



Doing Business in the Republic of the Marshall Islands:

2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In The Republic of the Marshall Islands

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Market Overview

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Political

- The RMI is a mixed parliamentary-presidential democracy in free association with the US. As a result of the Compact of Free Association, the RMI and United States have a close affinity on many issues of security, foreign policy, and climate change.

Economic

- US assistance and lease payments for the Kwajalein Atoll military base are the mainstays of RMI's GDP. Since 2004, the US has provided over \$800 million in direct assistance, subsidies, and financial support to the RMI, equivalent to approximately 70% of the country's total GDP during that period. The Compact will run until 2024, after which funding will cease. A Compact Trust Fund (CTF) has been set up to provide economic security after the Compact ends.
- The RMI government forecasts 2.2% GDP growth in 2014, followed by .5% and 1.1% in 2015 and 2016, respectively. The main drivers of growth in 2012 were increases in copra, fisheries, and education. The most important commercial crops are coconuts, breadfruit. Industry is limited to handicrafts, tuna processing, and copra. Gross imports for 2012 totaled \$125.6 million. With gross exports at \$59.1 million, the 2012 trade deficit was \$66.5 million.
- External debt totaled \$100 million in 2012, or 56% of GDP. Although the external debt situation has improved since the Compact was amended in 2004, debt servicing, which is funded out of the government's discretionary resources, has risen to 19% of general fund revenues because grace periods of prior loans have expired.
- In 2013 FDI was US\$4.1 million (4% GDP), in line with average FDI levels from 2004 to 2013, excluding the purchase of the purse seiner vessels in 2010, which increased FDI to US\$37.1 million. Foreign direct investments are concentrated in the fisheries sector, including a tuna loining plant, a tuna processing plant, and several fishing purse seiners, the majority of which are owned by investors from China and Taiwan. Boutique tourism has recently become a factor as well, with elite surfing and diving operations making some significant expenditures in 2013 and 2014.
- Nearly all major industries are controlled by state-owned enterprises (SOEs). The SOE sector continues to underperform and to impose significant risk and burden on

the fiscal system and economy. Transfers (current subsidies) to SOEs in FY 2012 reached a record level of \$8.8 million, up from the previous record of \$8.5 million in FY 2009, nearly 23 percent of general fund revenues. SOE reform constituted a major component of the recently completed ADB-supported Public Sector Program.

Social

- Three quarters of the country's population live in either Majuro or Kwajalein, two of the 29 atolls spread over 750,000 square miles of ocean. Census data indicate that 11,000 Marshallese have emigrated in the past decade. Approximately 54% of the population is 24 years of age or younger, as of 2013, which could lead to high competition for employment. With .6% per annum increase in jobs from 2007-2012, on island employment opportunities are clearly insufficient.
- In traditional Marshallese society, land ownership was controlled by hierarchical social organization and dictated resource use, distribution, and economic well-being. These values continue to impact RMI's economy in the form of a complicated land leasing system. Nearly all land in the RMI is privately owned.

Market Challenges

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- In order to protect certain domestic industries, the *Foreign Investment Business License (Amendment) Act* established a Natural Reserved List, which restricts foreign investment in certain small-scale retail and service businesses. However, this law is not consistently enforced, and foreign investors may enter partnership agreements with local Marshallese businesses.

Other common challenges of doing business in the RMI include:

- The prevalence of state-owned enterprises (SOEs) in nearly all major industries
- Time differences between the RMI and the United States
- Lack of infrastructure in the outlying islands and atolls limits business operations to urban centers, primarily in the Majuro atoll
- To complicate the above point, there is a lack of widely-available land for development in RMI's urban centers and a necessity to enter complicated land leasing agreements
- Transportation difficulties due to RMI's location in the middle of the Pacific Ocean with no direct flights other than Honolulu and Guam. Unreliable air service complicates travel between the country's outer atolls.
- A poor regulatory framework for bankruptcy, and weak public governance scores, are not conducive to private sector growth.

Market Opportunities

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- Ecotourism, including dive tourism; renewable energy, both in urban areas and outlying atolls; coastal protection infrastructure to control impacts of sea level rise; land reclamation and aggregate; seabed mining; airstrip extensions and remedial maintenance; environmental monitoring; light manufacturing; scrap recycling and waste management; agriculture; aquaculture; commercial fishing,

including the construction of a service center for fishing vessels; substitution of meat imports with local livestock production

Market Entry Strategy

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- All non-citizens wishing to invest in the Marshall Islands must obtain a Foreign Investment Business License (FIBL) from the Registrar of Foreign Investment in the Ministry of Finance. The Ministry of Finance reviews the application, usually over 7-10 working days. The FIBL grants non-citizens the right to invest in the Marshall Islands, provided the investment remains within the scope of business activity for which the FIBL was granted.
- All businesses must negotiate with local landowners and local government authorities regarding lease provisions and approval for the proposed business activities. In the case of land use and land tenure, foreign investors are not accorded the same treatment as Marshallese citizens. Non-Marshallese may not purchase land, and local landowners possess full rights to their land at all times. Individual parcels of land may be owned by three or more different individuals simultaneously through the country's complex customary land-tenure system. Foreign investors are responsible to ensure that lease agreements include all relevant landowners; failure to do so may result in judicial proceedings.

