

# **COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS BUSINESS OPPORTUNITIES REPORT**

**PREPARED FOR THE UNITED STATES DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS**



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## EXECUTIVE SUMMARY

The Commonwealth of the Northern Mariana Islands (CNMI) is located in the northwestern Pacific Ocean. The CNMI consists of 14 islands organized in four municipalities: Saipan, Tinian, Rota, and the Northern Islands.

The CNMI has the advantage of being affiliated with the United States. Residents of the CNMI enjoy American citizenship, Constitutional protections and other benefits while retaining control over internal affairs such as taxation and customs policies.

CNMI is experiencing a major economic shift. Two major industries, tourism and garment industry, had provided vitality to the CNMI's economy. While tourism is still the most important economic engine for growth, the role of garment industry in CNMI's economy is rapidly dwindling. The close-down of garment industry and the sluggish tourism industry has had a dramatic impact on overall economy.

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, English-speaking 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 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)**

The military build-up in Guam in the next few years will also bring new business opportunities for the CNMI. The new military build-up will likely mean increased demand for the tourism and export industry. Rota and Saipan will be excellent vacation destinations for military personnel.

Both the local government and the business community welcome and support sustainable economic development in the CNMI.

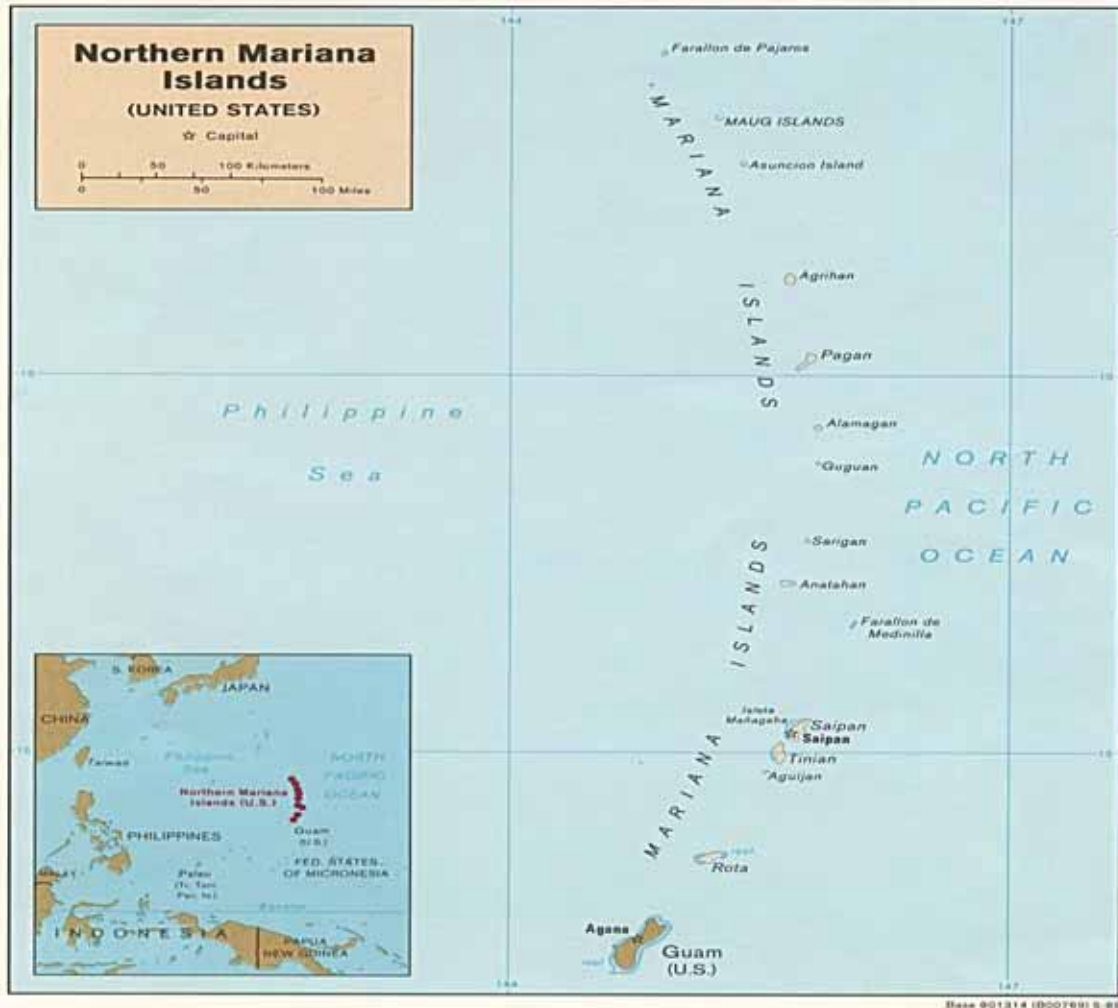
# I. BUSINESS ENVIRONMENT

## 1. BACKGROUND<sup>1</sup>

### 1) Geography

The Commonwealth of the Northern Mariana Islands (CNMI) is located in the northwestern Pacific Ocean. The CNMI consists of 14 islands organized in four municipalities: Saipan, Tinian, Rota, and the Northern Islands. Total land area is about 477 sq. km. The CNMI is a combination of “low” coral uplift and volcanic islands with coastlines ranging from rugged rocky cliff to wind white and black sand beaches.

The CNMI is quite close to Asia, within a 3 to 4 hour flight of most of the major cities. The distance from Tokyo is 1,500 miles; Seoul, 2,000 miles; Taiwan, 1,400 miles, and Manila, 1,500 miles, respectively.



