <https://www.whitehouse.gov/wp-content/uploads/2023/05/Commonwealth-of-the-Northern-Mariana-Islands-Fact-May.pdf>

<sup>114</sup> U.S. Department of Interior (2021). U.S. Department of Interior Report to Congress: Technical Assistance Northern Mariana Islands U.S. Workforce Act of 2018.



- \$10.3 million for a new training facility at the Northern Mariana Training Institute. This EDA grant will support workforce education and training through the construction of a new facility for the

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school's trades program. The project is expected to create 410 jobs, retain 385 jobs, and generate \$2 million in private investment.

- \$13.2 million for the Cooperative Research, Extension, and Education Services Center at Northern Marianas College (NMC). Funded with \$13,190,280 in 2019 Disaster Supplemental funds, this project with no local match will build a research, extension, and development center at NMC. It will replace facilities damaged by Super Typhoon Yutu and is expected to create 272 jobs and leverage \$13,500,000 in private investment.
- \$11.2 million for infrastructure improvements in the core Garapan tourist area. This project is funded with \$11,177,918 in 2019 Disaster Supplemental funds with no local match. It aims to rehabilitate roadway infrastructure within a commercial district in Saipan, a designated Opportunity Zone. It is expected to create 893 jobs, leverage \$1,320,000 in private investment, and support recovery from Super Typhoon Yutu.
- \$10.7 million for a Workforce Development and Training Center at Northern Marianas College. Funded with \$10,681,796 in 2019 Disaster Supplemental funding with no local match, this project will support the construction of two educational and workforce training facilities dedicated to food science, plant biotechnology, entomology, and anthropometry. It is expected to create 93 jobs and enhance economic stability and resiliency.
- \$1.625 million for the renovation and expansion of the 500 Sails boatyard into a modern maritime training facility. This project is supported by \$1,625,064 in 2019 Disaster Supplemental funds with no local match. It aims to provide formal training for CNMI's emerging maritime industry, creating 76 jobs and saving 4 jobs. This initiative will help diversify the economy and build resilience against future economic shocks.

Future planning accomplished through future project prioritization within the CEDS process, and supported by this work and further collaboration with EDA will be critical in advancing the necessary infrastructure to secure economic recovery, growth, and diversification.

## CHAPTER 3: IDENTIFICATION OF INDUSTRY CLUSTERS

From the available data contained in this report, with the accompanying analysis of current conditions and challenges, the preliminary study identified five industry clusters for further research. These are Tourism, Defense, Agriculture, Healthcare, and Construction.

Given the size of the CNMI economy, these industry clusters are heavily interconnected, however, in assessing and detailing the inputs to each cluster, both commercial and government, efforts toward strengthening existing industry clusters can target areas of needed resources or development. Table 24 provides a description of industry clusters by Commercial Inputs, Government Inputs and associated challenges to their development.

Inputs were developed through analysis of correlated revenue figures and of a CNMI input-output matrix.<sup>115</sup>

The Industry Clusters presented in this report represent the industries present in the CNMI and can be considered the ecosystem in which these industries operate. Policy initiatives to strengthen these existing industries would target interventions on the second or third order components to increase revenue, investment, or expand the domestic multiplier of expenditures within these industries.

Cluster Mapping of potential industries derived from later study would highlight the inputs to target industries for economic diversification, showcasing the availability of inputs and indicating where government policy or auxiliary industrial development is needed to support stronger diversification.

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<sup>115</sup> A refined version of the CNMI Input-Output Table is provided in Appendix B

TABLE 24: CNMI INDUSTRY CLUSTERS, INPUTS, AND CHALLENGES

Industry Cluster	Commercial Inputs	Government Inputs	Challenges
Tourism	Construction	MVA	Federal Restrictions
	Tour Operators	DHS	Macroeconomic Volatility
	Retail	Commerce	Infrastructure
	Food Service	DPL	Workforce

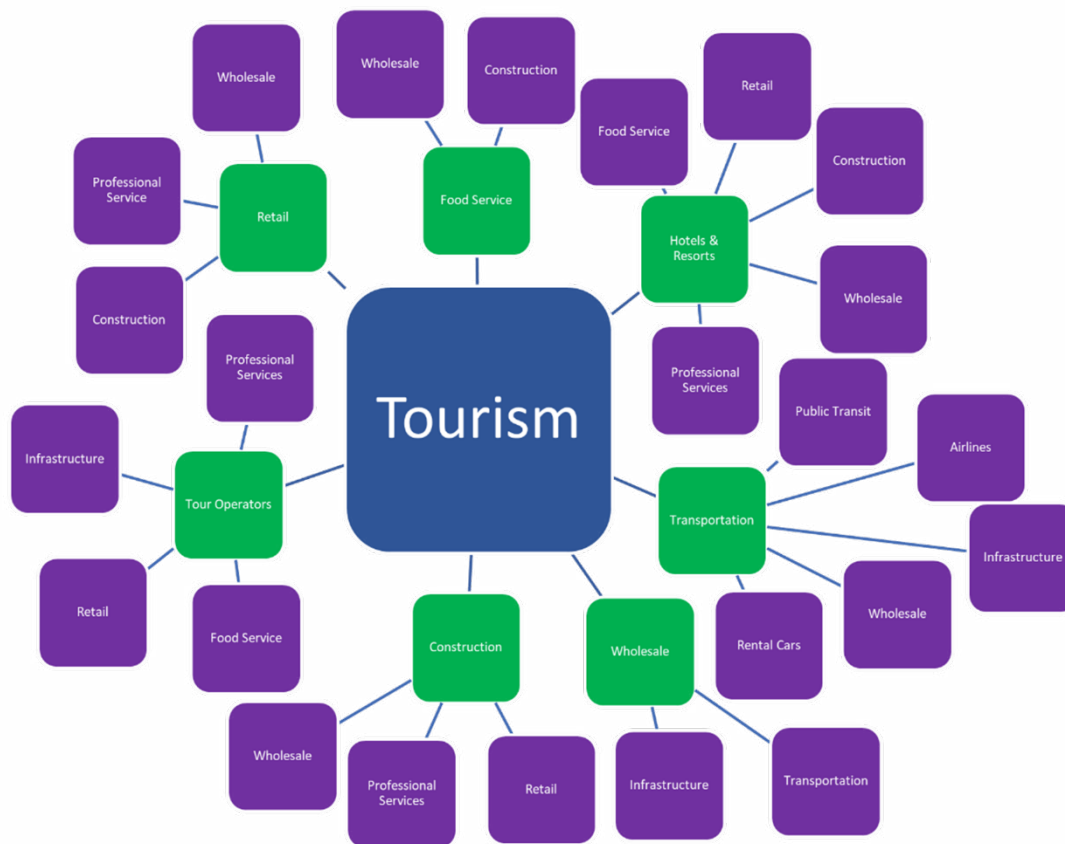


	Hotels and Resorts Transportation Wholesale	BECQ CEDA	
<b>Defense</b>	Construction Retail Hotels and Resorts Food Service Professional Services Wholesale	CBMA DPL BECQ MVA CEDA	Infrastructure Federal Appropriations Workforce Transportation
<b>Agriculture</b>	Retail Wholesale Professional Services Transportation and Warehousing	DPL DLNR CUC DPL	Land Availability Infrastructure Workforce Transportation
<b>Healthcare</b>	Agriculture Wholesale Retail Professional Services Construction Educational, Health, Recreation Services	CHCC CUC Finance CEDA	Infrastructure Workforce Government Finance
<b>Construction</b>	Wholesale Retail Professional Services Transportation and Warehousing	DPL DPW CEDA	Workforce Infrastructure Transportation

In recognizing the existence of these clusters, along with their inputs, challenges and governmental stakeholders, initiatives to stimulate increased development and growth can be targeted more directly at the root challenges.

## TOURISM CLUSTER

The Tourism Cluster are the services and products that join in providing the on-island experience for visitors. These interconnected services rely on a stable set of commodities to generate additional on-island expenditure and access these commodities through services like Tour Operations and Transportation to and within the CNMI. Additionally, the physical tourism infrastructure, its hotels, resorts, water parks, and landmarks, require a level of construction to establish, maintain, and expand to meet the demands of the industry.



## STRENGTHS

- A relative variety of hotel, retail and accommodations available to support the current demand
- Access to tour operators with proficiency in foreign languages
- Interconnected road infrastructure to primary hotels, restaurants and tourist sites
- Visa-free access to South Korea, Japan, Hong Kong
- Proposed inclusion of China to the Guam-CNMI Visa Waiver Program

#### **WEAKNESSES**

- High cost of transportation for imported food and commodities
- Decreasing viability of retail and food service outlets
- Shortage of labor in hotels, construction, and services sector
- Reduced flight schedules from major source markets
- High cost of air transport
- U.S. denominated currency influences cost of travel from foreign markets

#### **OPPORTUNITIES**

- Continued access to labor can reduce cost of maintenance of existing tourist-related properties, and reduce the cost of new development of retail, restaurant and hotel services.
- Greater investment in physical infrastructure would ease access and promote additional on-island expenditures and average lengths of stay.
- Securing affordable transportation for goods would reduce perceived cost of the CNMI as a destination increasing regional competitiveness.

#### **THREATS**

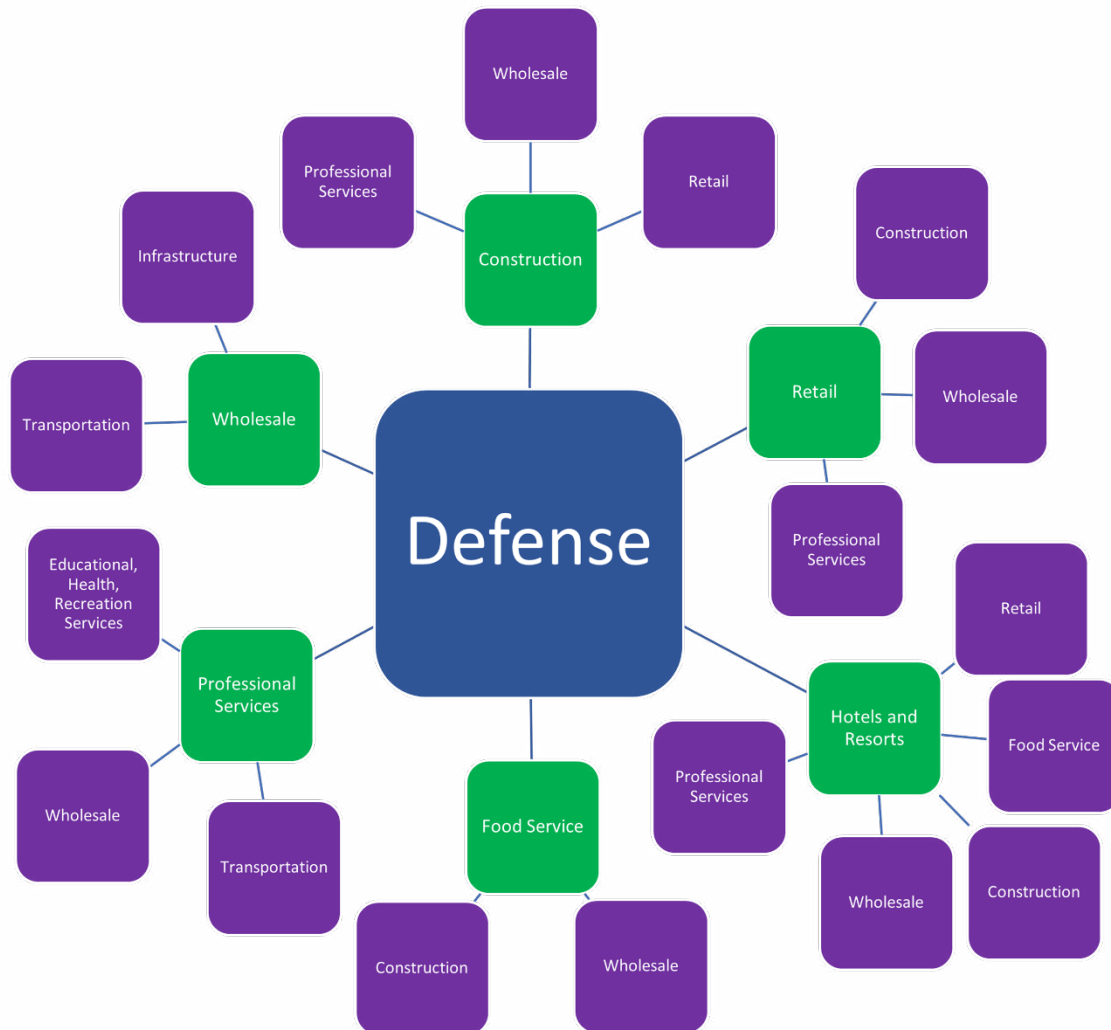
- Impending expiration of the immigration transition program
- Federal restrictions on visa-free access for visitors
- Aging infrastructure at the ports, roads, and tourist sites
- Insufficient variety of recreational activities for increased tourist demand

#### **DEFENSE CLUSTER**

The Defense Cluster are the component units currently used and required to support continued impact of Department of Defense spending in the CNMI. Current activities and training described in this report promote additional economic activity through expenditures in local restaurants, catering services, hotel rooms, and on retail establishments. Additionally, much of the current direct DoD expenditures are directed at professional services to plan and develop additional training capabilities and programs.