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- RMI Embassy in DC: <http://www.rmiembassyus.org/index.htm>
- RMI Visitor's Authority: <http://www.visitmarshallislands.com/>

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

(The following is the new link to the Background Notes)

<http://www.state.gov/r/pa/ei/bgn/26551.htm>

The U.S. Overseas Private Investment Corporation (OPIC) provides investment insurance, financing, and loan guarantees in the RMI for qualified investors. Because the Marshall Islands uses the U.S. dollar as its national currency, there are no convertibility risks. The RMI is not a member of the Multilateral Investment Guarantee Agency.

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Establishing an Office

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- Due to the complicated land lease system and the importance of having a strong legal lease, it is recommended that parties wishing to establish an office the Marshall Islands do so in person. There are no realtor or broker services in the RMI. Interested parties must arrive in the RMI, visit the Land Registration Office to learn exactly who owns what land, and then make their own connections and negotiate the lease terms themselves.

Franchising

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- There are very few U.S. franchises in the Marshall Islands, with no special legal requirements for franchising

Direct Marketing

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- Most marketing is done through local imports and distributors, not directly marketed by U.S. firms.
- Marketing directly to consumers is limited with only 2,200 of roughly 71,000 residents having access to internet. There is no residential mail delivery. Outdoor signage is common, although on a smaller scale than large billboards found alongside American highways, likely because there is only one road with a top speed of 25-30mph.

Joint Ventures/Licensing

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- All non-citizens wishing to invest in the Marshall Islands must obtain a Foreign Investment Business License (FIBL) from the Registrar of Foreign Investment in the Ministry of Finance (MOF). In coordination with the Investment Promotion Unit at the Ministry of Resources and Development, the MOF reviews the application over approximately four weeks. The FIBL grants non-citizens the right to invest in the Marshall Islands, provided the investment remains within the scope of business activity for which the FIBL was granted.
- If a business entity has a Foreign Investment Business License, it need not obtain a business license from the local government in whose jurisdiction it operates for a period of one year from the date of issuance of the foreign investment license.

Selling to the Government

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- All Government procurements over \$25,000 are required to go out for bids. Anything under the \$25,000 mark requires several quotes before a purchase can be made.
- There are no laws restricting foreigners or foreign owned businesses from selling to the government.
- The RMI government has not agreed to abide by the WTO Government Procurement Agreement

Distribution and Sales Channels

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- The Republic of Marshall Islands Ports Authority (RMIPA) operates the Port of Majuro, considered the hub of the RMI economy. Of several docks and anchorage areas, the Delap Dock is primarily used for international cargo.
- The airport located in southeast Majuro is RMI's only international airport open to the public. It handles cargo shipments from United Airlines and Asia Pacific Airlines.

Selling Factors/Techniques

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- Do to the limited income of most Marshallese, price is considered over quality.

Electronic Commerce

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- Electronic Commerce is almost none existent among Marshallese based companies. B2B websites list no opportunities in the RMI.
- By virtue of possessing an American postal code, goods can be shipped to and from the Marshall Islands at rates comparable to domestic shipping. While goods shipped to the States tend to arrive quickly, standard shipments from the States to RMI can be slower.

Trade Promotion and Advertising

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- Advertisement space can be purchased in the local newspaper, the Marshall Islands Journal. The other online news outlet, yokwe.net, provides links to local business information in the “economics” category under the “ylinks” section of the website. However, it seems that information was most recently updated in 2002
- Advertising rates for RMI radio V7AB can be viewed online
- The Marshalls Broadcasting Company (MBC) is operated by Robert Reimers Enterprises, Inc. (RRE).

Pricing

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- Prices for consumer goods can be considerably higher than the mainland U.S., due to costs of shipping.
- The government regulates utility prices. No other prices are set or controlled.

Sales Service/Customer Support

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- While helpful and courteous, Marshallese salesmen generally lack adequate knowledge of the products. After sales service in the Marshall Islands is limited, with most things like repairman having to be hired independently.
- Businesses are not required to provide warranty services, maintenance contracts, or return policies.