<sup>1</sup>Marianas Visitors Authority

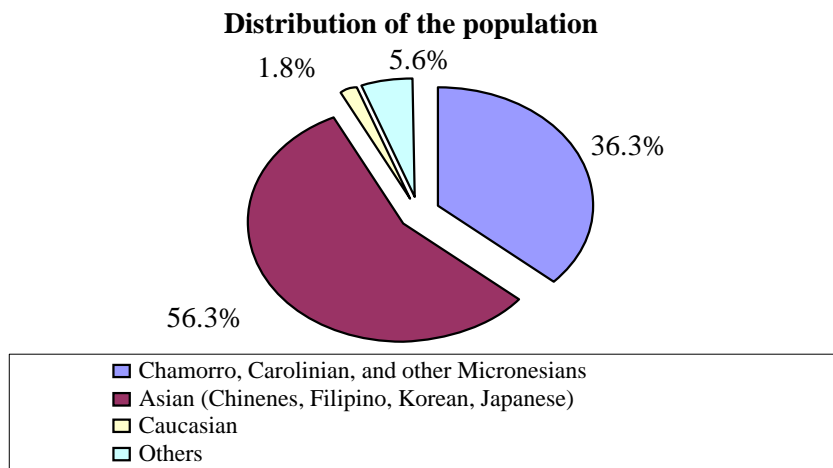
**2) Political Status**

The CNMI has the advantage of being affiliated with the United States. In 1975, the CNMI population voted to transfer sovereignty to the United States and became part of the United States. Since 1986, the Commonwealth of the Northern Mariana Islands has been governed by a Covenant with the U.S. as a political union with and under the sovereignty of the United States of America. Today, residents of the CNMI enjoy American citizenship, constitutional protections and other benefits, while retaining control over internal affairs such as taxation and customs policies.

The CNMI has a U.S.-style government, with three branches, and is governed by an elected Governor. The CNMI has a bicameral legislature consisting of an eighteen-member House of Representatives (16 from Saipan, 1 from Tinian, 1 from Rota) and a nine-member Senate (3 from Saipan, 3 from Tinian, 3 from Rota). Its capital is on Saipan.

**3) Population and Culture**

The CNMI had a total population of 84,487 in 2006. While five islands are inhabited, Saipan accounts for 90% of the whole population. The CNMI hosts a harmonious and eclectic mix of Asian and Western residents. Indigenous Chamorros and Carolinians share the islands with people of Japanese, Korean, Chinese, Philippines, Thai, U.S. mainland, Micronesian, and Indian descent. Chamorro, Carolinian, and other Micronesians account for 36.3% of the population, while Asians make up 56.3%, and Caucasian 1.8%, respectively. Currently foreign-born residents outnumber indigenous residents. While the official language is English, native people also speak Chamorro or Carolinian.



The original Chamorro and Carolinian customs have been influenced by Spanish, German, Japanese, and more recently American culture to some degree. Chamorro life revolves around family and clans. Today, family loyalty figures prominently in both politics and business. One of the most distinctive aspects of family life in the CNMI is the fiesta, held for almost any reason, such as births, baptisms, religious holidays, and weddings.

## **2. ECONOMY**

### *Key Economic Statistics*

Population	84,487	Life Expectancy (years)	76.09
GDP (USD million)	\$696.3	Population Growth Rate	2.54%
GDP per capita (USD)	\$8,047	Minimum wage (USD per hour)	\$3.55
Unemployment Rate	3.4%	Visitors arrival	435,494
Inflation Rate	0.7%	Room Occupancy Rate (2006)	62.0%
National Budget (USD million)	\$193.5	Export (USD million)	\$486.5
		Import (USD million)	\$540.2

*Sources: Economic Indicator (Mar, 2007) Department of Commerce; Pacific magazine (Feb, 2007)*

The U.S. Dollar is the official currency in the CNMI. GDP was estimated at \$696.3 million with a GDP per capita of \$8,047. Unemployment is at 3.4%, and the inflation rate is 0.7%. While imports exceed exports, this is distorted somewhat by the fact that petroleum is the largest imported product.

The CNMI is currently experiencing a major economic transition period. Previously, the two major industries, the garment industry and the tourism together served as the backbone of the economy. While tourism is still the most important economic engine for growth, the role of garment industry in the economy has been rapidly minimized. The majority of the garment factories has already closed down or is planning to shut down in the very near future, due to changes in the world trade climate.

### **1) Garment Industry**

One of the major contributors to the decline of the garment industry was China’s entry to the WTO and the elimination of tariff quotas on garment products among member nation. Since the 1990’s, CNMI-based manufacturers had enjoyed a steady stream of orders that supplemented production from quota-restricted countries such as China and Vietnam. By adding 50% of its value in the CNMI, a garment product becomes “made in Saipan, USA” and thus is allowed to be imported to in the U.S. free of tariffs. This provision allowed importing garments into the U.S. at a 17.25% cost advantage over comparable products produced worldwide. In addition, there were no quota restrictions.

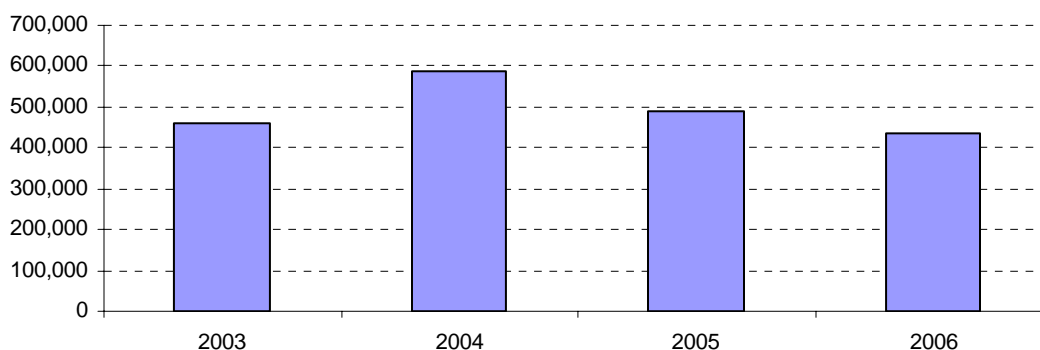
However, under the WTO Agreement on Textile and Clothing, all textile and garment import quotas between member countries were phased out by 2005. As a result, import quotas to the U.S. on previously restricted countries such as China and Vietnam were lifted. Since January 2005, Saipan garment-makers lost one of their major competitive advantages - as a unique quota-free location. This has led to the closure of the majority of garment manufacturing factories by the end of 2007.

**2) Tourism**

The tourism industry has also experienced several setbacks. The industry grew rapidly in the early 1990's and peaked in 1996, with the number of tourist arrivals climbing over 736,000. In the past 11 years, however, the CNMI has seen a slightly decreasing number of visitors. In addition to the depression of Japanese economy, a series of unexpected events such as Asian financial crisis, 9/11 terrorist attack, SARS epidemic, and the US war in Iraq, and the pullout of Japan Airlines (JAL) in 2005 also had an adverse impact on tourism in CNMI.