Construction is a crucial component to this sector, both in current requirements and in the future development of the industry.



#### *STRENGTHS*

- Strong regional commitment to supporting defense activities
- Existing land use agreements permitting greater levels of development in the CNMI • Federal interest in increased investment in the CNMI

#### *WEAKNESSES*

- High cost of transportation for goods, construction materials, capital items, and technical support
- Limited availability of suitable land for defense activities

- Compatibility concerns on certain proposed training activities among the community
- Insufficient room stock and accommodations on Tinian
- Limited domestic capacity and labor to acquire, manage, and implement large DoD contracts

#### *OPPORTUNITIES*

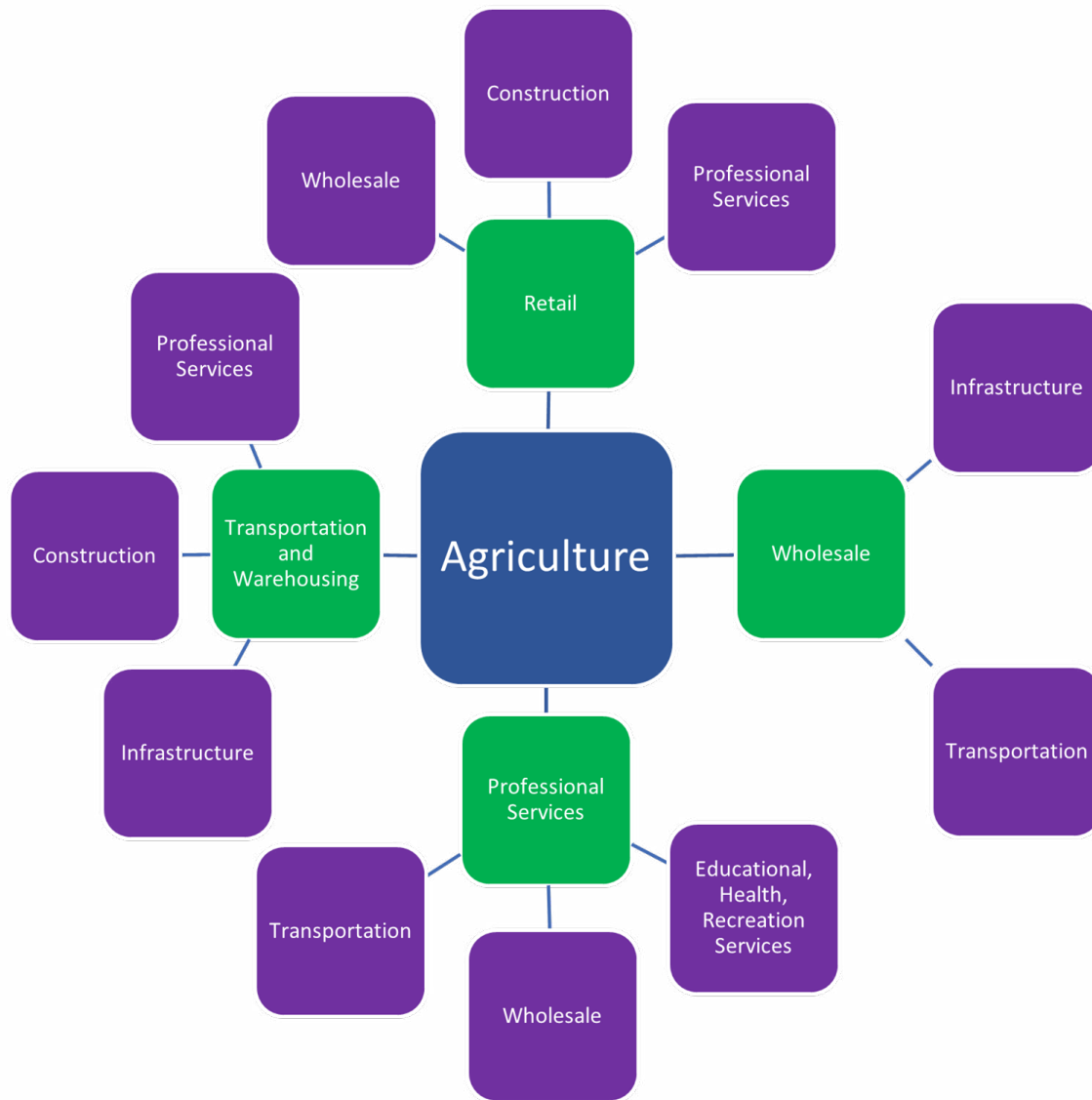
- Large defense contracting firms can take advantage of the CNMI's preferential tax and business structure to house operations in the region
- Greater investment in local capacity can find larger numbers of CNMI residents employed or subcontracted to perform defense-related services
- Domestic products and services can coordinate with DoD requirements to meet future demands and generate domestic revenue

#### *THREATS*

- Modification to federal funding to support development
- Inability for local businesses to acquire future contract opportunities to expand benefits to local employment and revenue
- Environmental and/or cultural opposition to proposed training or developments

## AGRICULTURE CLUSTER

The Agriculture Cluster relies on inputs that promote the acquisition of capital items and starting inventory to initiate agricultural production. This requires both input from retail outlets and wholesale distributors of agricultural goods. Professional services are a large input to the sector, with internal and external resources acquired to provide increased technical capacity to agricultural producers. Lastly, inputs from transportation and warehousing operations facilitate the delivery of agricultural produce to the market.



#### **STRENGTHS**

- Motivated public policy in support of agricultural/aquaculture development
- Incentivized tax structure reducing costs to agricultural producers
- Motivated support services such as the NMC CREES and the Division of Agriculture
- Availability of federal and private grant funding to offset production costs and provide technical advisory services



#### **WEAKNESSES**

- Limitations on the availability of productive land
- Inability to gain competitive advantage due to scale
- Shortage of agricultural labor
- Limited long-term land rights
- Insufficient access to water

#### **OPPORTUNITIES**

- Establishing a more secure market for local produce can increase agricultural employment and provide a stable income for farmers or ranchers.
- New developments in slaughterhouse facilities can add value to CNMI raise livestock and ease entry into the market.
- Investments in critical agricultural infrastructure (water lines, water reservoirs) can reduce risk and promote greater productivity.
- Greater volume of locally produced agricultural produce can provide higher levels of food security against transportation disruptions and provide healthier food options for residents.

#### **THREATS**

- Natural disasters
- Invasive species
- Reduction in domestic demand for local produce
- Degrading soil conditions or utility infrastructure

### **HEALTHCARE CLUSTER**

The Healthcare Cluster represents a web of inputs that support the functioning of the CNMI's healthcare system. Professional services and Educational, health, recreation services comprise the largest inputs to the sector showcasing the importance of labor and the socioeconomic environment required to provide adequate healthcare to the population, in addition to the network of private healthcare providers in the CNMI.

An aerial photograph of a small sailboat with a bright yellow sail sailing on clear, turquoise water. Several people are visible on the boat. The water's clarity reveals a dark, textured seabed below. The text 'Appendix B' is written in a large, white, cursive font, and 'COMMUNITY SURVEY RESULTS' is written in a smaller, white, sans-serif font below it.

# *Appendix B*

## COMMUNITY SURVEY RESULTS





# Marianas

## ECONOMIC ROADMAP

CNMI Economic Recovery Study

ONE COMMUNITY  
ONE ECONOMY *One Vision*

### Community Survey Overview & Findings

ONE COMMUNITY  
ONE ECONOMY *One Vision*

## Quantitative Analysis

- Purpose
  - To provide input from CNMI residents to inform the development of the roadmap and to determine their expectations for economic recovery.
- Information Objectives
  - To ascertain public opinion about the state of the CNMI economy today
  - To identify the state of household finances for CNMI residents
  - To determine what are the economic expectations and challenges facing CNMI residents
  - To identify who residents feel is responsible for devising CNMI economic development policy
  - To ascertain the percentage of the population planning to emigrate from the CNMI in the next 12 months
  - To identify the types of businesses residents would like to see established in the CNMI

## Methods

- Computer-aided telephone interview survey was conducted from November 14 to December 5, 2024.
- Numbers were taken from published and random-digit-dialed phone numbers.
- Conducted by MR&D calling house in the CNMI
- Confidence Level: 95%
- Margin of Error:  $\pm 4.35\%$
- Ages were recoded to various groupings:
  - Silent Generation (1928-1945)
  - Baby Boomers (1946-1964)
  - Generation X (1965-1980)
  - Millennials (1981-1996)
  - Generation Z (1997-2012)

## Representativeness

- The results were drawn from a random sampling of mobile and fixed landline phone numbers provided by the primary carrier in the CNMI and through random-digit-dialing methods. The survey sample included more than 95% of all CNMI households.
- To attempt to determine the representativeness of the results, they were compared to the 2020 U.S. Census of the CNMI, conducted from 2018-2019. While generally reflective, there were differences greater than the margin of error of the study for several demographic characteristics.
- It is difficult to determine if the differences are the result of survey error or changes in the CNMI economy, given the tremendous impact of COVID-19 on the economy.
- The data collected appears to be corroborated by other surveys and government data. Thus, it is the contention of the study team that the results fairly represent the attitudes and behavior of CNMI residents in 2024.



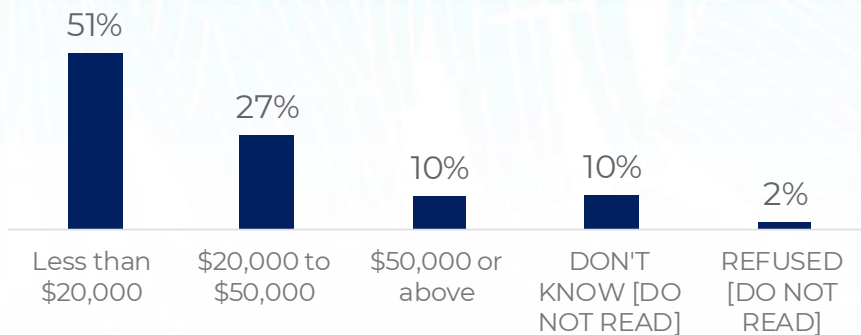
## Significant Findings

- The results are presented in five sections:
  - Attitudes about resident's current and future financial status
  - Perceptions of employment in the CNMI
  - Feelings about the economy overall
  - Attitudes about community engagement in the CNMI
  - Feelings about the quality of life in the CNMI

## Resident's Financial Status

### Personal Income

Income Ranges That Were Reported In  
The 2023 Tax Filing Year



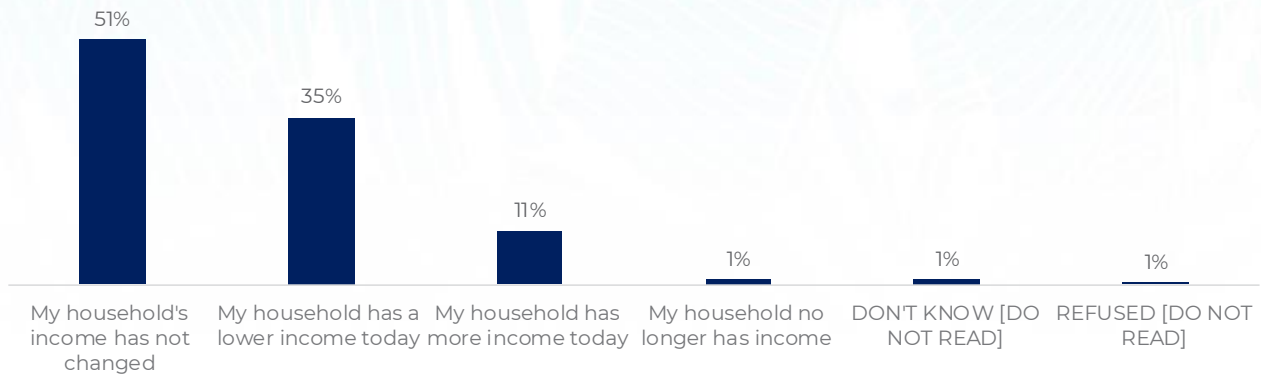
A majority of those surveyed (51%) reported annual incomes below \$20,000. Only (10%) claimed to earn \$50,000 or more during the last tax filing year.



## Resident's Financial Status

### Current Financial Status of Residents

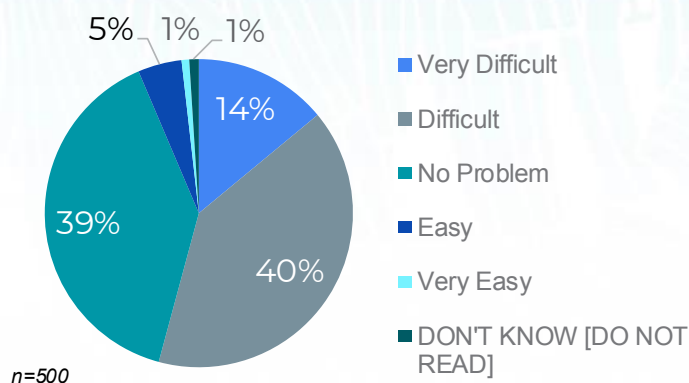
These results indicate that while a majority of households (51%) have seen no change in income, a significant portion (35%) are experiencing lower incomes, highlighting financial stress for many. A smaller percentage are experiencing increased income (11%) or no income. More than a third of the population experienced decrease in income over the last year.