Protecting Your Intellectual Property

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- The Marshall Islands is not a member of the World Trade Organization (WTO), the World Intellectual Property Organization (WIPO), or any other international agreement on intellectual property rights. There is inadequate protection for intellectual property, patents, copyrights, and trademarks. The only intellectual property-related legislation relates to locally produced music recordings.

Protecting Your Intellectual Property in the Marshall Islands:

Several general principles are important for effective management of intellectual property (“IP”) rights in The Marshall Islands. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in The Marshall Islands than in the U.S. Third, rights must be registered and enforced in The Marshall Islands, under local laws. Your U.S. trademark and patent registrations will not protect you in]. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in The Marshall Islands market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in The Marshall Islands. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in The Marshall Islands law.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in The Marshall Islands require constant attention. Work with legal counsel familiar with Marshall Islands laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Marshall Islands or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/ipprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers [INSERT MARKET] at: [INSERT ADDRESS FOR APPROPRIATE IP ATTACHÉ].

Due Diligence

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- One of the major issues when doing business in the Marshall islands is land rights. Non-Marshallese may not purchase land, and local land owners possess full rights to their land at all times. All businesses must negotiate with local landowners and local government authorities regarding lease provisions and approval of the proposed business activities. In the case of land use and land tenure, foreign investors are not accorded the same treatment as Marshallese citizens.
- Individual parcels of land may be owned by three or more different individuals simultaneously through the country's complex customary land-tenure system. Foreign investors are responsible to ensure that lease agreements include all

relevant land owners; failure to include a landowner may result in judicial proceedings. Individual's parcels of land may be owned by up to three or more different individuals simultaneously through the countries complex customary land tenure system.

- All land lease agreements should be notarized by the courts; any issue of land ownership will then be settled by the traditional courts.

Local Professional Services

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- Due to the lack of resident qualified workers, many specialized workers are brought in from oversea, especially from the Philippines.
- Investors must pay \$1,000 as well as train a citizen to also perform the same work.

Web Resources

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- Radio V7AB advertising:
http://media.wix.com/ugd/ac8b4d_abb7e5ee684749cfa240fef1960db385.pdf
- Marshall Islands Journal Advertising:
[http://www.marshallislandsjournal.com/Advertise-page%20\(new\).html](http://www.marshallislandsjournal.com/Advertise-page%20(new).html)
- Yokwe Online: <http://www.yokwe.net>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Tourism

Overview

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Unit: USD millions

	2009	2010	2011	2012
Hotels & Restaurants Contribution to GDP	3.8	3.4	3.4	3.6
Annual % Growth in that contribution	-2.0%	-8.6%	0.0%	3.9%

The future of RMI's tourism industry lies in the development of targeted eco-tourism. The Marshall Islands are small with unrivaled access to pristine waters for snorkeling and diving. Tourists in search of WWII relics often disregard the RMI in favor of better-known dive locations in the Pacific, despite the presence of some of the best-preserved relics of the war on land and under water near RMI's atolls, including the world's only diveable aircraft carrier (the USS Saratoga). Bikini Atoll, a UNESCO site due to its direct and tangible evidence of nuclear tests, is looking to restart community-owned tourist diving operations. There are over 1,200 individual islands, 870 reef systems, 800 species of fish, and 160 species of coral in the RMI for tourists to explore. The number of visitors to Majuro for purposes of holiday or vacation has actually dropped from 1,430 in 2009 to 873 in 2012, perhaps due to unreliability of Marshall Islands Air for traveling between the atolls. Regardless, it seems that tourist operations are gaining momentum, a trend reflected in the increase of travel exports between 2009 and 2012, from 2.9 to 3.7 million USD.

Sub-Sector Best Prospects

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Boutique tourism bureaus; snorkeling and dive operations; surfing operations; WWII tourism (diving and on land)

Web Resources

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Marshall Islands Visitor Authority
<http://www.visitmarshallislands.com/>

RMI Embassy in DC
<http://www.rmiembassyus.org/index.htm>

Manufacturing

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Unit: USD millions

	2009	2010	2011	2012
Contribution to GDP	4.1	3.7	3.3	4.0
Annual % Growth in GDP	-10.3%	-11.4%	-10.0%	22.0%

Although manufacturing's contribution to GDP in 2012 is similar to that of 2009, manufacturing seems to be on the upswing in the RMI. There are several sectors with opportunities for investment and growth.

Sub-Sector Best Prospects

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Light manufacturing, including processing of coconut into coconut oils for soap, culinary products, cosmetics, for local use and export, coconut fiber brooms, brushes, doormats, mattress, and ropes. The Marshallese are well-known for high quality handicraft production and there is potential to expand these operations for export in Hawaii or in Japan.