<b>Visitor Arrivals</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Total Visitors</b>	459,457	589,721	491,701	435,494
<b>Change %</b>	-3.3%	28.2%	-16.6%	-11.4%

**Visitor Arrivals**



**3) Current Economic Cycle (as of July, 2007)**

The departure of the garment industry and the sluggish tourism industry has taken a toll on the overall economy. Most of economic indicators are showing that economy is experiencing a downturn. In 2006, auto sales are dropping by 28.2%. Government revenues also reflect the hardship of the economy; government revenue from taxes and fees are shrunk by 8.7% in 2006. The average hotel room occupancy rate was 62%, with rooms offered at discount rates in 2006.

<b>Auto Sales</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total Cars Sold	1,692	1992	1885	1352
Change %	30.4%	17.7%	-5.4%	-28.2%

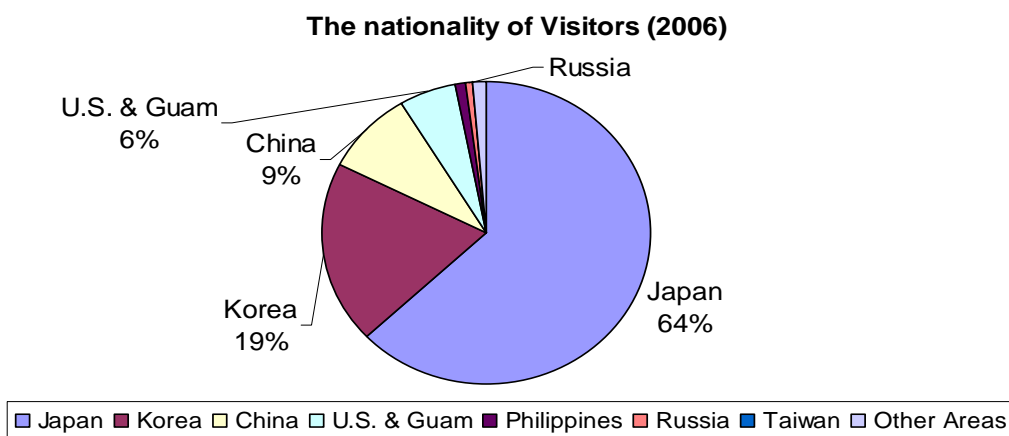
<b>General Fund Revenue (Taxes and Fee Collected)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total (US \$ Millions)	209.79	217.79	210.29	192.03
Change %	11.6%	3.9%	-3.5%	-8.7%

### 3. CURRENT TRENDS IN TOURISM

The CNMI is an attractive tourist destination, with pristine natural beauty. Providing an array of recreational activities, each of the three main islands seeks to appeal to a specific target group. Saipan is geared toward families, offering duty-free shopping and world-class resorts. Tinian appeals to casino gamblers, with a luxurious casino hotel. Rota attracts eco-tourists and adventure tourists.

The CNMI has experiencing transitional movement even in the tourism industry. The nationality of tourists becomes more diverse. While Japanese visitors are still the largest (64% in 2006) and the most important in terms of the spending power, the growth rates of tourists from other countries outnumber that of Japanese.

In 2006, Korean tourist arrivals increased by more than 18%, making them in the second largest group of visitors. China and the Philippines are also becoming more important sources of tourists, with the increases of 64% and 81%, respectively. More and more Russian tourists are also visiting the CNMI, which is enabling the CNMI to expand its market beyond Asian regions.



Visitor Arrivals <sup>2</sup>	2005	2006	In/Decrease
Japan	351,739	269,780	-23.3%
Korea	69,952	82,891	18.5%
China	23,410	38,313	63.7%
U.S. & Guam	37,666	24,579	-34.7%
Philippines	2,381	4,320	81.4%
Russia	-	1,675	-
Taiwan	2,085	314	-84.9%
Other Areas <sup>3</sup>	4,468	6,178	38.3%
Total Visitors	491,701	435,494	-11.4%

<sup>2</sup> Marianas Visitors Authority

<sup>3</sup> Other Area includes China/Hong Kong, Philippines, Russia & Taiwan

**Direct flight schedule from major Asian cities (as of July, 2007)**

Airlines	Destination	Frequency
Northwest Airlines	Nagoya- Saipan	7 flights per week
	Narita- Saipan	7 flights per week
Asiana Airlines	Seoul – Saipan	11 flights per week
Air China	Beijing – Saipan	2 flights per week
China Eastern Airlines	Shanghai- Saipan	2 flights per week

**Strategic Initiatives for 2006-2010<sup>4</sup>**

In May 2006, the administration announced an aggressive effort to attain one million tourist arrivals by 2010. In shaping the vision and goals for tourism, public and private sector leaders have indicated their willingness and are ready to move together. Some goals of this initiative include:

- 1) **Air Service:** The CNMI must attract new air carriers to provide additional service from key Asian cities.
- 2) **Destination Enhancement:**
  - (1) Saipan should create and execute plans to redevelop approximately 80,000 sq. meters of underutilized government land in the heart of Garapan for shopping and new attractions.
  - (2) Other areas of the islands should be identified for future development of new attractions. Quality investors should be targeted to bring to life new activities that will be of interest to both visitors and residents.
- 3) **The Hotel Industry**
  - (1) The hospitality industry, through the HANMI<sup>5</sup>, should promote continued renovations and improvements to bring up quality and improve guest experiences at the islands' existing hotels.
  - (2) The CNMI should seek to build at least 500 more hotel rooms to accommodate a total of 1 million tourists annually.
- 4) **Current and Emerging Tourism Markets**
  - (1) Japan: Growth target of 500,000 arrivals (50% of total arrivals)
  - (2) Korea: Growth target of 150,000 arrivals (15% of total arrivals)
  - (3) China: Growth target of 250,000 arrivals (25% of total arrivals)
  - (4) Russia: Growth target of 10,000 arrivals (1% of total arrivals)
  - (5) Taiwan: Growth target of 25,000 arrivals (2.5% of total arrivals)
- 5) **Promoting the “Hafa Adai” Spirit:** The CNMI will seek to promote the indigenous culture and find ways to incorporate the “Hafa Adai spirit” into its tourism industry.