## Resident's Financial Status

### Ability to meet basic financial needs

How Difficult Or Easy It Is For Residents To Meet Basic Financial Needs



Respondents were asked about their ability to manage necessary expenses, like food, shelter, and clothing.

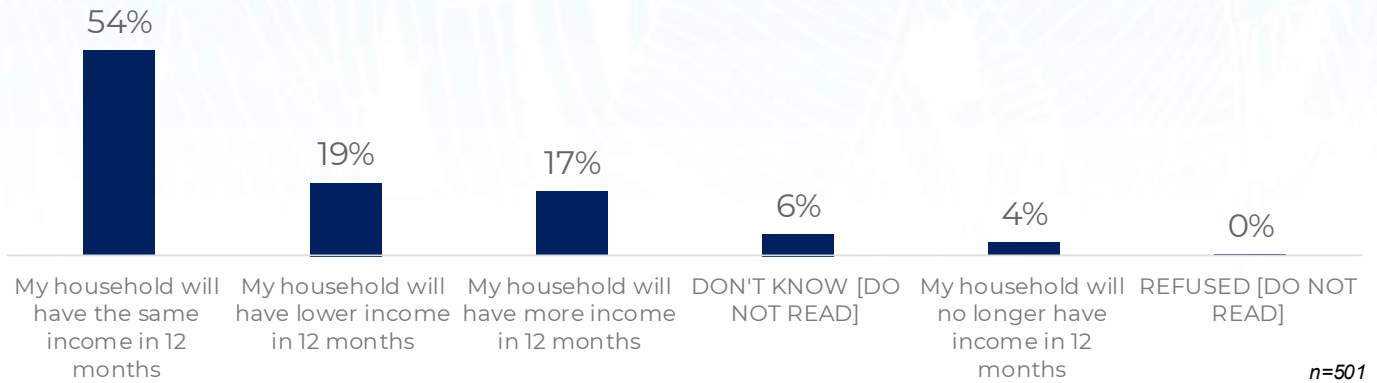
- Fifty-four percent (54%) indicated they were finding meeting basic financial needs difficult (40%) or very difficult (14%).
- Both the youngest and oldest in the CNMI faced the greatest difficulty, Generation X (41%) and Baby Boomers (24%) were most likely to report finding it difficult to manage expenses.
- More than half of those having difficulty (55%) were Pacific Islanders (Chamorro/Carolinian, Micronesian). Forty-five percent (45%) were of Filipino, or other Asian ethnicities.
- At the same time, 85% of those who identified as Caucasian were having an easy or very easy time meeting basic financial needs.

## Resident's Financial Status

### Their outlook for the next 12 months

About fifty-four percent (54%) of respondents expect their household income to remain the same over the next 12 months. About one-fifth (19%) expect a decrease in income and four percent (4%) anticipate no income at all.

Residents Outlook For The Next 12 Months

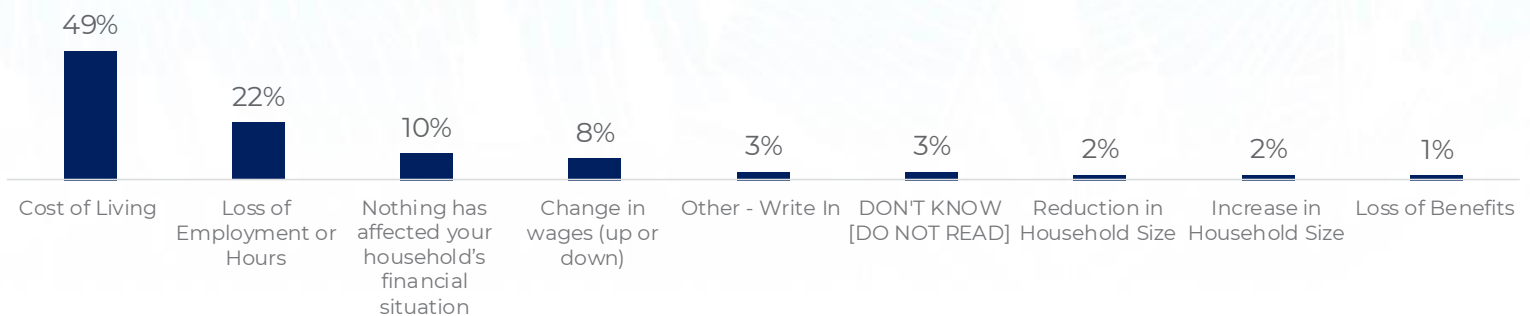


## Resident's Financial Status

### Factors that affected their financial situation in the last 12 months

The most frequently mentioned factor that affected household finances was the cost of living (49%), identified by nearly half of the respondents.

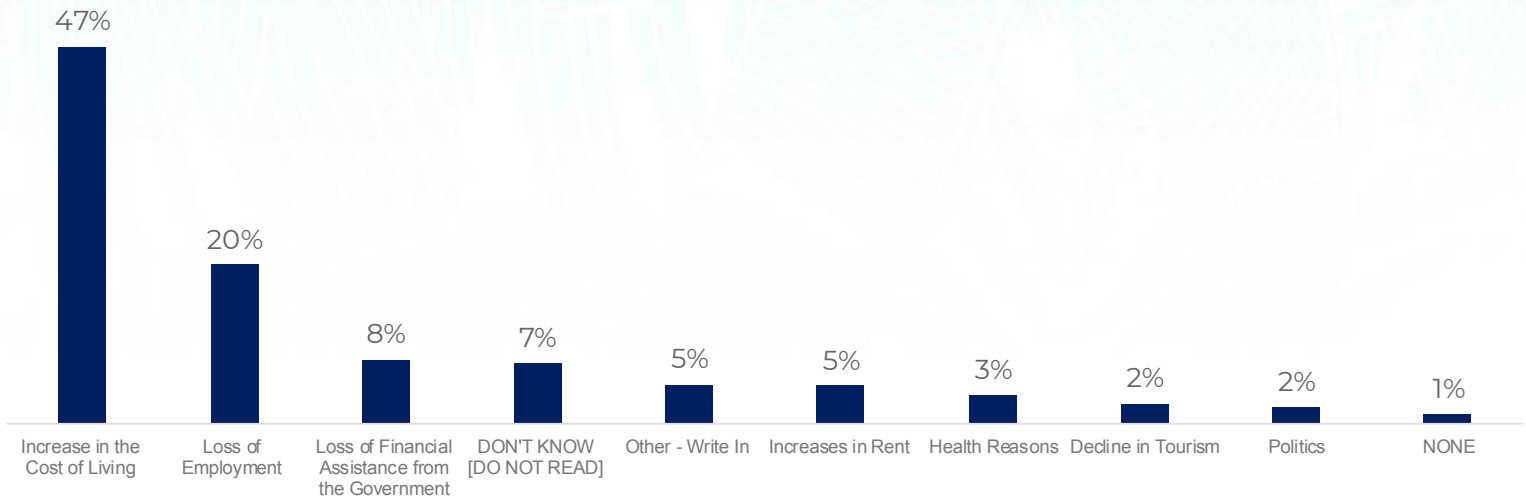
Factors That Affected Residents Household's Financial Situation in the Last 12 Months



## Resident's Financial Status

### What residents are most worried about over the next 12 months

The most frequently mentioned factor that worried residents most about their financial status in the next 12 months was the **increase in the cost of living** (47%). This was followed by concerns about **employment loss** (20%) and the potential **loss of government assistance** (8%). Other factors such as rent increases, health concerns, and tourism decline also contribute to financial worries.



## Observations About the Financial Status of Residents

- CNMI residents are among the poorest in the United States. Their personal incomes are less than Guam residents and considerably lower than friends and family that live on the U.S. mainland.
- More than 20% believe they will be poorer (19%) or have no income (4%) over the next the next year.
- The cost of living is by far the greatest factor impacting their current financial status, more than twice as likely to be mentioned as loss of employment.
- The cost of living is also the most frequently mentioned financial worry they believe they will face over the next 12 months.

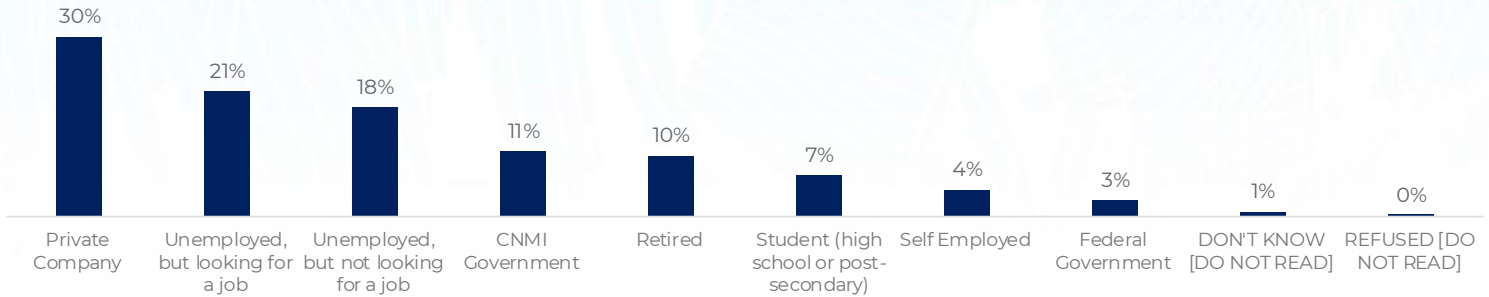


# Employment

## Employment Status

The data shows that a plurality of residents (30%) are employed in the private sector, while twenty-one percent (21%) are actively seeking work. Additionally, eighteen-percent (18%) are unemployed and not seeking a job. Eleven percent (11%) of respondents are employed by the CNMI government.

List of Employers

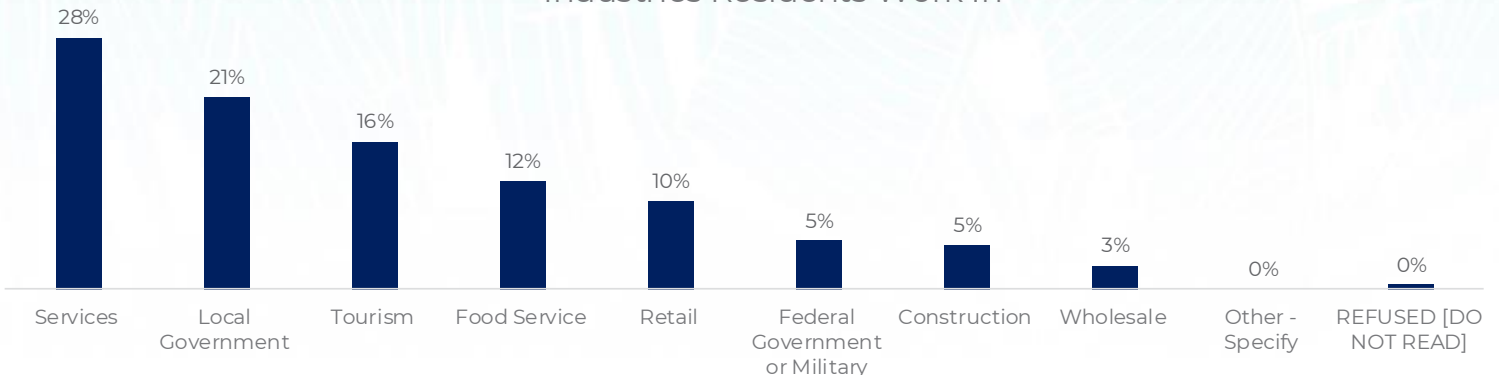


# Employment

## Industries residents work in

A plurality (28%) of residents who are employed work in the services sector, followed by local government (21%) and tourism (16%). Employment in food service (12%) and retail (10%) account for industries that employ more than 5% of those working.

Industries Residents Work In

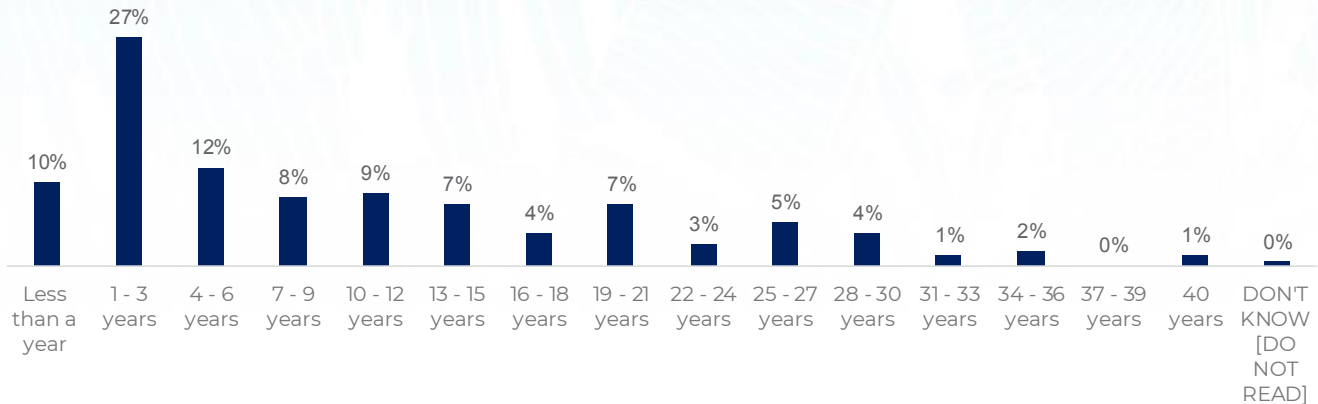


# Employment

## Employment Status

Thirty-seven percent (37%) of respondents have been in their current jobs for less than 3 years, twelve percent (12%) to twenty-nine percent (29%) have been employed for 4 to 15 years, and fifteen percent (15%) have been with their employer for 20 years or more. More than a third of local residents have been at their current place of employment for three years or less.