Construction

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Unit: USD millions

	2009	2010	2011	2012
Contribution to GDP	8.6	8.2	7.7	6.9
Annual % Growth in GDP	-7.9%	-4.8%	-6.1%	-9.9%

To deal with the projected two meter sea level rise by the end of the century, RMI will likely construct a variety of coastal protection measures, including sea walls, groynes, breakwaters, and revetments. Other infrastructure opportunities include airstrip extensions and remedial maintenance.

Sub-Sector Best Prospects

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Coastal protection infrastructure to control impacts of sea level rise, including breakwaters, seawalls, groynes, and revetments; land reclamation and aggregate material

Power Generation (energy)

Overview

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Unit: USD millions

	2009	2010	2011	2012
Contribution to GDP	2.3	2.3	2.3	2.2
Annual % Growth in GDP	-0.2%	-1%	-0.2%	-3.9%

Regarding utilities, grid expansion and urban electrification are not current goals, since electric demands in urban areas are decreasing, as shown by the slight decrease in utilities contribution to GDP. Instead, RMI is initiating a project to increase the fraction of energy supplied by renewables, to replace diesel sources, and to improve the efficiency of the already-established grid to minimize losses. Under the National Energy Policy and Energy Action plan (2009), the RMI aims to supply 20% of total energy from RE generation, from a base of 6% in 2009. Electrification efforts on rural outlying islands would likely involve renewable generation. RMI is currently partnered with a Japanese agency to pursue these goals; however, opportunities for renewable energy generation in urban and rural areas could increase in the future. Currently renewable and alternative energy imports are exempt from import duties. There are about 1,300 standalone PV systems installed throughout the 29 atolls, nearly all of which were donated by the EU, US, or Taiwan. There are two wind turbines located in Majuro, one 7kW and one 100W.

Sub-Sector Best Prospects

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Distribution efficiency; small and large scale renewable energy generation

Seabed Mining

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Unit: USD millions

	2009	2010	2011	2012
Contribution to GDP	~	~	~	~
Annual % Growth in GDP	~	~	~	~

Economic data are not available; however, there are known to be deposits of manganese, cobalt, and other unconventional metal ores within RMI's EEZ. This knowledge has been confirmed by geological surveys performed by the US, Japan, and Germany.

Sub-Sector Best Prospects

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Cobalt, manganese ore

Fishing

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Unit: USD millions

	2009	2010	2011	2012
Contribution to GDP	9.1	12.7	13.8	15.5
Annual % Growth in GDP	22.7%	38.7%	8.7%	12.7%

The RMI has huge access to marine resources in its 750,000 square mile Exclusive Economic Zone (EEZ) and fishing vessels from numerous countries operate in the RMI. In fact, fish and fish products are exempt from the 3% gross receipts tax levied on all businesses. Fishing operations are complemented by a tuna loining and a tuna processing plant, both of which fall under the commercial fishing category, rather than manufacturing. The Majuro port has all the necessary structure to accommodate commercial fishing operations, including a floating dry dock, a deep-water harbor with container handling facilities, a 10 million liter fuel storage bunker facility, a bulk ice facility and a satellite chiller plant at the airport for air shipment, and regular international shipping services.

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RMI Ports Authority: <http://rmipa.com/>

Marshall Islands Marine Resource Authority: <http://www.mimra.com/>

Coconut and Copra Production

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Unit: USD thousands

	2009	2010	2011	2012
Total Copra Producer Income	6,567	5,405	4,036	6,295

An increase in copra production was one of the main drivers of growth in 2012. The coconut industry has a lot of potential for growth, including the development of both edible and non-edible coconut-based products. Edible products would include coconut biscuits, cream water, chocolate, wine and other beverages. Non-edible products include fibers, furniture, timber, rope, and charcoal, in addition to husking machines and copra dryers.

Sub-Sector Best Prospects

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Edible and nonedible coconut products; using copra cakes to establish a local feed mill that could support livestock and meat production initiatives

Vegetable and Melon Production

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Data from this sector are currently unavailable. However, vegetables and fruits including banana, papaya, melon, green pepper, lime, pumpkin, and cabbage can be produced commercially in many parts of the country, in addition to traditional root and tree crops. There is also potential for producing breadfruit, sweet potato, or taro chips, as well as pandanus juice or pudding, which already has a niche market available in Hawaii, parts of the US, and other Pacific island nations.

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Import Tariffs

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- All imports are subject to import duties. Import duties are generally low *ad valorem* rates on cost, insurance, and freight (CIF), and the number of tariff categories is small to facilitate administration. The uniform import tax rate is 12% except for the following items. Renewable energy items are exempt from import duties.