<sup>4</sup>The Ad Hoc Tourism Committee, Strategic Economic Development Council - May, 2006

<sup>5</sup>The Hotel Association of the Northern Mariana Islands (HANMI)

### **3. INVESTMENT ENVIRONMENT**

#### **1) Competitive Advantages of CNMI<sup>6</sup>**

<b>Competitive Advantages</b>	<b>Description</b>
<b>Location</b>	- Proximity to major Asian Markets
<b>Climate and Environment</b>	- Tropical but moderate climate - Stable temperature throughout the year
<b>U.S. Governance</b>	- U.S. jurisdiction and political stability
<b>Language</b>	- English is the official language and is widely spoken.
<b>Currency</b>	- The dollar is the official currency and no currency risk
<b>Infrastructure</b>	- Well-maintained roads, telecommunication, and shipping routes
<b>Law and Law enforcement</b>	- U.S. federal law is applied and U.S. federal government has stationed field officers in the CNMI. - All business transactions are protected under the U.S. federal court system
<b>Favorable Tax System</b>	- The CNMI government has control over tax policy. - The CNMI has one of the lowest effective corporate income tax rates in the world. Overall tax rates are 10%-50% less than the U.S. federal tax rates. - Qualifying Certificate (QC) Program granting tax relief.
<b>Favorable Tariff Structure</b>	- Manufacturer can export duty free to the U.S. as well as to international markets under the Headnote 3(a) provision of the Generalized System of Preferences (GSP). - Duty free access to the U.S. for products originating in the CNMI with a minimum of 30% of added-value process.

#### **2) Tax System<sup>7</sup>**

The major taxes on business operations include Corporate Income Tax (Northern Marianas Territorial Income Tax (NMTIT)) and Business Gross Revenue Tax.

<sup>6</sup> Source: <http://www.saipanchamber.com/doingbusiness.asp> , Saipan Chamber of Commerce.

<sup>7</sup> Source: Setting up business in the CNMI : A Guide for Investors , CDA.

**Investment Incentives: The Qualifying Certificate (QC) Program**

The Qualifying Certificate (QC) Program was intended to reduce business start-up and operating costs. The program grants tax relief by way of rebates and/or abatements to qualified investors.

The QC program targets specific industries, including 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 may receive up to 100% in rebates and/or abatements on CNMI taxes, including business gross revenue taxes, income taxes, capital gains taxes, excise taxes, developer infrastructure taxes, and alcoholic beverage taxes for periods of up to 25 years.

The impact on existing industries, location of proposed activities, creation of new employment, import institution, and impact on consumer prices are among the many factors considered in the determination of benefits granted.

**Northern Marianas Territorial Income Tax (NMTIT)**

The NMTIT mirrors the U.S. Internal Revenue Code except where incompatible with the Covenant to Establish a Commonwealth of the Northern Marianas Islands in Political Union with the United States of America or CNMI tax laws. Sole proprietorships, partnerships, corporations, and other taxable entities must report and pay income taxes on CNMI-sourced income.

Pursuant to the Covenant and CNMI tax laws, taxable entities subject to the NMTIT are entitled to a rebate on their NMTIT tax liability. The rebate ranges from 50% to 90% depending on the amount of tax paid. NMTIT rebate amounts for corporate and non-corporate taxpayers are as below.

<b>Rebate Base (NMTIT Owed)</b>	<b>Amount of NMTIT Rebated</b>
< \$20,000	- 90% of rebate the base
\$20,000 - \$100,000	- \$18,000 plus 70% of the rebate base over \$20,000
>\$100,000	- \$74,000 plus 50% of the rebate base over \$100,000

**Business Gross Revenue Tax (BGRT)**

Business gross revenues sourced within the CNMI are subject to the Business Gross Revenue Tax (BGRT). BGRT taxes must be paid on a quarterly basis. Special rates apply to agricultural producers, fisheries and manufacturers, wholesalers, and financial institutions. Manufacturers that export products overseas are exempt from the BGRT.

Annual Gross Revenues	Rates	Annual Gross Revenues	Rates
\$0-\$5,000	No Tax	\$250,001 - \$500,000	3%
\$5,001 - \$50,000	1.5%	\$500,001 - \$750,000	4%
\$50,000 - \$100,000	2%	Over \$750,000	5%
\$100,001 - \$250,000	2.5%		

Industry	Rate
Agricultural Producers & Fisheries	- \$0 if annual gross revenue is \$0 - \$20,000 - 1% of annual gross revenue if annual gross revenue is >\$20,000
Manufacturers & Wholesalers	- \$0 if annual gross revenue is \$0- \$5,000 - 1.5% of annual gross revenue if annual gross revenue is \$5,001 - \$50,000 - 2% of annual gross revenue if annual gross revenue is >\$50,000
Financial Institutions	- Greater of 5% net income or 3% gross revenue

**3) Minimum Wage**

In accordance with the Fair Labor Standards Act (FLSA), the minimum wage is \$3.55 an hour as of July 25, 2007. The minimum wage will increase by 50 cents every year over an eight-year period, until the CNMI minimum wage level reaches \$7.25 an hour, the federal minimum wage level as of 2009.

**4) Land Ownership**

There are two types of land in the CNMI, public land and private land, divided roughly 55% - 45%.

**Public Land (Constitution Article XI)**

Public lands, based on Constitution Article XI, are collectively owned by people of Northern Marianas descent, and professionally managed by a government agency, the

Department of Public Lands. Most investors lease public lands for various purposes, including hotel development, golf course projects, and more. The lease period of public lands is 25 years, and leases can be renewed for another 15 years. The average annual rental fees for the public lands range from 2% to 8% of their fair market value, depending on the leasing period.

**Private Land (Constitution Article XII)**

Private lands, based on Article XII of the CNMI Constitution, can be leased up to 55 years. Although the ownership of these private lands is limited to the local Chamorros and Carolinians<sup>8</sup> and land owners are not allowed to sell their properties to non-Chamorro or non-Carolinian, this regulation will be under review by 2011.

**Incentive for Condominium Development in the Private Land**

As an investment incentive for developers of condominiums on private lands, the CNMI government recently established Public Law No. 15-20, by which the government now legally enables any individual or corporations to transact permanent or long-term interests in one or more condominium units locating above the first floor of condominium buildings on private land.