Length of time residents maintained their employment status

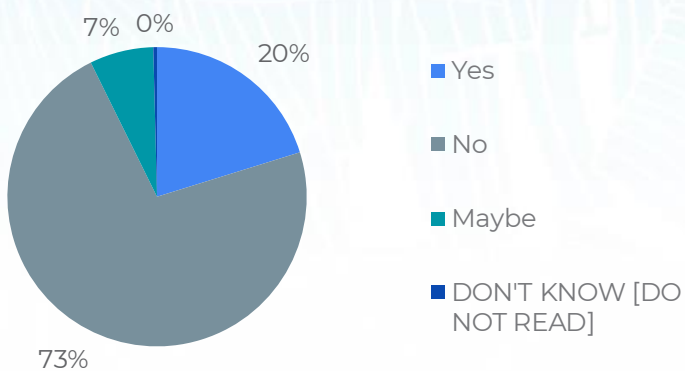


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# Employment

## The ease of finding another job

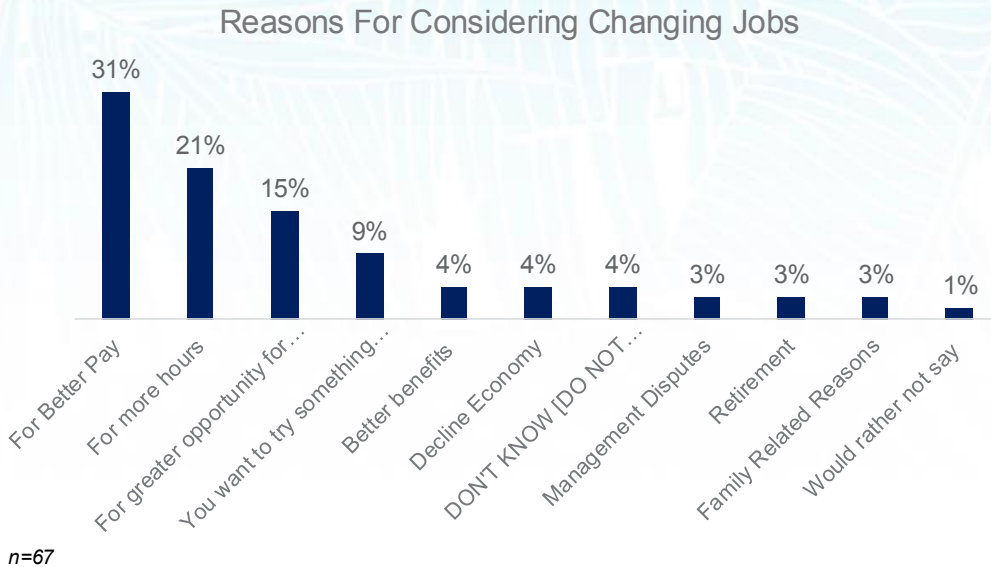
Residents Looking to Change Their Employment



At the time of the survey, twenty percent (20%) of respondents were actively seeking a job change, seventy-three (73%) are not considering a change, and seven percent (7%) are unsure.

# Employment

## Reasons they are considering changing jobs



The survey reveals that the most frequently mentioned reason for considering a job change in the CNMI is better pay (31%), followed by seeking more hours (21%) and career advancement opportunities (15%). Additionally, twenty-one percent (21%) cited other reasons, while nine percent (9%) expressed a desire to try something new.

## Observations Regarding Employment

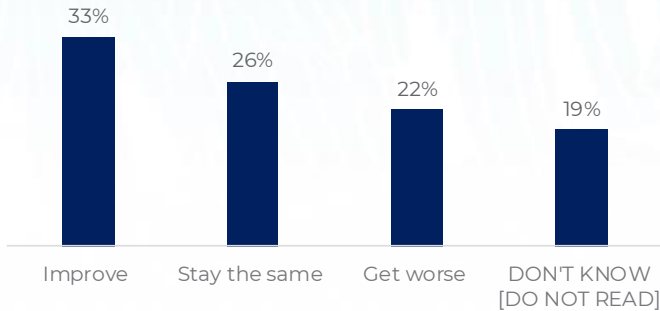
- One in five CNMI residents are unemployed and trying to seek a job.
- Some 20% of those with jobs are seeking to change jobs mostly for better pay and more hours.
- Three-quarters of those working are employed by private companies.
- More than a third of all residents have been working at their jobs for three years or less, a reflection of the disruption in the job market created by the Pandemic.



# Attitudes About The Economy

## Confidence that the CNMI economy will recover

Residents Expressed Their Feelings If The Economy Will Change Within The Next 12 to 24 Months



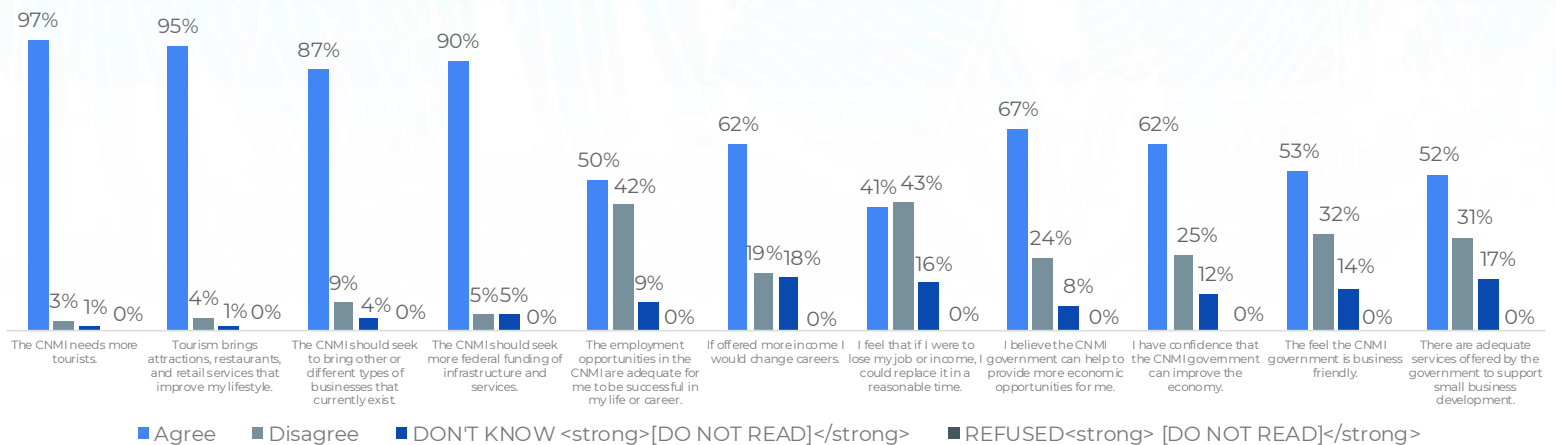
While a plurality (33%) of respondents indicated they felt the economy would improve over the next 12 to 24 months, some forty-eight percent believed that it would stay the same (26%) or get worse (22%).

# Attitudes About The Economy

## Attitudes about Tourism

Nearly all (97%) agreed that the CNMI needs more tourists, to seek federal funding for infrastructure (90%), and foster business diversification (87%). Similarly, many believe the government can help improve economic opportunities (67% agree). There are concerns about job security (43% disagree) and inadequate employment opportunities (42% disagree). While some feel the government is business-friendly (53% agree), others think more support is needed for small business development (31% disagree). There's a general call for improved wages and job security, with many willing to change careers for higher pay.

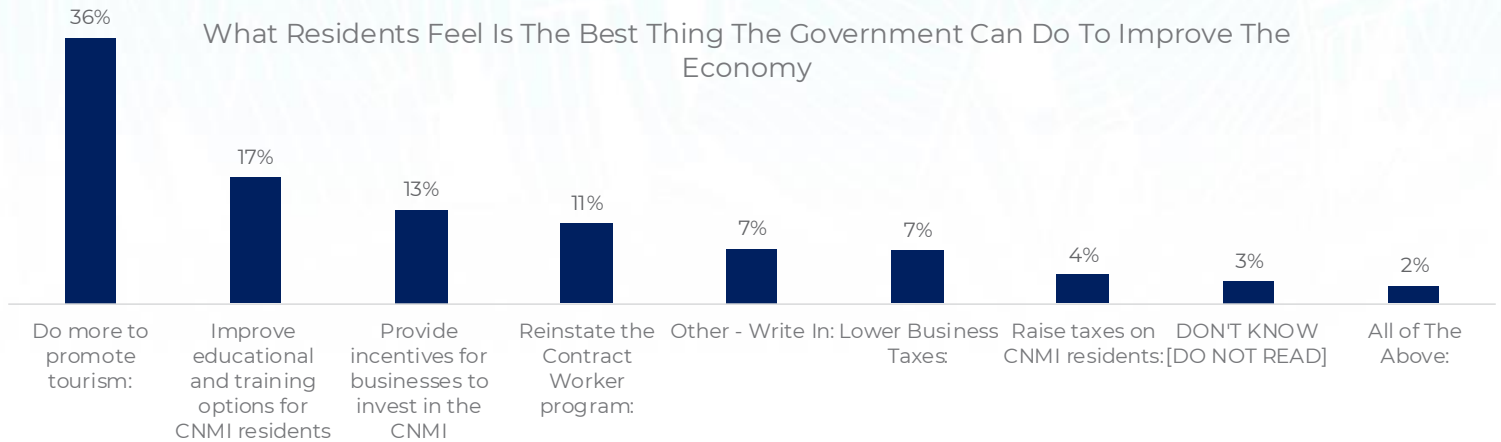
## Residents Agree or Disagree With The Following Statements



# Attitudes About The Economy

## Improving the CNMI Economy

The most frequently mentioned factor was to do more to promote tourism (36%). While tourism remains a key economic focus, there is also recognition that sustainable economic growth requires investment in education, skills development (17%), and business incentives (13%). Less frequently mentioned was expanding or extending the contract worker (CW) program (11%) and lower business taxes (7%).

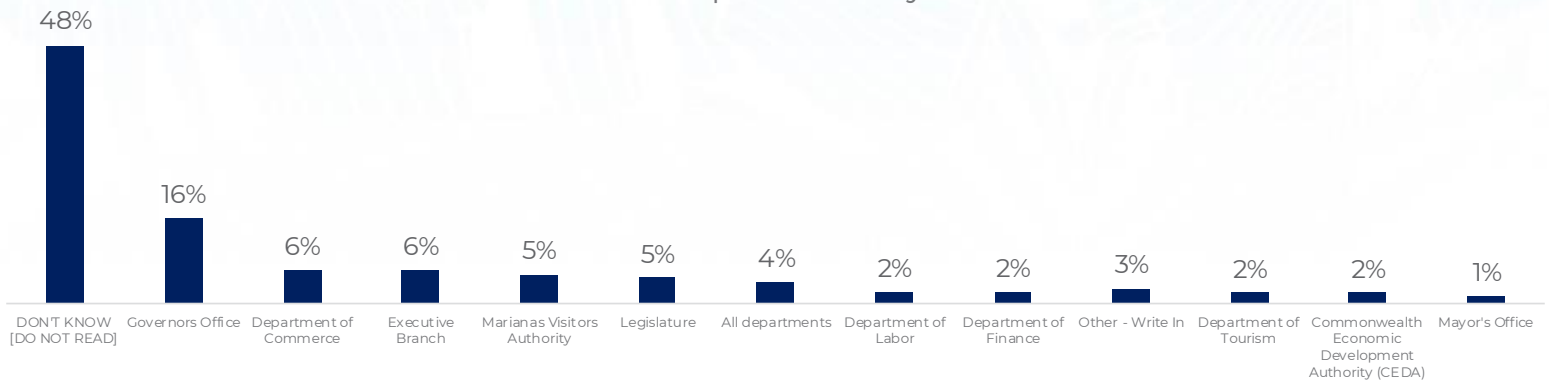


# Attitudes About The Economy

## Improving the CNMI Economy

Nearly half (48%) of the respondents don't know about the specific agency responsible for economic development. Only two percent (2%) identified CEDA as the agency. Among those who have an opinion, the **Governor's Office** is seen as the main entity, with other agencies like the **Department of Commerce**, **Marianas Visitors Authority** and the **Executive Branch** also receiving some mention. The responses reflect a lack of awareness of the role that CEDA plays in the economic development in the CNMI.