Product	Current
Foodstuffs	5%
Gasoline	20%
Motor Vehicles (whose values can be determined in the Kelly's Blue Book)	15% of value stated in the Kelly's Blue Book or of accompanying invoice, whichever is higher, provided that in no case shall the duty assessed be less than \$1,500.00
Motor Vehicles (whose value cannot be determined in the Kelly's Blue Book)	-New Motor Vehicles - \$2,500.00 -Used Motor Vehicles - \$1,500.00
Public Transport	5%
Tobacco and cigarettes	\$1.00 per pack of 20 rolls
Cigars	151%
Other Tobacco (Copenhagen)	\$2.75 per 34.2 grams or 1.2 oz
Beer	\$0.50 cents per can or 12 oz. unit
Wine	\$2.75 per gallon
Spirits	\$12.00 per gallon
Mixed drink	26%
Soft drinks – carbonated beverages	0.01666 per 1 oz.
Soft drinks – non-carbonated and artificially flavored beverages	10%

- Tariff reductions under the PICTA free trade agreement are available at http://www.forumsec.org/resources/uploads/attachments/documents/Timetable_Reduction_Tariffs_PICTA_RMI.pdf

Trade Barriers

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- U.S. products imported to the Marshall Islands receive Most-favorable nations status
- All imports are subject to import duties, and the only current duty exemptions are for renewable and alternative energy

Import Requirements and Documentation

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- Import licenses are only required for alcohol and tobacco products. The government controls the number and recipients of these licenses. Only ten licenses are issued to businesses in Majuro for the importation of alcohol products each fiscal year; the same is true for tobacco products.

U.S. Export Controls

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- There is uniform tax on all imports at a twelve per cent (12%) rate except for the several items that separate tax rates as noted in the Import Duties section of the tax code.
- The following goods imported into the country are exempt from import duty:
 - Goods imported by the Government of the Republic of the Marshall Islands;
 - Goods imported by a passenger or a member of the crew of a vessel or aircraft, being:
 - Wearing apparel, toiletries, personal jewelry, medicinal preparations and other such goods for immediate personal use of the passenger or the member of the crew or his family and not for resale up to the value of \$300.
 - Not more than 300 cigarettes, 75 cigars, or 8 oz. of smoking tobacco, for personal consumption and not for resale.
 - Not more than 2 liters of distilled alcoholic beverages, for personal consumption and not for resale
 - Gifts not exceeding \$300 in value.
 - Goods imported in any 1 consignment on which the total duties or taxes liable do not exceed \$20.
 - Goods imported by churches for their own religious, educational, or charitable purposes, subject to satisfactory evidence or security as may be required by the Chief.

- Separate laws regulate the importation of goods to the United States Army Kwajalein Atoll (USAKA).
- Specific information can be found at:
[http://www.rmiembassyus.org/Econ%20Invest/Ch\[1\].%20%20-%20Import%20Tax.pdf](http://www.rmiembassyus.org/Econ%20Invest/Ch[1].%20%20-%20Import%20Tax.pdf)

Temporary Entry

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- Goods in transit are exempt from the import tax, and the import tax on re-exported goods is refundable.

Labeling and Marking Requirements

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- There are no known labeling and marking requirements in imports

Prohibited and Restricted Imports

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- Certain goods are restricted for import into the Marshall Islands based on a licensing and permit regime. Some items, such as alcohol and tobacco, require a special import license. The government controls the number and recipients of these licenses. Only ten licenses are issued to businesses in Majuro for the importation of alcohol products each fiscal year; the same is true for tobacco products.

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- Customs regulations are controlled by the Ministry of Finance.
- The customs office does not currently have a website for the public.

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Overview

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- There are no standards organizations in the Marshall Islands.

Standards Organizations

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- There are no standards organizations in the Marshall Islands

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

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- The Marshall Islands is one of ten Pacific island countries to sign the Memorandum of Understanding (MoU) to establish a Pacific Regional Trade and Development Facility. Once established, the facility will coordinate Aid for Trade resources in the Pacific region and fund regional and joint national projects.

- The RMI is part of the Pacific Island Countries Trade Agreement (PICTA), a free trade agreement among Pacific Island countries intended to gradually establish a free trade area between the fourteen members.

Web Resources

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- RMI import taxes:
[http://www.rmiembassyus.org/Econ%20Invest/Ch\[1\].%202%20-%20Import%20Tax.pdf](http://www.rmiembassyus.org/Econ%20Invest/Ch[1].%202%20-%20Import%20Tax.pdf)

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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- According to the World Bank's Doing Business 2012 Report (<http://www.doingbusiness.org/data/exploreeconomies/marshall-islands/>), the Marshall Islands moved up two spot in overall rank from 2012, and now ranks 101 out of 183 economies surveyed worldwide. More specifically, the country lost 3 spots in the criteria of Getting Credit, Protecting Investors, and Enforcing contracts.

