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May 10, 2011

Ms. Luz Araoz Hopewell
Acting Associate Administrator
U.S. Small Business Administration, Office of International Trade
409 3rd Street, S.W. Suite 8500
Washington, DC 20024

Dear Ms. Hopewell:

I am writing to express my support for the State Trade and Export Promotion grant application submitted by the Department of Commerce of the Commonwealth of the Northern Mariana Islands (CNMI). The goal of the grant application is to increase tourism, the Commonwealth's only significant export industry, as well as to aid the development and growth of additional export industries in our islands.

Though once a thriving export economy, the Commonwealth has undergone a serious decline in recent years. During the 1980's and the 1990's, an apparel export industry contributed tens of millions of dollars annually to the island economy. Because of developments in World Trade Organization and United States federal policies, however, this industry began shrinking in the early 2000's and was completely shuttered by 2008. Tourism is the remaining industry of significance. As the apparel industry, tourism experienced substantial growth in the 1980's and the 1990's, then contracted greatly. Tourist arrivals have dropped from a 1997 peak of 726,690 to 379,091 in 2010 – a 48 percent decline.

The negative impact of the discontinuance of the apparel industry coupled with the decline in tourist arrivals has been felt across all sectors of our island community. In the private sector non-tourism exports, which peaked in 1999 at \$1.06 billion, are no longer even tracked by the CNMI Department of Commerce because the dollar amount is *de minimis*. In the public sector the Business Gross Receipts Tax, which stood at \$74.6 million in 1997, dropped 40 percent to \$44.8 million in 2009. The overall Commonwealth government budget has shrunk by nearly 43 percent, from approximately \$213 million in fiscal year 2005 to an estimated \$122 million for fiscal year 2012. Employment numbers reflect these declines. Between 2005 and 2008, overall employment in the Commonwealth fell approximately 35 percent, from 49,224 to 32,053.

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To counter these trends the CNMI Department of Commerce grant application proposes a Foreign Trade Development Program, participation in foreign exhibitions and foreign market sales trips, and development of a CNMI product branding campaign. Specifically, the grant funding will support an initial export assessment, which is necessary for the establishment of baseline data, as well as allow for workshops and training for firms participating in the Foreign Trade Development Program. It will also allow for "match-making" services to be provided to companies participating in foreign marketing and trade shows through partnerships with the United States Department of Commerce. Additionally, the development of a legal framework required to institute a "Made in the Marianas" brand, and incentives for local producers to label their products as such, is an important component to the overall export development plan that grant funding would allow. On the tourism front, funding would enable an upgrade of the Marianas Visitors Authority computer systems in a manner that would enhance ability to better understand the demographics of the Northern Marianas core export market: tourists. Grant funds would also help solidify lines of air service, which serve a dual purpose of enabling an expansion of inbound tourists while simultaneously improving the outbound cargo capacity for non-tourism exports.

Outside financial support, such as the State Trade and Export Promotion grant, is critical. Financial constraints mean that the local government cannot fully fund the Marianas Visitors Authority. And the Small Business Development Center, reestablished by the Small Business Administration last year, also lacks the resources necessary to develop the proposed plan of export development on its own.

I fully support the Department of Commerce application and urge your serious consideration of this worthy project. I commend the collaborative efforts of the CNMI Department of Labor, the Marianas Visitors Authority in helping develop the application, and the other active participants, the CNMI Small Business Development Center, the Commonwealth Development Authority, and the Saipan Chamber of Commerce.

Please keep my office informed of the progress of the proposal and let me know when a decision will be made. If you have any questions, please contact my Chief of Staff, Bob Schwalbach, at (202) 225-2646.

Sincerely,



GREGORIO KILILI CAMACHO SABLAN
Member of Congress