### The Government Office or Department that Residents Feel Is Responsible For Economic Development Policy in the CNMI



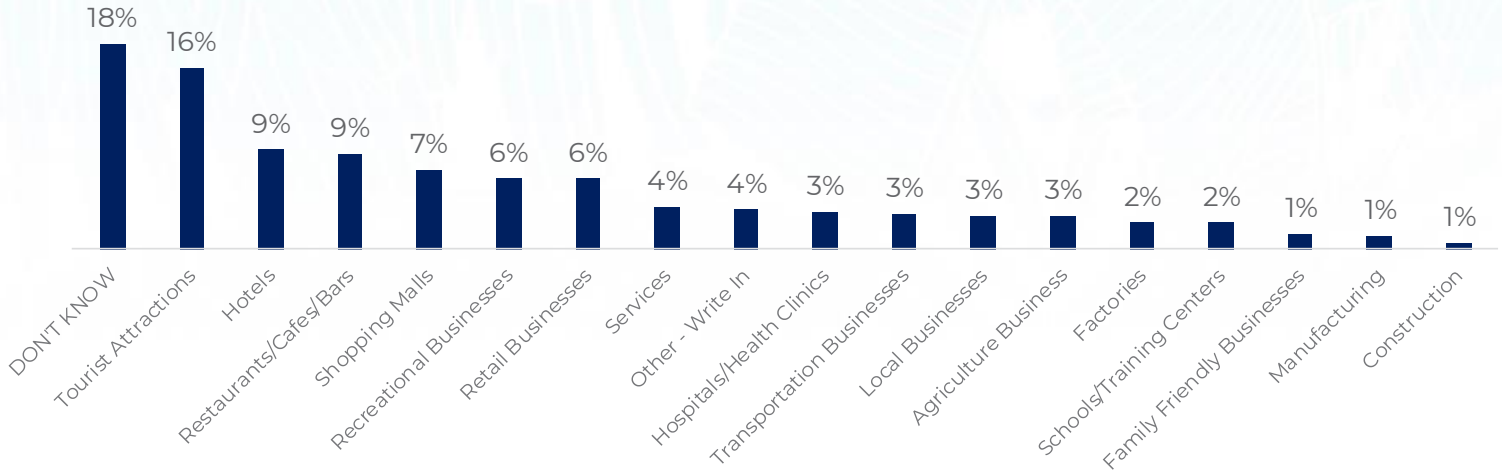
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# Attitudes About The Economy

## Attitudes about Diversification

The plurality (18%) of respondents did not know what kind of businesses to mention, but among those that did respond, sixteen percent (16%) mentioned Tourist Attractions, nine percent (9%) Hotels, nine percent (9%) Restaurants/Cafes/Bars, seven percent (7%) Shopping Malls, six percent (6%) Recreational Businesses, and six percent (6%) Retail Businesses were identified by a percentage of the respondents greater than the margin of error.

Businesses Residents would like to see established in the CNMI



## Observations From Attitudes About The Economy

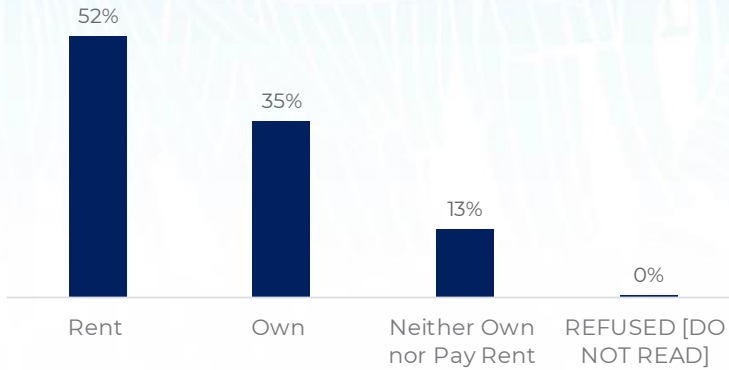
- Two thirds of residents surveyed are dubious that the economy will recover. They either believe it will stay the same and 22% say it will get worse and 19% are not sure if it will recover or not.
- There is almost unanimous agreement that the CNMI should do more to promote tourism, believing that tourism brings attractions, restaurants and things that improve the lifestyle of residents. At the same time nearly 90% believe that the CNMI should do more to diversify the economy by bringing in new business as well as continue to seek federal assistance to improve the economy.
- Almost two-thirds believe that the government can help to create better opportunities, and that it can improve the economy.
- At the same time, almost half (48%) have no idea who is responsible for economic development policy in the CNMI. Of those that do, a plurality (16%) believe the Governor's office is responsible. Only 2% of the residents surveyed could identify the Commonwealth Economic Development Authority as being responsible for economic development.



## Community Engagement

### Home Ownership

#### Home Ownership



**Rent (52%):** Over half of respondents (52%) rent their primary residence, which is the most common living arrangement.

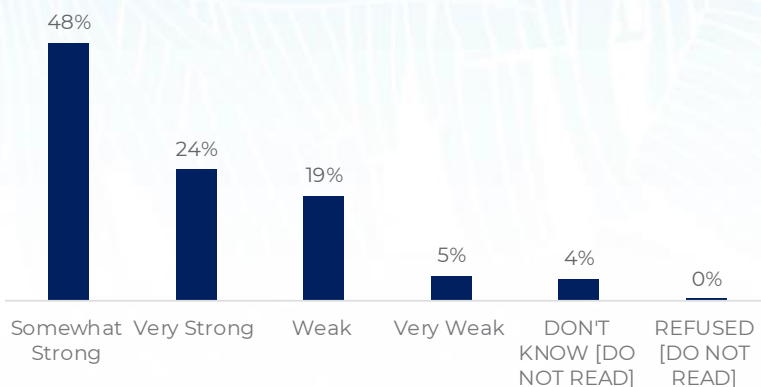
**Own (35%):** Thirty-five percent (35%) of respondents own their primary residence.

**Neither Own nor Pay Rent (13%):** Thirteen-percent (13%) of respondents' report having a living arrangement where they neither own nor pay rent, possibly living in arrangements such as with family or as part of other communal living situations.

## Community Engagement

### Ties to the community

#### How Residents Feel To Be A Part Of Their Local Community

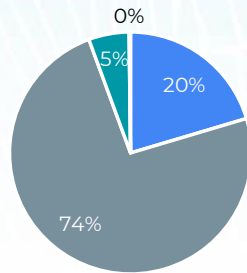


The majority (72%) of respondents feel connected to their local community. Twenty-four percent (24%) indicated felt very connected and forty-eight percent (48%) somewhat connected. At the same time, twenty-four percent (24%) felt only a weak connection.

## Community Engagement

### Plans to permanently move from the CNMI

#### Residents Plans To Permanently Move From The CNMI In The Next 12 Months



Twenty percent (20%) of CNMI residents are planning to leave which indicates a sizable possible outmigration.

Seventy-four percent (74%) are planning to stay.

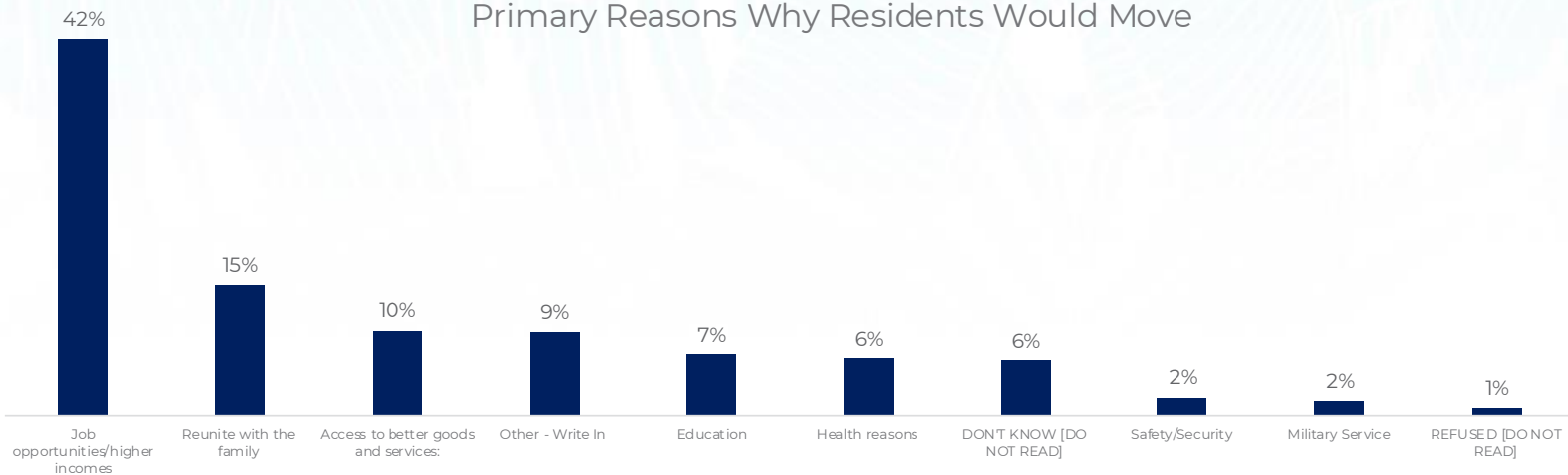
■ Yes ■ No ■ DON'T KNOW [DO NOT READ] ■ REFUSED [DO NOT READ]

## Community Engagement

### Reasons for moving

The most frequently mentioned reason for people considering leaving the CNMI is the pursuit of **better job opportunities and higher incomes (42%)**, indicating economic concerns as a major factor in relocation decisions. The next most common reasons are **reuniting with family (15%)** and seeking **better goods and services (10%)**, showing a mix of economic and personal motivations. Smaller proportions are driven by **education, health reasons, safety, and military service**.

#### Primary Reasons Why Residents Would Move

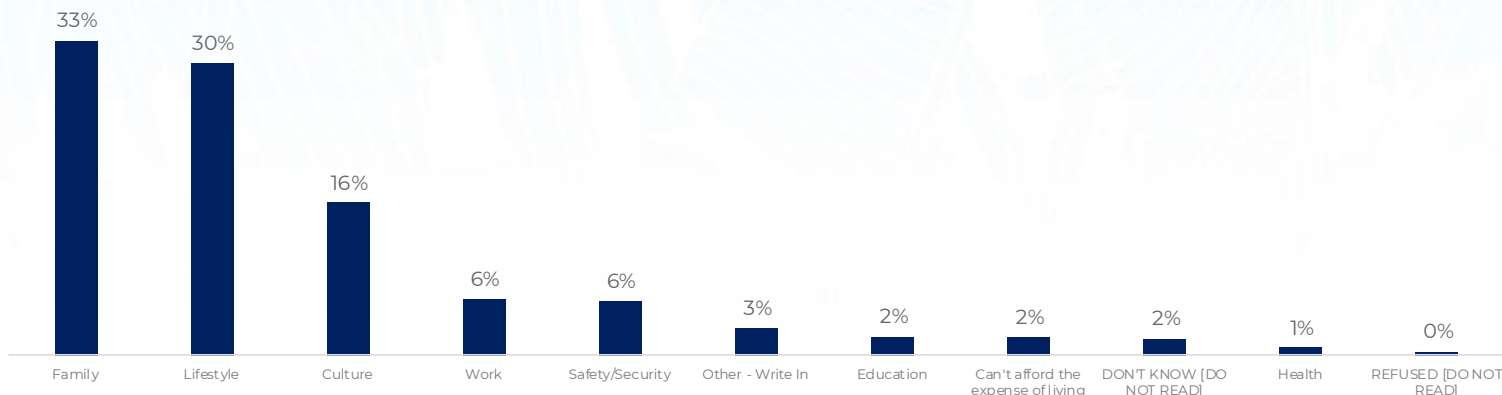


# Community Engagement

## Reasons for staying in the CNMI

Economic challenges drive many to consider leaving the CNMI. Those who choose to stay are primarily motivated by family (33%), lifestyle (30%), and culture (16%). Safety and security (6%) also influence decisions to remain in the region.

Main Reasons The Residents Choose To Stay In The CNMI



## Observations About Community Engagement

- Homeownership usually indicates a stronger connection to the community among residents. In the CNMI, about 35% of residents said they own their own homes, 52% rent, and 13% do not own or do not have to pay rent.
- Yet 72% of residents feel a strong (48%) or a very strong (24%) connection to the community.
- Regardless, one in five stated they are planning to leave the CNMI in the next 12 months and another 5% indicated they are not sure they will stay. Nearly half (42%) indicated they are leaving to find jobs and further, 15% indicated they are leaving to join family that have already left.
- Among those not planning to leave, family (33%), lifestyle (30%) and culture (16%) are the primary reasons they plan to stay.
- Even though there are strong values of family appreciation, lifestyle and culture bind most to the Marianas. The need for gainful employment and escaping the high cost of living are pulling nearly a quarter of all residents away from the CNMI possibly in the next 12 months.