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<sup>8</sup> Constitution Article XII, section 4: The acquisition of permanent and long-term interests in real property within the Commonwealth shall be restricted to persons of Northern Marianas descent. A person of Northern Marianas descent is a person who is a citizen or national of the United States and who is of at least one-quarter Northern Marianas Chamorro or Northern Marianas Carolinian blood or a combination thereof or an adopted child of a person of Northern Marianas descent if adopted while under the age of eighteen years.

## **II. BUSINESS OPPORTUNITIES**

Despite the recent downturn, there are potential opportunities in the CNMI.

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 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)**

The military build-up in Guam in the next few years will also bring new business opportunities to the CNMI. The new military build-up will likely mean an increased demand for the tourism industry.

### **The Military build-up in Guam<sup>9</sup>**

Over the next seven years, 8,000 U.S. Marines and 9,000 military dependents will be transferred from Okinawa to Guam. The U.S. Department of Defense will also be moving other Navy, Air Force, and Army units to Guam over the next seven years as part of a major regional realignment. The moves could add an additional 30,000 people to the island's current population of about 170,000.

The military build-up will infuse an estimated \$10.5 billion for new construction, rehabilitation, and relocation projects in the territory over the next seven years in support of the Marine move alone. The work includes housing, naval, and air base facility expansion, road, and utility work. The Japanese government is contributing about \$6 billion of the total cost and the U.S. government about \$ 4 billion.

The CNMI is well positioned to play host to some of the more than 30,000 military personnel and family members who will be transferred from Okinawa to Guam in the next few years. With direct flights from Guam, the CNMI will provide an affordable, nearby respite for these soldiers and their families who may be looking for travel and entertainment options.

<sup>9</sup> Source: Saipan Tribune, Sunday June 10, 2007.

## **1. Tourism**

Although tourism in the CNMI has suffered over the past few years, it continues to offer attractive investment opportunities.

### **Recent Large-scale Investment**

One of the largest Korean conglomerates, Kumho Group, the parent company of Asiana Airlines, recently purchased the LaoLao Bay golf course and is planning to build a condominium in the vicinity. Asiana Airlines also recently added four daytime flights a week between Seoul and Saipan.

World Construction, a Korean construction company, invested in the former Diamond Hotel and turned it into the World Resort, a new water resort, in 2003.

### **Tourists from China**

The number of tourists arriving from China to the CNMI has steadily been increasing in the past four years. The Chinese outbound tourist market presents a tremendous opportunity for the CNMI. Continuously targeting the Chinese tourists since 2005, the Mariana Visitors Authority (MVA) has done aggressive marketing campaign to capture this market. In 2004, the CNMI received an Approved Destination Status (ADS) from the China National Tourism Administration, which has boosted the number of tourists from China. China Eastern Airlines also commenced flights between Saipan to Shanghai on July 22, 2007.

### **Tinian and Rota**

Tinian is home to the Tinian Dynasty Hotel & Casino, located along the beautiful tropical coastline of the island. Tinian International Airport runway was further expanded to direct flights from China. It is estimated that the new airport has capacity to bring as many as 250,000 visitors to Tinian annually. Since Tinian's gaming industry would provide a viable source of economic growth for the island in the form of increased revenues and employment for the local population, further investment in the casino business has been encouraged by local government.

Rota, with its exceptional cultural and environmental heritage, is well suited for ecotourism development.

There is a potential demand for theme tourism such as golf or intensive golf training, sports tourism, wedding travel, and conferences. There is also an increasing demand for new high-end hotels. Reinvesting in existing hotels is also a potential investment option.

Sector	Opportunity	Partnership Need
<i>Tourism</i>	<p><b>Theme Tourism</b></p> <p><b>(1) Golf Tour or Intensive Golf Training</b> Saipan has five golf courses and Rota has one golf course as well. These are excellent destinations for golf tourism and intensive golf training. The golf course in Rota can be wholly rented for professional group lessons.</p> <p><b>(2) Sports (dive and adventure) tourism:</b> From the caves of Obyan Beach to the WWII wrecks in the Tanapag lagoon, a variety of dive programs can be developed.</p> <p><b>(3) Wedding Ceremony Tourism:</b> As wedding tourism becomes more popular in the region, the CNMI is in an ideal location to offer tropical wedding site to Asian couples, particularly Japanese couples.</p> <p><b>(4) Conference Tourism:</b> Given the CNMI’s hotel room capacity, modern business support services and tourist attractions, there are opportunities to develop the CNMI as a corporate conference and outing destination.</p>	<ul style="list-style-type: none"> <li>• Tourism Agency or Theme Tourism Organizer</li> </ul>
	<p><b>Hotel, Golf Course, and Condominium Development</b></p> <p><b>(1) New Hotel:</b> Given the low number of 5 star hotels in the CNMI, more high-end hotels present an opportunity. As has been the case in Hawaii or Guam, the high-end hotel chain can possibly bring more affluent tourists with their higher spending power.</p> <p><b>(2) Reinvestment in Existing Hotels or Golf Courses:</b> Some hotels and golf courses in the CNMI might be investment opportunities.</p> <p><b>(3) Condominium Development</b> The CNMI government recently enacted a condominium law that encourages the construction of condominiums in the CNMI.</p>	<ul style="list-style-type: none"> <li>• Hotel Developer</li> <li>• Golf course Developer</li> <li>• Condo Developer</li> </ul>

