



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Friday, March 21, 2025
10:00 AM
State Capitol, Conference Room 423

In consideration of
HCR211 / HR203
RELATING TO ECONOMIC DEVELOPMENT AND TECHNOLOGY.

Chair Ilagan, Vice Chair Hussey, and members of the Committee:

The Department of Business, Economic Development and Tourism (DBEDT), appreciates the opportunity to submit comments on HCR211 / HR203 which urges the State of Hawaii and its political subdivisions to consider import substitution as a key strategy for economic growth and diversification.

Hawaii's economic vulnerability due to import dependency has long been recognized, and this resolution directly aligns with DBEDT's 2025 Economic Landscape framework, which emphasizes the need for manufacturing, agriculture, renewable energy, and technology sectors to enhance local production capacity, self-sufficiency, and economic resilience.

HCR211 / HR203 underscores the critical need for import substitution, an approach historically used by neighboring economies to stimulate local industries and build economic self-sufficiency. From pre-contact Hawaiian agricultural systems to sugar and pineapple industries of the 19th and 20th centuries, Hawaii has demonstrated its ability to sustain itself through localized production. However, over-reliance on imported food, energy, and manufactured goods has weakened economic stability, increased costs, and exposed supply chain vulnerabilities.

The DBEDT 2025 Economic Landscape framework highlights several strategic sectors where Hawaii can replace imports with local production, providing a clear roadmap for economic diversification.

Key Policy Considerations: Strengthening Hawaii's Local Production Capabilities

1. Agriculture and Food Security: Increasing Local Food Production

Current Challenges:

- Hawaii imports nearly 85% of its food, increasing consumer costs and supply chain risks.
- Insufficient food processing and distribution infrastructure limits local farmers' market access.

Policy Opportunity:

- Expand value-added agriculture, allowing farmers to process and package local goods for institutional and retail sales.
- Strengthen the Farm-to-State procurement program, ensuring public institutions prioritize local food sourcing.
- Develop state-supported aggregate facilities and processing centers to scale local agriculture and reduce import reliance.
- Expand DBEDT's Food and Product Innovation Network to provide resources for food entrepreneurs and manufacturers.

2. Manufacturing: Building Local Production Capacity

Current Challenges:

- Hawaii's manufacturing sector contributes only 1.7% to GDP, significantly below the national average of 10.2%.
- Lack of shared-use manufacturing facilities limits small businesses' ability to scale.

Policy Opportunity:

- Establish advanced manufacturing hubs to produce consumer goods, construction materials, and renewable energy components.
- Develop shared-use production spaces to lower costs and promote entrepreneurship.

3. Promoting Renewable Energy: Reducing Fossil Fuel Imports

Current Challenges:

- Hawaii imports over 90% of its energy, resulting in some of the highest electricity costs in the U.S.
- Limited investment in local energy production restricts the state's ability to achieve 100% renewable energy by 2045.

Policy Opportunity:

- Expand local energy storage, microgrid development, and geothermal reduce

This measure provides a foundation for Hawaii's economic resilience and self-sufficiency by prioritizing import substitution strategies in agriculture, manufacturing,

energy, and workforce development. By incorporating DBEDT's 2025 Economic Landscape framework, this resolution will:

- Enhance local food production and processing to ensure food security and economic stability.
- Develop a stronger manufacturing sector to replace imported consumer goods with local alternatives.
- Expand renewable energy initiatives to reduce reliance on fossil fuel imports.

Mahalo for the opportunity to provide testimony.



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Written Statement of
Sandi Kanemori
Interim Executive Director
Hawai'i Technology Development Corporation
before the
House Committee on Economic Development & Technology
Friday, March 21, 2025
10:00 a.m.
Conference Room 423 & Videoconference
In consideration of
HCR211 / HR203
RELATING TO ECONOMIC DEVELOPMENT AND TECHNOLOGY.

Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

The Hawai'i Technology Development Corporation (HTDC) supports HCR211 / HR203, which will consider import substitution as a key priority for local small to medium size businesses to promote supporting local to create economic growth for the State of Hawaii.

HTDC acknowledges that import substitution has the potential to benefit small and medium-sized businesses. However, it is essential to identify the specific opportunities for implementation and assess the capacity and limitations of local production. Expanding scalable production capacity to meet increased local demand presents a challenge for certain manufacturers. HTDC is committed to exploring ways to incorporate import substitution into its core programs effectively.

Thank you for your consideration of supporting this measure.