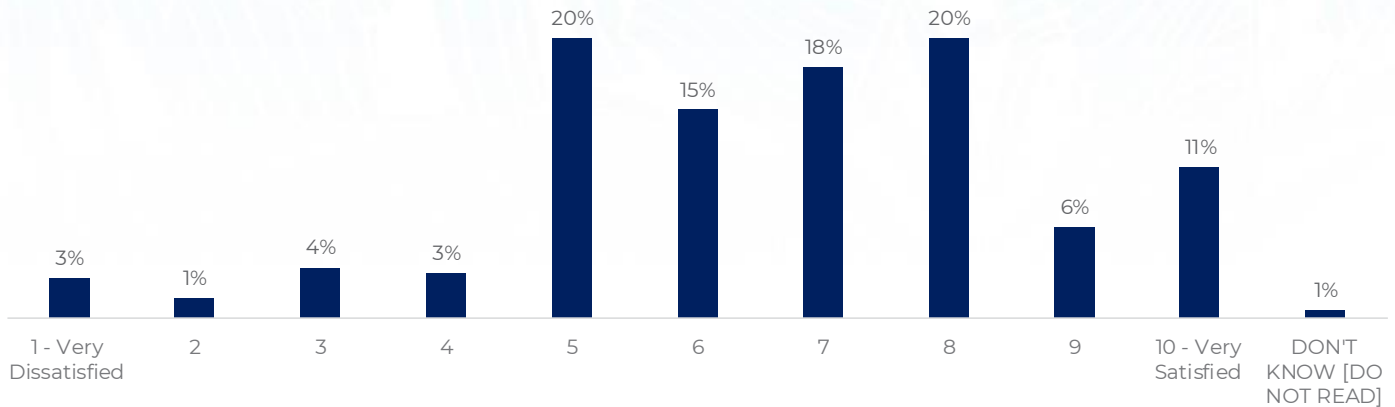


# Quality of Life

## Satisfaction with their quality of life

The quality of life in CNMI is viewed positively by some, with eleven percent (11%) very satisfied and twenty percent (20%) moderately satisfied. However, forty-four percent (44%) rate their quality of life as neutral or dissatisfied, indicating significant concerns. Issues like economic pressures, employment challenges, and limited services likely contribute to these mixed feelings. Improvements in economic stability, job opportunities, and public services could enhance the overall quality of life for many residents.

How Residents Are Satisfied With Their Quality Of Life In The CNMI

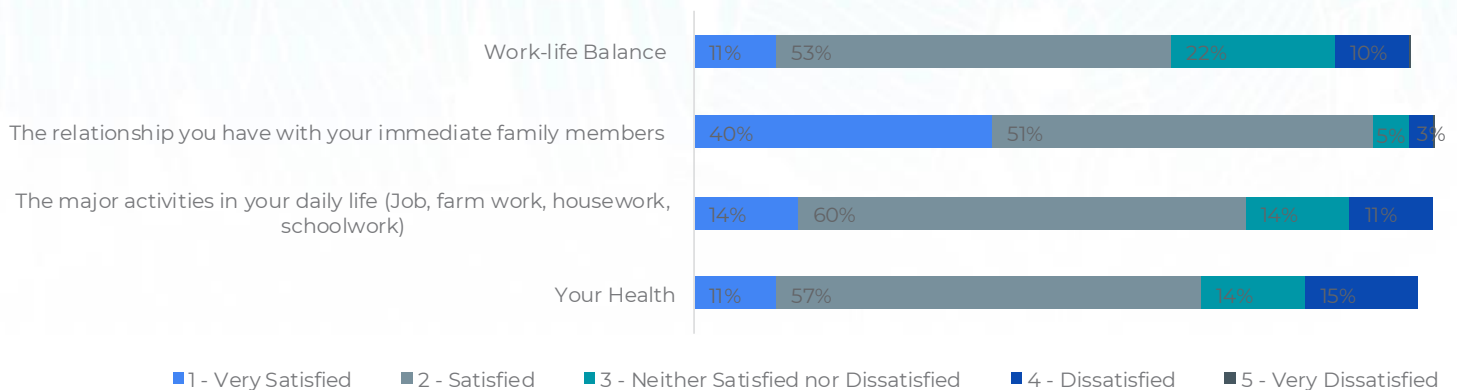


# Quality of Life

## Health, Work, Work Life Balance, and Relationship with Family

More than ninety percent (90%) of CNMI residents are either satisfied or very satisfied with their family relationships. Seventy-four percent (74%) are satisfied or very satisfied with their work. Residents were less satisfied with their work-life balance and their health.

How Residents Feel With The Following Aspects

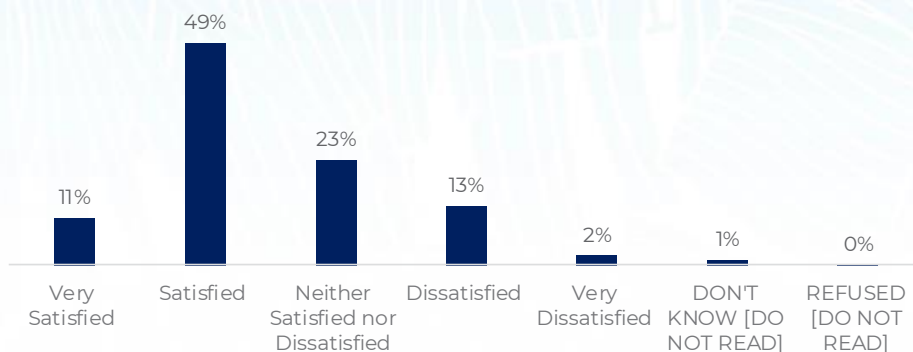


1 - Very Satisfied    2 - Satisfied    3 - Neither Satisfied nor Dissatisfied    4 - Dissatisfied    5 - Very Dissatisfied

## Quality of Life

### Stress Management

How Satisfied Residents Are With Their Ability To Manage Their Stress These Days



Sixty-percent (60%) of residents indicated that they were satisfied with their ability to manage stress these days. Thirty-eight percent (38%) indicated that were less than satisfied with their ability to manage stress.

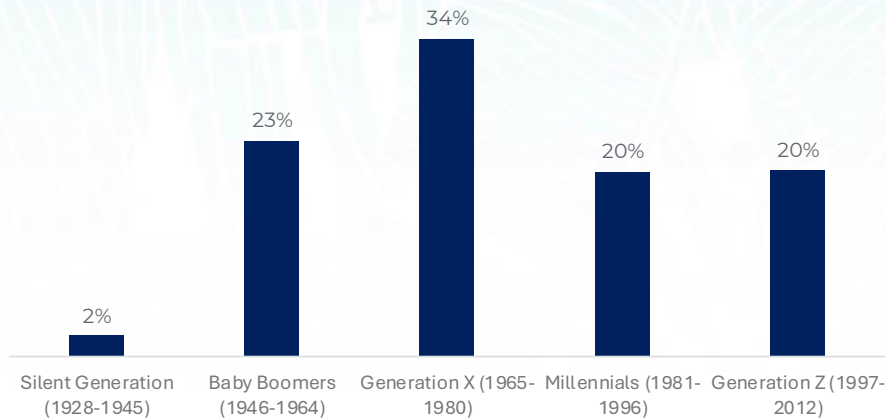
## Observations the Quality of Life In the CNMI

- Overall, CNMI residents are somewhat satisfied with their quality of life. On a scale of 1 to 10, they rated their overall quality of life at 6.8.
- Some 91% of residents indicated they were either very satisfied (40%) or satisfied (51%) with their home life.
- Three-quarters (74%) indicated that they were satisfied with what they do for a living.
- More than two-thirds (68%) indicated they were satisfied with their health, but some 15% of residents said they were very dissatisfied with the status of their health, the largest proportion of residents that registered such dissatisfaction for all the characteristics measured.
- About two-thirds (64%) indicated they were satisfied with their work-life balance, yet some 38% were less than satisfied with their ability to manage stress in their lives.

## Demographic Profile

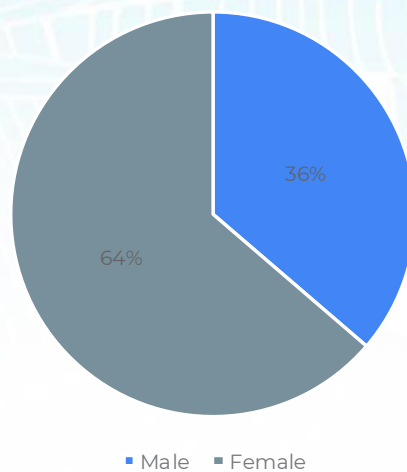
### Age

The CNMI's population is primarily Generation X (34%), followed by Baby Boomers, Millennials, and Generation Z, each around twenty-percent (20%).



## Demographic Profile

### Gender



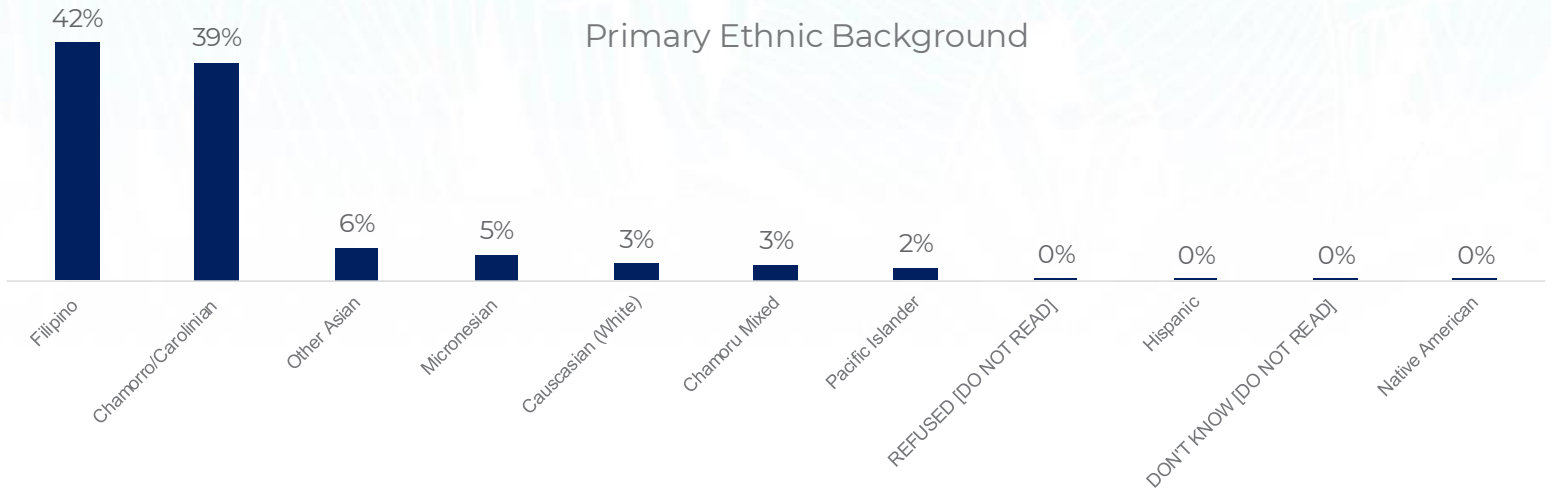
The survey sample had more female respondents (64%) than male respondents (36%).



## Demographic Profile

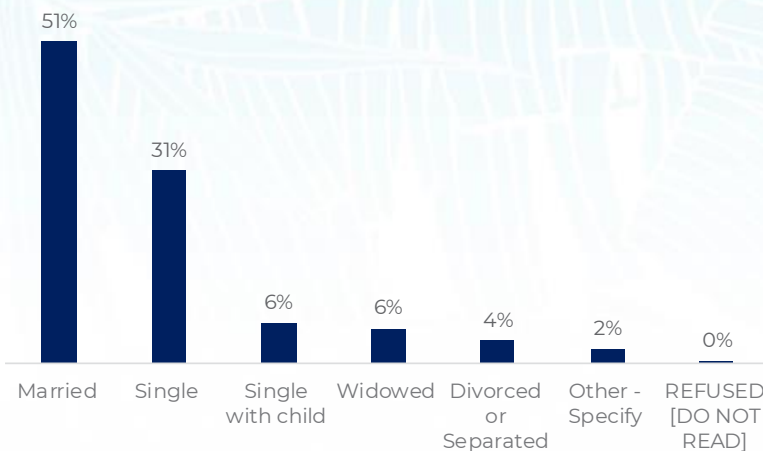
### Ethnicity

The ethnic composition of the survey respondents reflects the diverse population of the CNMI. Chamorro and Carolinian are the indigenous groups of the region and their significant presence (39%) highlights the local heritage. The large percentage of Filipinos (42%) indicates a prominent migrant population, which is common in the CNMI due to labor migration patterns. Smaller groups of Micronesians, Pacific Islanders, and Asians are the other regional and ethnic communities.



## Demographic Profile

### Marital Status

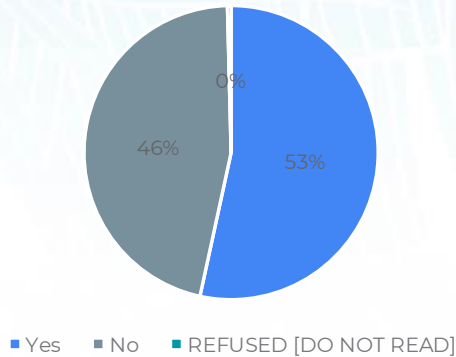


Half of the respondents (51%) is married, with thirty-one percent (31%) single, and six-percent (6%) single with children. A smaller portion is widowed (6%) or divorced/separated (4%).