Sector	Opportunity	Partnership Need
<p><i>Tourism</i></p>	<p><b>Entertainment</b>                      Providing additional entertainment options for visitors presents additional opportunities:</p> <p><b>(1) Shopping Center:</b> Currently the only large-scale shopping center is the DFS facility near Garapan. In order to enhance and diversify the experience of tourists, other shopping option could be offered.</p> <p><b>(2) High-end Restaurants:</b> Currently, Saipan has no high-end restaurants, though there seems to be a constant demand for this type of restaurant, especially from golf tourists and wealthy families.</p> <p><b>(3) Development of Mt. Tapotchau:</b> The highest point on the island Saipan has an amazing 360 degree view of Saipan. A Cable car from the village of Garapan or restaurants at the highest point could be developed.</p> <p><b>(4) Aquarium:</b> The CNMI borders the Marianas Trench, the deepest part of the ocean anywhere in the world. An Aquarium that highlights the unique species in this environment could be developed; Guam has its own aquarium, which has successfully attracted tourists.</p> <p><b>(5) Chamorro cultural conservation center:</b> Many opportunities exist for the development of cultural shows for tourists who are interested in learning about Chamorro and Carolinian culture and heritage.</p> <p><b>(6) Cruises:</b> In addition to the existing dinner cruise offerings, various types of cruise business could be developed. Cruise ships from Asia can also be considered.</p> <p><b>(7) Sugar Cane Train:</b> The CNMI had been s large sugar production site into the early 1990s. In addition to the current war memorial tourism, redeveloping the sugar cane could provide awareness of another part of the WWII story.</p>	<ul style="list-style-type: none"> <li>• Shopping Company</li> <li>• Restaurant Investor</li> <li>• Various Investors</li> </ul>

Sector	Opportunity	Partnership Need
<i>Tourism</i>	<p><b>Casino: Tinian</b>                      In Tinian, there five casino slots were approved by legislators for development. Out of five, one has already been operating since 1996, and the construction of two other casino projects is under way. The remaining two slots are open to new investors.</p> <p>Tinian maintains its unique potential for casino investment. While it is close to Asia, it is operated in a U.S. jurisdiction.</p>	<ul style="list-style-type: none"> <li>• Casino Developer from Macau or U.S.</li> </ul>
	<p><b>Eco-Tourism: Rota</b>                      Rota is well-known for its wonderful and clean natural environment. Rota is also close to Guam. Tourism can be developed for Pinatang, Tewksberry Park with its perfectly lined rows of coconut palms, Wedding Cake Mountain, The Swimming Hole, Sagua'gaga Seabird Sanctuary.</p>	<ul style="list-style-type: none"> <li>• Travel Agency</li> </ul>

## 2. Education

### Competitive Advantages

Despite its competitive advantages and potential, the education programs in the CNMI are still quite underdeveloped. The competitive advantages of the education industry in the CNMI includes the fact that it is one of the closest English-speaking areas to Asia, its status as U.S. territory, public safety, and its favorable climate, particularly compared with other education destinations.

The Philippines have successfully taken advantage of the growing demand for English education in Asia. In Southeast Asia, the Philippines pull in the largest number of Koreans for English training. If the CNMI effectively serves this potential demand with appropriate programs, this presents a significant opportunity for development.

### U.S. university degree and English language training

One of potential opportunities in the CNMI is the development of education programs for advanced degrees from accredited U.S. universities via distance learning programs. There are also opportunities for English language training for students from Asia.

### Nursing School at NMC

The Nursing School at NMC provides an opportunity for Asians who want to be U.S. certified nurses. The graduates who pass the nursing exam are eligible to work anywhere in the U.S.

Sector	Opportunity	Partnership Need
<p><i>Education</i></p>	<p><b>A branch of U.S. University &amp; Distance Learning</b>                      Asian students are continuously interested in advanced degrees from U.S. universities. Given the value placed on a U.S. university diploma, distance learning education from relatively well-known U.S. universities can be an opportunity for development.</p>	<ul style="list-style-type: none"> <li>• U.S. university with willingness to open a branch</li> <li>• Education Agency in Asia</li> </ul>
	<p><b>English as Second Language(ESL) Program</b>                      Given the market in Asia for learning and practicing English, the CNMI could be an ideal destination for English education. The CNMI’s geographical proximity to Asia, safety, and U.S. jurisdiction are all competitive advantages.</p> <p>English language training program such as English as Second Language (ESL), could be viable with appropriate program coordination.</p> <p>A diverse extension program could be operated. For instance, the program manager can relate the language education with sports tourism (diving, golf, and adventure program).</p> <p>Existing programs at the Northern Marianas College such as Business Management, Tourism Education, and Department of Film &amp; Arts could be coordinated with ESL in order to enhance the overall experience of students.</p>	<ul style="list-style-type: none"> <li>• ESL program developer and Manager</li> <li>• Investor for facilities</li> </ul>

Sector	Opportunity	Partnership Need
<p><i>Education</i></p>	<p><b>Nursing School at Northern Marianas College(NMC)</b>                      The Nursing Department at NMC offers two programs: the Nursing Assistant Certificate of Completion and the Associate in Science degree in Nursing.</p> <p>Following their successful completion of the Associate in Science in Nursing Degree Program, nursing graduates are eligible to take the licensure examination for Registered Nurses.</p> <p>The Nursing Program’s primary goal is to prepare nurses to work in the CNMI, but graduates who pass the NCLEX-RN are eligible to work anywhere in the U.S.</p>	<ul style="list-style-type: none"> <li>• Promotion Agency in Asia</li> </ul>
	<p><b>Ocean Research</b>                      The Marianas Trench, located to the east of the Marianas Islands, is the deepest point in the world. Although the research business model needs to be further materialized, there can be potential for the CNMI to play a regional hub for ocean research or earth science, such as underwater volcano research.</p>	<ul style="list-style-type: none"> <li>• Research Program Developer, possibly university research center</li> </ul>

### **3. Island Products**

#### **Potential**

Despite its high potential, production of local products is still largely undeveloped in the CNMI. Agriculture or aquaculture products can be viable for domestic consumption as well as for export to major Asian cities such as Tokyo, Seoul, and Shanghai. The huge population base of these cities can offer unlimited marketing opportunities. The military build-up in Guam may provide additional markets for these export products.

#### **Potential Export Items**

Agricultural products such as noni, tropical fruits, flowers, and vegetables might be cultivated and exported. In particular, noni is a tropical fruit that is grown in the Pacific Islands. It has been used to treat a variety of illnesses in Polynesia for over 2,000 years. The most beneficial noni is grown organically in pollution free volcanic soil. In addition, given high temperature and the unique soil of the CNMI, more research needs to be conducted in order to find out the best cultivation method.

Aquaculture products such as fresh shrimp, catfish, and tilapia might be cultivated for local consumption as well as export. Construction materials or any other items taking advantage of WTO tariff agreement and the rules of origin in the CNMI could be produced in unused garment factory facilities.