Criteria	2012	2013	Change in rank
Starting a Business	48	49	+1
Dealing with Construction Permits	4	4	No Change
Getting Electricity	73	74	+1
Registering Property	185	185	No Change
Getting Credit	83	80	-3
Protecting Investors	158	155	-3
Paying Taxes	92	91	-1
Trading Across Borders	65	65	No Change

Enforcing Contracts	66	63	-3
Resolving Insolvency	140	138	-2

Conversion and Transfer Policies

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The government does not impose any restrictions on converting or transferring funds associated with an investment. The Marshall Islands uses the U.S. dollar as its official currency, and there is no central bank. There are no official remittance policies and no restrictions on foreign exchange transactions. There have been no reported difficulties in obtaining foreign exchange as the vast majority of funds are denominated in U.S. dollars.

While the government encourages reinvestment of profits locally, there are no laws restricting repatriation of profits, dividends, or other investment capital acquired in the RMI. To comply with international money laundering commitments, cash transactions and transfers exceeding US\$10,000 are reported by the banks to the Banking Commission, which monitors this information and has the authority to investigate financial records when necessary. To date, however, the country has not successfully prosecuted any money laundering cases.

Expropriation and Compensation

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All land is privately owned by Marshallese citizens through complex family lineages. Although the Government of the Marshall Islands may legally expropriate property under the country's constitution, the government has only exercised this right on one occasion and only for a temporary period of time. Given the importance of private land ownership in customary law and practice, it is very unlikely that the government will exercise this right in the foreseeable future.

If a business activity is subsequently added to the reserved List, the Registrar of Foreign Investment may not cancel or revoke an existing Foreign Investment Business License if the investment has already commenced.

Dispute Settlement

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There is a very limited record of foreign investment disputes in the RMI due to the very small size of foreign investment in the country. The most common type of business disputes are with landowners over land use, and land rights issues, and these are frequently resolved informally or only after protracted court disputes. Domestic civil society has traditionally not been actively engaged in dispute resolution.

The legal system in the Marshall Islands is patterned on common law proceedings as they exist in the United States. The country has a judicial branch composed of a Supreme Court, a High Court, a Traditional Rights Court, District Courts, and Community

Courts. There is a full-time Supreme Court Justice, two High Court judges, three Traditional Rights Court judges, two District Court judges, and several Community Court judges serving the Marshall Islands. On certain occasions, as necessary, the Marshall Islands Judicial Service Commission recruits qualified judges on contract from the United States to serve with the Chief Justice on the Supreme Court and to temporarily fill vacancies on the High Court as there are few qualified and independent Marshallese who can fill these positions. Currently, the Chief Justice of the Supreme Court and both judges on the High Court are American citizens on limited-term contracts. The Traditional Rights Court deals with customary law and land disputes.

Both companies and individuals have access to the legal system through the High Court of the Marshall Islands. Laws patterned on U.S. laws govern most aspects of commercial transactions, and the courts have generally enforced these laws in a transparent and consistent manner. There is, however, no legal provision for bankruptcy in the Marshall Islands. A foreign investor has the right of recourse to the courts with respect to the settlement of disputes. Most investment disputes concern land issues, especially regarding lease payments. Land disputes can be very protracted and are resolved through a combination of customary law arbitration and through the courts, per the Arbitration Act of 1980.

The Marshall Islands is not a member of, nor are there any current plans to become a Party to, the Convention on the Settlement of Investment Disputes between States and Nationals of Other States or the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

Local investment or commercial dispute resolution proceedings can be very lengthy, especially when related to land disputes. Because land rights are based on customary and traditional law (frequently unwritten and unrecorded), delays are nearly unavoidable. According to the 2012 report by the RMI Judiciary, of the 20 land rights or land lease cases filed in 2012, 11 remain pending as of 2013. Of the 420 land-related cases filed since 1982, 76 remain pending. Land cases represent 5-6 percent of cases filed, but make up about 40% of the pending cases. Many international companies partner directly with a local landowner to avoid potential legal complications.

Performance Requirements and Incentives

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All imports are subject to import duties, and the only current duty exemptions are for renewable and alternative energy items. Import duties are generally low ad valorem rates on cost, insurance, and freight (CIF), and the number of tariff categories is small to facilitate administration. Goods in transit are exempt from the import tax, and the import tax on re-exported goods is refundable.