## Demographic Profile

### Number of Children

Children In The Household Under The Age Of 18

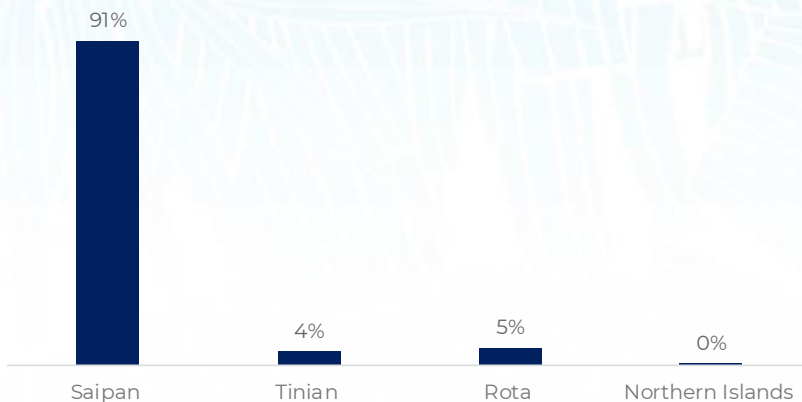


The data reveals that fifty-three percent (53%) of respondents (267 people) have children under 18 in their household, while forty-six percent (46%) (231 people) do not.

## Demographic Profile

### Island of residence

Islands Residents Live In



Nearly all the respondents (91%), reside in Saipan, with a total of 456 individuals reporting they live there.

A smaller portion (4%), or 19 respondents live in Tinian, while five percent (5%) or 24 respondents reside in Rota.

Only 1 person (0%) of the total respondents, lived in the Northern Islands.

## Conclusion – A Vision for the Economy Through the Eyes of Survey Respondents

- With 20% of residents looking for work and an equal number planning to permanently leave the CNMI, the urgency and the need for economic recovery cannot be overstated. The CNMI economy is in crisis.
- It is also true that most residents believe the CNMI government can help. While they are not sure which agency or department of the government is responsible of developing a recovery policy, they have not lost hope that the government can help.
- The reasons they are leaving are predominantly economic, residents are finding it harder and harder to afford to live in the Marianas, and their current level of income is not expected to change, and many feel it will get worse.
- Residents have deep ties to the Marianas, based on family, culture and lifestyle, the decision to leave is not easy and they would prefer to stay but feel they have no choice.

## Conclusion – A Vision for the Economy Through the Eyes of Survey Respondents

- The economy they are hoping for is one that offers jobs and careers with wages and benefits needed to sustain a better life, one that offers opportunity, better training and education options and better health care services.
- They are familiar with tourism and believe that the visitor industry enhances their lifestyle and think it is an obvious option for creating jobs and income. At the same time, nearly all welcome diversification attracting new businesses and industry to the CNMI, so long as it does not alter or degrade the island's environment or their lifestyle and culture.
- They are not enthusiastic about industrial development. They are interested in continuing to improve the island's infrastructure. They believe that more federal funding is needed.
- Without a more prosperous economy that creates a better future for its residents the CNMI will continue to lose its population and decline as a destination and community.









# *Appendix E*

## CNMI INDUSTRIAL SOLICITATION PROGRAM







## APPENDIX C: CNMI INDUSTRIAL SOLICITATION PROGRAM

As outlined in the accompanying Economic Recovery Study, modern economic development practices across the United States increasingly rely on the identification and mobilization of existing local assets to attract and support the development of new industries. In this process, governments and economic development organizations work to assemble and articulate the competitive advantage of a location and bring these strengths to the attention of potential investors and industry leaders. The goal is to facilitate the awareness of commercial viability of an industry and position the community as an attractive destination for new economic activity.

The CNMI Industrial Solicitation Program is a strategic initiative designed to connect the assets and opportunities within the Commonwealth with targeted industry sectors. It provides a structured framework for identifying, evaluating, and promoting investment opportunities that align with the CNMI's long-term economic development goals and community values.

As discussed in Bridge 1 of the Economic Recovery Study, the Commonwealth Economic Development Authority (CEDA) is ideally positioned to lead this process and holds the mandate to “allocate and expend funds for the purposes of promotion of the CNMI as a location for private investment...”<sup>1</sup> Under the present statutory authority, this initiative should be led by CEDA, with support from all government agencies - including Special Assistant on Economic Policy - and in partnership with the Legislature. Together, these entities can attract new businesses, streamline investment processes, and position CNMI as a competitive and business-friendly destination.

Through the establishment of a formal Industrial Solicitation Program, the CNMI has the opportunity to modernize its approach to business recruitment and investment promotion in a proactive and strategic manner, aligned with community-driven priorities.

### KEY OBJECTIVES OF THE CNMI INDUSTRIAL SOLICITATION PROGRAM

To effectively attract investment, the CNMI must approach economic development from the perspective of the investor. Capital can move freely and globally, and investors evaluate opportunities based on competitive advantages. Encouraging investment in the CNMI requires not only marketing of its strengths, but in reducing friction and uncertainty in the investment process.

As such, the CNMI Industrial Solicitation Program should be structured around a set of key objectives designed to locate prospective investors, and move them from initial interest to successful establishment.

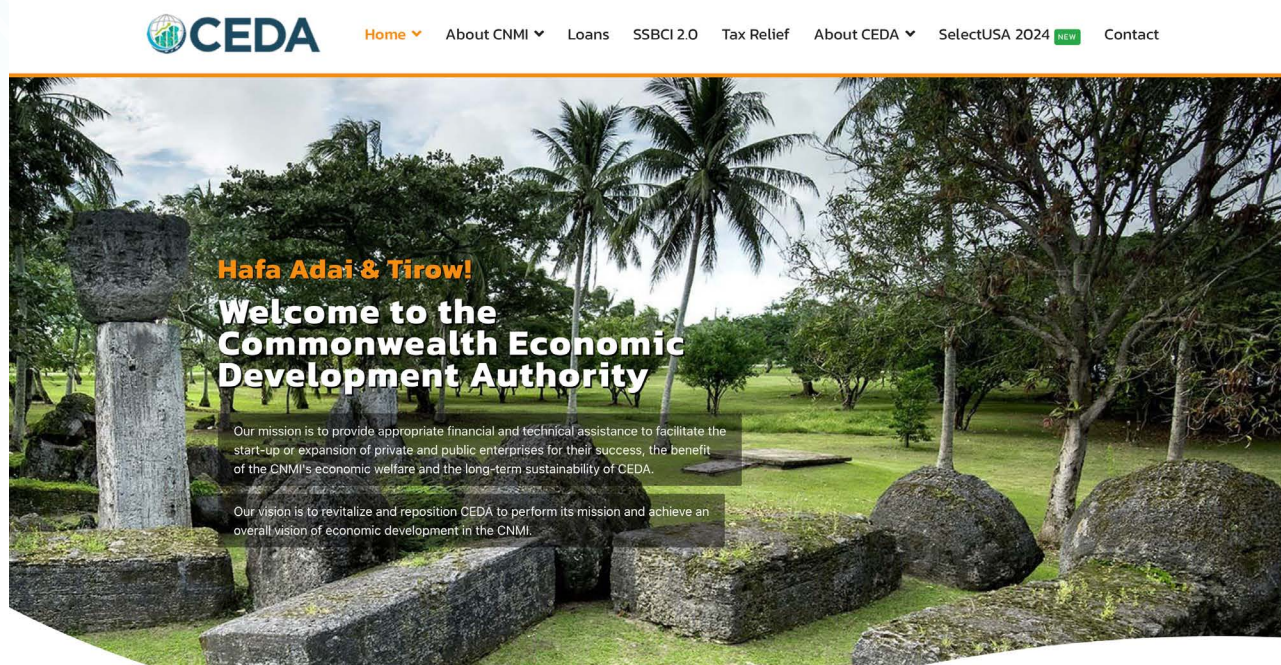
Effective implementation of the CNMI Industrial Solicitation Program must begin with the establishment of a clear and unified economic development policy. This policy should articulate CNMI's long-term development priorities and sectoral targets, enabling alignment across government agencies and institutions. A transparent, inclusive policymaking process will foster consistency and guide strategic decision-making across the Program. (Further discussion is included in Chapter 4 of the Economic Recovery Study.)

<sup>1</sup> 4 CMC § 10305(b)(5)

With a clear policy foundation in place, the Program should advance the following key objectives:

## 1. POSITION AND MARKET THE CNMI AS AN INVESTMENT DESTINATION

While the CNMI has experience in international destination marketing through the Marianas Visitors Authority, similar efforts to position the Commonwealth as a location for private investment remain underdeveloped. There is limited dedicated marketing material or budgetary support for promoting the CNMI's economic potential. A core objective of the Industrial Solicitation Program should be to build and promote a compelling investment brand that highlights the CNMI's geographic location, regulatory alignment with the U.S., and strategic advantages in the Indo-Pacific region. This includes coordinated participation in international trade shows, investment forums, and targeted outreach to generate awareness and interest in priority sectors.



CEDA's current website ([developcnmi.com](https://www.developcnmi.com)) is an improvement from the prior website used a few years ago. However, it primarily focuses on branding and promoting CEDA itself, rather than positioning the CNMI as a compelling investment destination. The CNMI Industrial Solicitation Program will serve as a guide for the website's redesign, as well as the development of marketing and media collateral aligned with this new strategic investment approach. Photo of website: <https://www.developcnmi.com>

## 2. PROMOTION AND PACKAGING OF CNMI ASSETS

Identify and organize the Commonwealth's economic assets - such as suitable site locations, infrastructure capacity, workforce potential, and financial incentives - into clear and investor-friendly materials. Assembling the CNMI's available assets into a marketable package (suitable investment sites, availability of public infrastructure, accessible workforce, etc.) should support rapid response to inquiries and match potential investor needs with CNMI capabilities. The Program should maintain a dedicated online platform with interactive investment tools, case studies, and detailed sector briefs. Complementary marketing efforts—through digital advertising, industry publications, and social media—should target strategic investor segments and raise awareness of CNMI's economic potential.

### 3. ENGAGEMENT AND DUE DILIGENCE ON POTENTIAL INVESTORS

Actively engage with interested businesses and investment groups through proactive meeting scheduling, prepared briefings, and coordinated discussions. This effort should assess the suitability and alignment of prospective investors with CNMI's economic priorities, development standards, and community values. Outreach efforts must include relationship-building with regional trade organizations, participation in investment forums, and hosting events that elevate the CNMI's visibility as a destination for high-potential investment.

### 4. FACILITATION OF BUSINESS ESTABLISHMENT AND EXPANSION

Coordinated support should be provided to investors to navigate the permitting, licensing, and regulatory environment of the CNMI. This could include assisting in site selection, connecting investors with local partners, and offering guidance on available incentives and workforce development programs.

### 5. DATA & RESEARCH SUPPORT

Maintaining and sharing high-quality economic data will be essential for decision-making and investor confidence. The Program should manage a centralized database of economic indicators, workforce statistics, and available commercial sites. Periodic business climate surveys and feedback loops should also be integrated to assess investor sentiment and identify areas for process improvement.

The Program would function as a “concierge-style” service for investors, offering end-to-end support - from awareness of the CNMI to initial inquiry and toward business establishment and expansion. By establishing a formalized framework, CNMI could foster long-term economic growth, industry diversification, and sustainable job creation.

## PROGRAM IMPLEMENTATION AND SUPPORT

To help launch the Program effectively and with urgency, CEDA must be equipped not only with the mandate, but with the technical capacity and specialized expertise required to operationalize its objectives. While CEDA is positioned to lead the program, the complexity and scope of modern industrial solicitation efforts will necessitate the support of additional partners, particularly in the initial phases.

To support implementation, CEDA should consider the following actions:

### 1. PROCURE OR SOLICIT EXPERIENCED INDEPENDENT CONTRACTORS

With demonstrated experience in business development, investor engagement, or public-private economic development initiatives. This can provide immediate capacity to execute key program functions and allow CEDA to initiate outreach and establish systems while building internal capabilities over time. CEDA should consider issuing a Request for Qualifications soliciting the qualifications and capabilities of independent contractors across a range of potential industries, toward the selection of prequalified contractors ready to support the needs of the organization. Processes for conducting this form of solicitation are contained in the Northern Mariana Islands Administrative Code § 70-30.3-250 Prequalification of Sources.

### 2. PARTNER WITH INDUSTRY-SPECIFIC EXPERTS IN PRIORITY AREAS -

Such as information technology, logistics, agriculture, or healthcare - to strengthen the program's ability to identify and attract viable opportunities that align with CNMI's competitive advantages. Such experts can be derived from the established private sector economic councils discussed in Bridge 1 of the Economic Recovery Study.



### 3. LEVERAGE EXTERNAL NETWORKS AND PLATFORMS

To expand access to global investor communities, promotional opportunities, and strategic business databases that can significantly enhance the CNMI's investment visibility beyond traditional outreach methods. Strategic use of these tools can amplify the reach of the Industrial Solicitation Program while maintaining alignment with the CNMI's development priorities. For example, platforms like Opportunity Network ([opportunitynetwork.com](http://opportunitynetwork.com)) enable direct connection with vetted global investors and provide a marketplace to promote specific investment opportunities. Tools such as Crunchbase and PitchBook offer comprehensive data on investor activity, funding history, and sector-specific trends—useful for targeting high-potential prospects and refining outreach strategies. Additionally, membership in professional organizations like the International Economic Development Council (IEDC) offers access to training resources, industry best practices, and a network of development professionals engaged in similar investment attraction efforts.