Sector	Opportunity	Partnership Need
<p><i>Island Products</i></p>	<p><b>Agriculture (Noni, tropical fruits, plants, and flowers)</b></p> <p>The tropical climate and rich soil in the CNMI are one of the most important untapped natural resources. Arable land comprises 15% of the CNMI, but only 6.5% (117,760 acres) are currently being used for permanent crops. Land for agricultural production is available on Saipan, as well as on Tinian and Rota. Rota is also able to maintain ample spring water to irrigate crops.</p> <p>A wide variety of horticultural and agricultural products can be harvested on the Mariana Islands. Noni, tropical flowers, fresh fruit, or tropical vegetable can be all cultivated.</p>	<ul style="list-style-type: none"> <li>• Researcher and cultivator of agricultural products</li> <li>• Noni importer and distributor in overseas markets</li> </ul>
	<p><b>Aquaculture (or Fishing industry with facilities)</b></p> <p>Former garment factory building could be reused as a fish farm facility or fish processing plant. Cultivating various aquatic species such as fresh shrimp, catfish, and tilapia could be a viable opportunity.</p> <p>Marine resources include substantial fishery stock for commercial fishing of skipjack, mahi-mahi, and yellow fin tuna. High-end bottom species like onaga, pink snapper are also found in abundance.</p> <p>The coral reefs of the CNMI boast some of the most diverse aquaculture species in the world, including such exotic and rare species as the bioluminescent Angler Fish, which lives in the Marianas Trench.</p>	<ul style="list-style-type: none"> <li>• Aquaculture Cultivator</li> <li>• Fishery company with capacity of building fisher facilities</li> </ul>
	<p><b>Spring Water on Rota</b></p> <p>Rota offers one of the Pacific's purest and best water resources. An investment opportunity exists for exporting bottled spring water from the most pristine spring water sources in Micronesia.</p>	<ul style="list-style-type: none"> <li>• Spring Water Developer and Exporter</li> </ul>

Sector	Opportunity	Partnership Need
<p><i>Island Products</i></p>	<p><b>Pozzolan or Construction Materials</b></p> <p>83% of islands of the CNMI are composed of limestone. This abundant resource can be used in construction.</p> <p>Pozzolan mining and exporting to Asian countries can be a viable investment opportunity. Large reserves of volcanic ash, known as Pozzolan, are found on Pagan Island and are used as a strengthening additive by the cement industry.</p> <p>The Department of Public Land recently uploaded a two-part report on Pagan on its website as of April, 2007 (<a href="http://www.dpl.gov.mp/new/pagan">www.dpl.gov.mp/new/pagan</a>).<sup>10</sup></p>	<ul style="list-style-type: none"> <li>• Mining and Exporting Pozzolan on Pagan island</li> </ul>
	<p><b>Utilizing Vacated Garment Factories</b></p> <p>The facilities of the garment industry, once one of the most active industries in the CNMI, can be reused.</p> <p>These garment factories are well equipped with electricity, water, and other basic infrastructure. These facilities are ready to be developed for alternative uses. For example, military-related manufacturing geared up for military build-up in Guam, aquaculture, warehouse, or any other businesses that can effectively use the vacated factories would be ideal opportunities.</p>	<ul style="list-style-type: none"> <li>• Manufacturer</li> <li>• Warehouse Manager</li> </ul>

<sup>10</sup>Saipan Tribune: Thursday June 21, 2007

## 4. Infrastructure

The CNMI has suffered from insufficient or unreliable power supply. New energy sources are needed because the current power generation in the CNMI is wholly dependent on imported fossil fuel, which has become increasingly more expensive. There is a need for renewable energy, such as wind power, solar power, biofuel, or geothermal energy.

Sector	Opportunity	Partnership Need
<i>Infrastructure</i>	<p><b>Renewable Energy</b>                      CNMI power generation is largely reliant on diesel fuel and power generation costs are increasingly due to high petroleum prices.</p> <p>Since there is speculation that high petroleum prices are likely to remain high, there is an increasing demand for the alternative energy throughout the islands.</p> <p>Strong sunlight and mild wind are constant throughout the year, therefore, renewable or alternative energy utility such as solar panel or windmill is a potential business opportunity.</p>	<ul style="list-style-type: none"> <li>• Renew Energy Developer and Operator</li> </ul>
	<p><b>Tinian : Transshipment between Saipan and Tinian</b>                      Car ferry service between Saipan and Tinian could provide opportunities for investors.</p> <p>Currently, tourists and Saipan residents need to rent a car once they arrive in Tinian. Connecting the two islands via car ferry shipping service will provide more economic and social opportunities to both islands.</p>	<ul style="list-style-type: none"> <li>• Shipping Operator</li> </ul>
	<p><b>Tinian: Sewage System</b>                      There is need for sewage system investment due to the inadequacies of the current system. To ensure minimum investment returns, investment based on BOT (Business-Operation-Transfer) method can be taken into account for future investment.</p>	<ul style="list-style-type: none"> <li>• Sewage System Developer</li> </ul>

## 5. Film Industry

### Competitive Advantages

The lush green, leafy tropical environment is always in season. Located near the famed Marianas Trench, the islands are ringed with pristine coral reefs and teeming with colorful marine life. For underwater locations, the CNMI can't be beat, while protected tropical lagoons, bays and inlets offer quiet, unique settings where the business of film making can proceed undisturbed.

### Supportive Facilities at Northern Marianas College

Also The Northern Marianas College in the CNMI operates supportive and post-production programs and facilities for the film industry.

### Recent film shooting

Because of its favorable climate and its close proximity to Asia, the CNMI has the potential to become a prime destination for the production of movies, television shows, commercials, music videos, and other related activity. Recently the Japanese version of “Survivor” filmed in Rota. Also the Chinese version “Survivor” was filmed in Tinian. A Korean drama was filmed in Saipan and aired in 2007.