The Marshall Islands has no taxes on exports. Under the terms of the Compact of Free Association, as amended, all items grown, made or produced in the Marshall Islands are exempt from U.S. duties with the following exceptions:

Watches, clocks, and timing apparatus provided for in Chapter 91, excluding heading 9113, of the Harmonized Tariff Schedule of the United States;

Buttons (whether finished or not finished) provided for in items 9606.21.40 and 9606.29.20 of such schedule;

Textile and apparel articles which are subject to textile agreements; and

Footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel which were not eligible for the generalized system of preferences in the Trade Act of 1974.

Tuna in airtight containers exported to the U.S. is duty-free, provided it does not exceed 10 percent of total United States consumption of tuna during the previous calendar year. The Compact also stipulates that U.S. products imported to the Marshall Islands receive Most-Favorable Nation status, and the country must consult with the U.S. should they enter into a Free Trade Agreement with another country or customs territory.

The Marshall Islands offers tax and duty exemptions for investments in certain private sector industries. These investment incentives apply uniformly to both domestic and foreign investors through submission of a letter to the Minister of Finance. Tax incentives are specified by law, but have been rarely awarded, given the relative lack of large-scale investment.

Gross Revenue Tax Exemption

Investors who invest a minimum of US\$1 million or provide employment and wages in excess of US\$150,000 annually to Marshallese citizens are exempt from paying gross revenue tax for a five-year period in the following sectors:

Off-shore or deep sea fishing
Manufacturing for export, or for both export and local use
Agriculture
Hotel and resort facilities

Seabed Mining Tax Exemption

Investors in seabed hard mineral mining are exempt from paying all taxes, duties, and other charges (except taxes on wages and salaries, individual income tax, and social security contributions). In return, investors are required to pay the Government of the Marshall Islands a share of net proceeds accruing from the investment in the form of royalties, production charge, or some combination thereof as agreed to between the government and investor.

Right to Private Ownership and Establishment

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Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. With the exception of land titles noted elsewhere in this report, private entities may freely establish, acquire, and dispose of interests in business enterprises.

Protection of Property Rights

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Land Rights

Land rights are a highly complex and frequently contentious issue in the Marshall Islands. Land ownership is through family lineage and according to social class. Paramount Chiefs (Iroij) have title to entire islands or portions of islands within an Atoll,

clan elders (alaps) have title to several parcels of land under their Paramount Chiefs, and workers (dri-jerbal) have title to the parcel of land associated with their Paramount Chief on which they live. Each parcel of land is thus owned by at least three separate individual landowners, one each from the classes described above. Non-Marshallese may not purchase land, and land purchases by Marshallese are also very rare. Paramount Chiefs may grant land rights to others, though they retain their share of ownership in all circumstances.

Available land for development is scarce, particularly in the two major urban areas Majuro and Ebeye. Non-citizen investors must negotiate lease agreements directly with customary groups of landowners. Land may be leased in perpetuity with many leases having a term of 50 years, and options for renewal. The Kwajalein land lease to the U.S. Government runs fifty years (to 2066) with an option to renew for another twenty years, for example. Mortgages against the title of land are not permitted, but commercial lease agreements and land lease payments may be used as collateral. There is limited written documentation of titles to land in the Marshall Islands, although local citizens generally know who controls each parcel of land on their particular atoll. In 2003, the Government of the Marshall Islands established a Land Registration Authority to create a voluntary register of customary land and establish a legal framework for recording documents related to ownership rights. As of 2013, however, the Land Registration Authority has documented a very small percentage of total land titles in the country and is largely dormant.

Intellectual Property

The Marshall Islands is not a member of the World Trade Organization, the World Intellectual Property Organization (WIPO), or any other international agreement on intellectual property rights. There is inadequate protection for intellectual property, patents, copyrights, and trademarks. The only intellectual property-related legislation relates to locally produced music recordings, and it has never been enforced.

Transparency of Regulatory System

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Regulatory and accounting systems are generally transparent and consistent with international norms. Bureaucratic procedures are generally transparent, although nepotism and customary hierarchal relationships can play a role in government actions. Proposed laws and regulations are available in draft form for public comment. Generally, tax, labor, environment, health and safety, and other laws and policies do not impede investment

Efficient Capital Markets and Portfolio Investment

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The Marshall Islands is closely tied to U.S. financial markets, and foreign investors are generally able to obtain credit in U.S. dollars on the local market. However, the financial and banking sector in the country is very underdeveloped with few credit instruments and insufficient liquidity in the markets to enter and exit sizeable positions. Total bank assets in the country were estimated to be US\$121.5 million in 2012.