#### ESTABLISHMENT OF A BUSINESS CONCIERGE SERVICE

To translate the program's strategic objectives into practical results, the CNMI must also establish institutional mechanisms that can directly interface with investors and ensure continuity from initial engagement through project realization. Beyond high-level outreach and promotion, prospective investors will require clear guidance, responsive communication, and hands-on support to navigate the regulatory and operational environment of the CNMI. To meet this need, the Industrial Solicitation Program should be anchored by a dedicated Business Concierge Service within CEDA—serving as the front line of investor engagement and the central coordinating body for investment facilitation across government and private stakeholders.

A key component of the Industrial Solicitation Program should be the creation of a Business Concierge Service within CEDA. This unit would serve as a single point of contact for investors and businesses, ensuring efficient communication and streamlined support.

#### KEY RESPONSIBILITIES:

- **Investment Facilitation:** Provide guidance on local regulations, industry trends, and economic opportunities.
- **Stakeholder Coordination:** Connect investors with key government agencies, regulatory bodies, and private sector partners.
- **Permitting Assistance:** Guide investors through the site permitting and other permitting processes that might be required for their investment.
- **Financial & Incentive Navigation:** Educate businesses on CNMI government financing options, tax incentives, and development programs.

#### KEY PERFORMANCE INDICATORS (KPI)

CEDA should establish a comprehensive framework of Key Performance Indicators to measure the effectiveness and impact of the CNMI Industrial Solicitation Program and the performance of the Business Concierge Service. These indicators will be aligned with the program's strategic objectives and core functions.



#### PROPOSED KPIS INCLUDE:

- **Number of investor inquiries and engagements facilitated by the Business Concierge Service.**
- **Number of new businesses or investments secured as a direct result of the program.**
- **Average time to assist investors through permitting and licensing processes.**
- **Investor satisfaction score based on surveys and feedback.**
- **Revenue generated by new businesses assisted by CEDA.**

These KPIs will provide accountability and data-driven insights to improve performance and refine the CNMI Industrial Solicitation Program over time. These indicators/metrics will be shared with key stakeholders and the general public as necessary to guide adjustments and improvements.

#### BENCHMARKING AND LESSONS FROM GUAM'S SUCCESS

Guam has successfully implemented a similar economic development strategy through the Guam Economic Development Authority (GEDA). By adopting a structured approach to business attraction, GEDA has facilitated major investments in key sectors such as tourism, renewable energy, and defense-related industries.

For example, GEDA's ability to leverage tax incentives and streamline business registration processes has made Guam a preferred location for foreign investment. The creation of industry-specific investment summits, partnerships with regional stakeholders, and a dedicated investor support system have contributed to economic diversification and job creation on the island.

By studying GEDA's approach, CNMI can adopt best practices, such as:

- **Implementing a one-stop investor portal for streamlined inquiries and applications.**
- **Establishing a dedicated investment outreach team to proactively attract international businesses.**
- **Developing incentive structures tailored to key industries, ensuring long-term business retention.**



Guam's efforts to promote private investment are notable given the similarities in jurisdictions with the CNMI. However, locations across the United States have also innovated in marketing approaches that have promoted opportunities within states and communities to the international network of investors. The following are examples of marketing activities targeted that the CNMI should emulate.



PHOTO OF WEBSITE: [HTTPS://WWW.INVESTGUAM.COM](https://www.investguam.com)

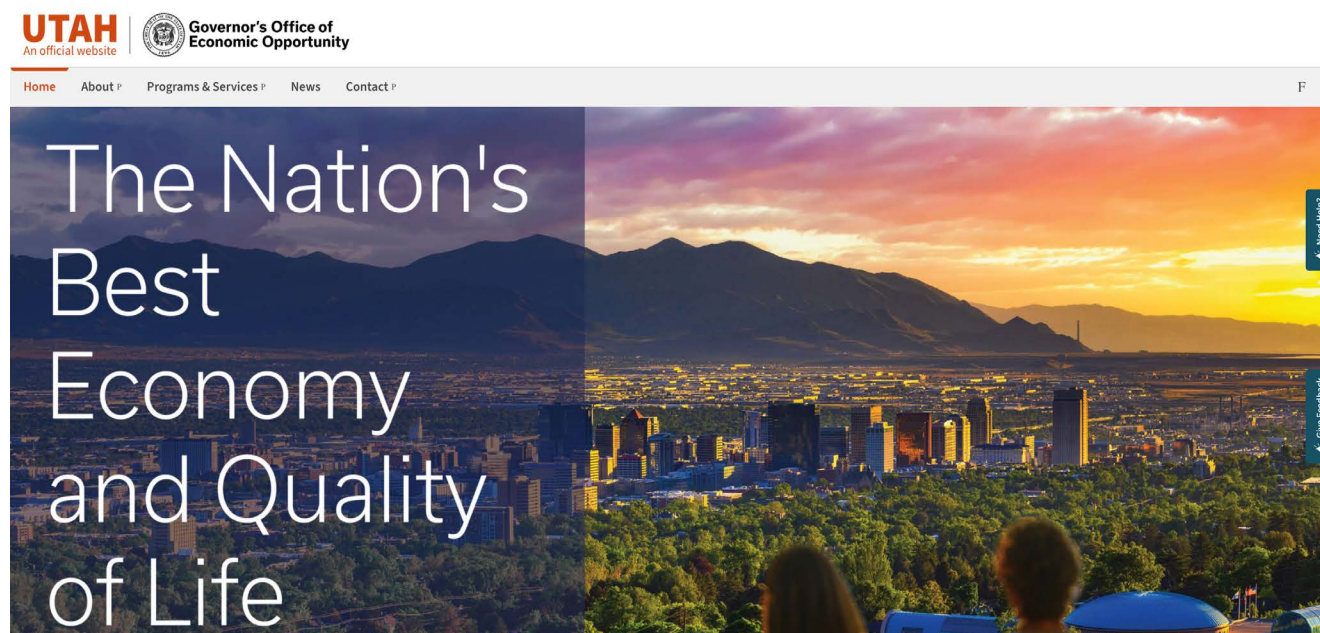


PHOTO OF WEBSITE: [HTTPS://BUSINESS.UTAH.GOV/](https://business.utah.gov/)





## Act 60 Offers Opportunities

The Puerto Rico Incentives Code ([Act 60](#)) helps build a vibrant community by promoting economic growth through investment, innovation and job creation. It offers the following main tax benefits:

**4%**

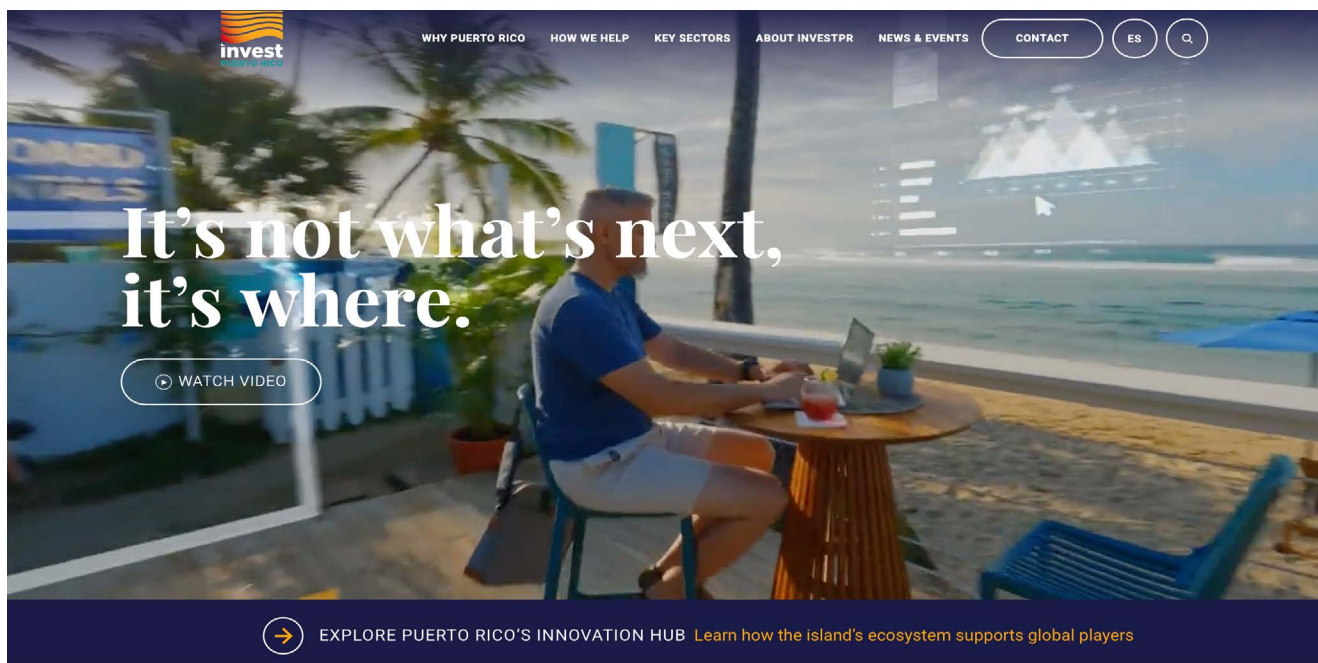
fixed income tax rate on eligible income

**100%**

tax exemption on capital gains\*

**75%**

exemption on property tax



Puerto Rico means business.

The island's supportive ecosystem empowers entrepreneurs with a spectrum of assets and initiatives. This support helps innovative plans flourish. It includes tax breaks, as well as a skilled bilingual workforce. It also involves U.S. legal and financial systems and a strong network infrastructure. Read more to learn why top companies like [Lufthansa Group](#), [Bacardi & Company](#), [HP](#) and more choose Puerto Rico.

PHOTO OF WEBSITE: [HTTPS://WWW.INVESTPR.ORG/WHY-PUERTO-RICO/TAX-BENEFITS-POLICY/](https://www.investpr.org/why-puerto-rico/tax-benefits-policy/) AND [HTTPS://WWW.INVESTPR.ORG/](https://www.investpr.org/)

## RECOMMENDATIONS & CONCLUSION

To ensure the success and sustainability of the CNMI Industrial Solicitation Program, implementation must be anchored in both strategic intent and operational readiness. The program's effectiveness will ultimately depend on the Commonwealth's ability to institutionalize investment attraction as a core function of economic governance—supported by the appropriate policies, infrastructure, personnel, and systems.

### 1. ALLOCATE RESOURCES STRATEGICALLY

The establishment of a dedicated Business Concierge Service within CEDA requires sustained investment in staffing, professional development, digital tools, and outreach campaigns. Resources should be directed toward developing investor-facing platforms (such as a professional website, digital case studies, and CRM tools), building internal capacity to handle inquiries, and maintaining a robust investor support system from pre-engagement through post-establishment phases.

### 2. ALIGN POLICY AND REGULATORY FRAMEWORKS

For industrial solicitation to be effective, economic development policies must be clearly articulated, consistent across agencies, and actively supportive of investment. This includes setting strategic sector targets, streamlining permitting and licensing procedures,<sup>2</sup> and ensuring that regulations are transparent, predictable, and business-friendly. As outlined in the Economic Recovery Study, a unified CNMI development policy is foundational to this effort and should be developed through an inclusive, cross-government process.

### 3. INSTITUTIONALIZE PERFORMANCE MEASUREMENT

CEDA should adopt a comprehensive framework of Key Performance Indicators (KPIs) to track outcomes across all phases of the investor engagement pipeline. These metrics should measure not only outputs—such as the number of investor contacts or new businesses—but also impact, including revenue generated, job creation, and investor satisfaction. Public reporting of these metrics will ensure transparency, strengthen accountability, and guide continuous improvement.

### 4. MAINTAIN SUSTAINED AND TARGETED OUTREACH

Investment attraction is not a one-time event but a sustained, relationship-based process. CNMI must commit to continuous outreach through global trade missions, regional economic partnerships, digital marketing efforts, and participation in industry-specific investment forums. Outreach should be informed by real-time market intelligence and guided by investor targeting strategies rooted in the CNMI's competitive strengths.

Together, these actions will not only position the CNMI as a credible and attractive destination for private investment but also build the internal systems and institutional capacity required to sustain long-term economic growth.

By launching the Industrial Solicitation Program, the CNMI is taking a decisive step toward long-term economic transformation. Through coordinated outreach, investor-focused support, and data-driven strategy, the Commonwealth can position itself as a competitive investment destination in the Pacific. With strong leadership from CEDA, cross-agency alignment, and strategic public-private collaboration, the CNMI can diversify its economy, create quality employment, and unlock new industries rooted in community priorities.

**Implementing this program is not merely about attracting capital—it's about building a stronger, more resilient economic future for the people of the CNMI.**

<sup>2</sup> The challenge of streamlining permitting within the CNMI is long-standing and prior attempts have not yielded significant successes. In lieu of large-scale reforms to permitting processes, a piece-meal approach to streamlining of regulatory requirements tailored to investments and developments in targeted sectors can be piloted and best practices can be later expanded to all sectors.