Sector	Opportunity	Partnership Need
<i>Film Industry</i>	<p><b>Film Industry (Production and Post-production)</b></p> <p>Each of the 14 islands in the CNMI has its own distinct qualities, which make this Northwestern Pacific paradise an ideal choice for a wide array of film and television projects. From spot commercials to full length feature films, the CNMI offers agencies, production companies and studios a number of location options.</p> <p>The Northern Marians College (NMC) also operates supportive programs and facilities. The Department of Film &amp; Arts in NMC has state-of-the-art facilities and equipment such as a production studio, a post production editing studio, and a video booth.</p> <p>Since the CNMI is still a relatively new tourist destination for Chinese and Russian travelers, the film industry for this market seems to have significant potential.</p>	<ul style="list-style-type: none"> <li>• Commercial and TV drama Team</li> <li>• Developer of film production and post-production</li> </ul>

## 6. Other Business Opportunities

### (1) Transshipment

The CNMI can benefit from developing a transshipment industry because of its ideal geographic location as a gateway between Asia and North America, being the closest U.S. port to Asia, and its exemption from the federal Jones Act<sup>11</sup> (Cabotage). The port of Saipan’s exemption from Jones Act allows foreign carriers to move cargo from Saipan to any U.S. port. This has enabled the CNMI to attract ships under foreign flags, including cruise ships. Foreign carriers offer lower operating cost to U.S. vendors due to non-U.S. rates. Most U.S. ports, i.e. Guam, Hawaii, U.S. mainland, are subject to the Act.

Sector	Opportunity	Partnership Need
<i>Other Business Opportunities</i>	Transshipment Industry - Investment in transshipment infrastructure	<ul style="list-style-type: none"> <li>• Cargo Carrier Operator</li> </ul>

### (2) Retirement Community

Given its proximity to Japan and Korea, which have an increasing number of aging populations, the CNMI has a potential to become a retirement destination for people from Asia. Some developers have successfully launched a retirement community for retirement aged individuals in Thailand and Philippines. The CNMI offers a great alternative to cold winters in the retiree’s home country

In order to encourage the development of this industry, the CNMI government established the Public Law No. 15-20 allowing any person including the retired to obtain permanent and/or long-term interests in condominiums.

Appropriate medical services are necessary for the retirement community, which offers opportunities for hiring internal medicine practitioners.

Sector	Opportunity	Partnership Need
<i>Other Business Opportunities</i>	Retirement Community - Develop retirement communities	<ul style="list-style-type: none"> <li>• Retirement Community Developer</li> </ul>

<sup>11</sup> The Jones Act (U.S. Merchant Marine Act of 1920) requires that vessels used to transport cargo and passengers between U.S. ports be owned by U.S. citizens, built in U.S. shipyards, and manned by U.S. citizen crews. This Act and relevant statutes, known as Cabotage laws, are the foundation of the U.S. maritime industry.

**(3) Other Business Opportunities**

Investment projects and business opportunities are available a variety of sectors and areas. An abbreviated list of the types of projects available in the CNMI is provided below;

<b>Sector</b>	<b>Project Name</b>	<b>Description</b>
Healthcare	Hospital	<ul style="list-style-type: none"> <li>- Develop hospital for the benefit of locals as well as visitors.</li> <li>- Health Insurance and Service Providers (Hospitals) from the Philippines and from other Asian cities may find business opportunities in the CNMI</li> </ul>
Financial services- Wealth Management	Trading	<ul style="list-style-type: none"> <li>- Establish financial companies to benefit from tax environment</li> </ul>
Utilities	Energy, Water and Sewage Privatization	<ul style="list-style-type: none"> <li>- Supplier or contractor for infrastructural projects</li> </ul>
Logistics	Mail Forwarding Services	<ul style="list-style-type: none"> <li>- Develop mail forwarding services for the CNMI and potentially other pacific islands</li> </ul>
Information	Tele-communication	<ul style="list-style-type: none"> <li>- Invest in a new fiber-optic connection from Saipan to Guam</li> <li>- Set up call center</li> </ul>
Security	Security Services	<ul style="list-style-type: none"> <li>- Partnership with local security service company</li> </ul>
Consulting Services	Business Development in the CNMI	<ul style="list-style-type: none"> <li>- Partnership with local consultant to establish business operation in the CNMI</li> </ul>

**Appendix: Investment Assistance Organization and Contact point**

**1. Government Sector**

1) **The CNMI government:** [www.gov.mp](http://www.gov.mp)

2) **Department of Commerce:** [www.commerce.gov.mp](http://www.commerce.gov.mp)

Ms. Maggie Camacho, Foreign Investment Officer  
Department of Commerce  
Caller Box 10007, CK Saipan, MP 96950  
Tel: (670)334-3018, Fax: (670) 664-3067, [maggiecamacho@gmail.com](mailto:maggiecamacho@gmail.com)

3) **Commonwealth Development Authority:** [www.cda.gov.mp](http://www.cda.gov.mp)

**Setting Up Business in the CNMI: A Guide for Investors (November, 2006)**  
[http://www.cda.gov.mp/invest\\_guide.htm](http://www.cda.gov.mp/invest_guide.htm)

Ms. Carline B. Sablan, Economic Development Analyst  
Commonwealth Development Authority  
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Tel: (670)234-6245, Fax: (670) 234-7144, [econ-dev@cda.gov.mp](mailto:econ-dev@cda.gov.mp)

4) **Department of Public Lands**

Jesse S. Palacios, Real Estate Division  
Department of Public Lands  
P.O. Box 500380 Saipan, MP 96950  
Tel: (670)234-3751, Fax: (670) 234-3755, [jess@dpl.gov.mp](mailto:jess@dpl.gov.mp)

5) **Division of Immigration**

Melvin Grey, Director of Immigration  
Division of Immigration  
CNMI AG Office, P.O.Box 10007 Saipan, MP 96950  
Tel: (670)236-0920, Fax: (670) 664-3190, [mgrey@cnmi-gov.net](mailto:mgrey@cnmi-gov.net)

6) **Marianas Visitors Authority:** <http://www.mymarianas.com/>

Perry J.P. Tenorio, Managing Director  
Marianas Visitors Authority  
P.O. Box 500861, Saipan, MP 96950  
Tel: (670)664-3200, Fax: (670) 664-3237  
[mva@mymarianas.com](mailto:mva@mymarianas.com)

## **2. Business Organization**

- 1) **Saipan Chamber of Commerce:** <http://www.saipanchamber.com/>
  
- 2) **The Hotel Association of the Northern Mariana Islands (HANMI):**  
<http://www.saipanhotels.org/about.htm>

### **<Reference>**

**The Source of Cover Photo: [www.pacificworlds.com](http://www.pacificworlds.com)**