



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

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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
HCR209 / HR201
RELATED TO ECONOMIC DEVELOPMENT VIA IMPORT SUBSTITUTION.

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 HCR209 / HR201 which requests the State of Hawaii to consider import substitution as a key strategy for economic growth and diversification. The resolution urges collaboration between the Department of Business, Economic Development, and Tourism (DBEDT), the Department of Agriculture (DOA), and the Hawaii Technology Development Corporation (HTDC) to assess and implement policies that support local production, reduce import dependency, and enhance economic resilience.

HCR209 / HR201 aligns with DBEDT's 2025 Economic Landscape framework, which highlights the need to reduce economic vulnerabilities stemming from Hawaii's heavy reliance on imported goods and tourism. The framework identifies manufacturing, agriculture, renewable energy, and technology as key sectors for economic self-sufficiency, job creation, and supply chain resilience.

The COVID-19 pandemic exposed the risks of over-reliance on imports, from food security concerns to supply chain disruptions that affected essential goods. Import substitution provides a proactive economic strategy to strengthen Hawaii's production capacity, ensuring that critical industries can thrive locally while reducing costs for businesses and consumers.

Key Policy Considerations: Strengthening Hawaii's Economic Self-Sufficiency

1. Expanding Local Food Production and Processing

Current Challenges:

- Hawaii imports nearly 85% of its food, making the state vulnerable to external supply chain shocks.
- Limited infrastructure for food processing and value-added manufacturing prevents local farms from expanding into higher-margin markets.

Policy Opportunity:

- Develop aggregate facilities, value-added processing facilities, and other manufacturing and processing facilities that allow farmers to produce locally packaged and processed goods for retail and export markets.
- Expand Act 151 (2019) food security initiatives by integrating Farm-to-State and institutional procurement programs that prioritize local agricultural products.

2. Strengthening Hawaii's Manufacturing Sector

Current Challenges:

- Hawaii's manufacturing sector contributes only 1.7% to GDP, compared to 10.2% nationally.
- High operational costs and limited facilities make it difficult for local businesses to compete with mainland imports.

Policy Opportunity:

- Develop shared-use manufacturing centers that lower production costs for local entrepreneurs and businesses.
- Provide incentives for import replacement manufacturing, particularly in packaging, textiles, and renewable energy technologies.

3. Promoting Renewable Energy and Sustainable Infrastructure

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 is a forward-thinking resolution that aligns with Hawaii's long-term economic resilience strategy. By integrating import substitution policies with existing DBEDT initiatives, Hawaii can:

- Expand local food production and processing to reduce reliance on imports and create higher-value agricultural products.
- Develop a stronger manufacturing sector to provide locally produced goods and reduce economic leakage.
- Invest in renewable energy infrastructure to lower costs and increase energy independence.
- Strengthen workforce training programs to retain skilled labor and create high-wage job opportunities.

Mahalo for the opportunity to provide testimony.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

DEAN M. MATSUKAWA
Deputy to the Chairperson

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**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND
TECHNOLOGY**

**FRIDAY, MARCH 21, 2025
10:00 AM
CONFERENCE ROOM 423**

**HOUSE CONCURRENT RESOLUTION 209 / HOUSE RESOLUTION 201
RELATED TO ECONOMIC DEVELOPMENT VIA IMPORT SUBSTITUTION**

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

Thank you for the opportunity to provide testimony on HCR 209 / HR 201 requesting the Department of Business, Economic Development, and Tourism, the Department of Agriculture, and the Hawai'i Technology Development Corporation to submit a joint report of their findings and recommendations, including any proposed legislation, to the Legislature prior to the convening of the Regular Session of 2026.

The Department of Agriculture (Department) supports the good intentions of these resolutions by offering comments. By illustrating the experiences of Japan, South Korea, and Taiwan, the resolutions propose the State of Hawai'i consider adopting import substitution strategies to foster and support local production capacity in agriculture, manufacturing, renewable energy, and technology sectors, resulting in greater economic self-reliance, job creation, and supply-chain resilience.

However, several challenges and barriers to implementing these strategies can be identified. Japan, South Korea, and Taiwan are nation-states with the authority to develop and enforce a wide range of international trade policies, such as imposing tariffs, quotas, and embargos on foreign goods and services. In contrast, the State of Hawai'i, being part of the United States, lacks the jurisdiction or executive power to selectively impose tariffs, quotas, or embargoes on imported goods that may compete with local products. This limited power would practically impede Hawaii's ability to adopt similar trade-based import substitution measures.



Furthermore, Hawai'i relies heavily on imported food and other goods from the continental United States, some of which could originate from foreign countries. As part of the United States, Hawaii lacks the authority to regulate or restrict the interstate movement of commercial goods and services between Hawai'i and the continental U.S. (Commerce Clause). This limitation further hinders the implementation of trade-based import substitution strategies designed to protect local industries.

Finally, the State of Hawaii may lack natural resources, endowments, infrastructure, work force development, or other key factors of production needed to achieve comparative advantages in the global economy. Consequently, import substitution strategies could potentially escalate the costs of goods and services, exacerbating the financial burden on Hawaii's residents and consumers who have been facing challenges due to high living expenses and inflationary pressures.

Thank you for the opportunity to testify on these resolutions.



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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
HCR209 / HR201
RELATED TO ECONOMIC DEVELOPMENT VIA IMPORT SUBSTITUTION.

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

The Hawai'i Technology Development Corporation (HTDC) supports HCR209 / HR201, which promote cross collaboration with Department of Business of Economic Development, and Tourism (DBEDT), and the Department of Agriculture on promoting and implementing import substitution for our local businesses,

HTDC recognizes the significance of supporting import substitution as a means to drive economic growth and diversification for the State of Hawaii. HTDC looks forward to gaining deeper insights from this requested report on how to better assist local suppliers and end-users in promoting locally made products effectively.

Thank you for your consideration of supporting this measure.