There are currently two banks with branches in the Marshall Islands. The Bank of Guam is a publicly owned U.S. company with its headquarters in Guam. It complies with all

U.S. regulations and is FDIC-insured. The Bank of the Marshall Islands is a privately-owned Marshallese company with headquarters in Majuro. There are no stock exchanges or financial institutions in the country. A growing number of unregulated financial service institutions have been reported, but little is known about their assets or available credit instruments.

Competition from State Owned Enterprises

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Nearly all major industries are controlled by state-owned enterprises (SOEs). The SOE sector, comprising a dozen public enterprises, continues to underperform and to impose significant risks and burden on the fiscal system and economy. Transfers (current subsidies) to SOEs in FY 2012 reached a record level of \$8.8 million, up from the previous record in FY 2009 of \$8.5 million, representing nearly 23 percent of general fund revenues. Adding capital transfers to current subsidies, FY2012 total transfers to the SOE sector were \$11.2 million (nearly 30 percent of general fund revenues), the bulk of which was made up of transfers to Air Marshall Islands (\$2.3 million), Kwajalein Atoll Joint Utility Resources (\$2.9 millions), the Marshalls Electric Company (\$2 million) and Tobolar (\$1.4 million). The operation of the SOE sector places a significant cost on discretionary revenues, the burden being more than three times that of the external debt service.

SOE reform constituted a major component of the recently completed ADB-supported Public Sector Program (PSP). To signal its intention to strengthen governance of SOEs, the RMI Cabinet passed in 2010 a set of good practice principals which state that:

- SOE's are to prepare business plans that disclose the strategic directions and performance targets and, after the Cabinet as approved them, they are to be publicly released.
- The activities undertaken by SOE's are to be categorized as either essential or nonessential; the nonessential should then be sold or wound down.
- The government will ensure that SOE boards are independent in operation and that the comprise members who are suitably qualified and experience
- The government will also ensure that the senior management within the SOE's have suitable qualifications and experience.
- SOE's will be required to align their prices and charges with the total cost of service delivery, except where they are being funded by community service obligation (CSO) arrangements.
- SOE's will be required to operate in accordance with sound financial management principals.
- The government has agreed to establish an SOE policy and SOE act to provide mechanisms for the effective application of good practices.

Though the Marshall Islands has pledged to privatize non-essential SOE's, to date only limited privatization has occurred in the telecommunications sector although there is emerging evidence of improvements in the energy sector. Some, but not all, state-owned enterprises publish annual reports, and all SOEs are required to have their books independently audited as part of the government's overall audit.

The Marshall Islands has no sovereign wealth fund (SWF) or asset management bureau (AMB), but the Compact of Free Association established a Trust Fund for the Marshall Islands that is independently overseen by a committee composed of the United States, Taiwan, and RMI representatives.

Corporate Social Responsibility

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With the exception of a few retail businesses, the banking sector, and ship registry, there is little general awareness of corporate social responsibilities among producers or consumers. Firms that pursue CSR are viewed neither favorably nor unfavorably.

Political Violence

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There have been no reported incidents involving politically motivated damage to projects or installations.

Corruption

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There are credible allegations and periodic prosecutions for misuse of government funds and abuse of public office for private gain. Government procurement and transfers appear most vulnerable to corruption, and personal relationships sometimes play a role in government decisions. Government officials at all levels are permitted to invest in and own private businesses without regard for conflict-of-interest considerations. Foreign aid has been abused and recent audits report a number of financial irregularities connected to donor-funded activities. Bribery is a second-degree felony, whether to a domestic or foreign official. The first quarter of 2014 has seen high profile charges filed in a hospital procurement bribery case, including against the associate administrator at the Ministry of Health.

The Office of the Attorney General is tasked with combating corruption and has recently concluded a prosecution a number of individuals within the government for embezzlement and theft in a case that began in 2011. One former Minister and several government employees were charged and sentenced in corruption-related cases. Regardless of intentions, however, a lack of capacity and resources hamper the Attorney General Office's efforts.

The RMI acceded to the UN Convention Against Corruption in September 2011. No international, regional, or local watchdog organizations operate in the country.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies

pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery,

money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa.

Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business

Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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The Marshall Islands has double taxation agreements with Australia and New Zealand and has an Air and Sea Transport Cooperation Agreement and Exchange of Information Agreement with the United States. The RMI also has 14 tax information sharing agreements, including with the United States and Australia.

The RMI does not have a bilateral investment treaty with any country.

OPIC and Other Investment Insurance Programs

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The U.S. Overseas Private Investment Corporation (OPIC) provides investment insurance, financing, and loan guarantees in the RMI for qualified investors. Because the Marshall Islands uses the U.S. dollar as its national currency, there are no convertibility risks. The RMI is not a member of the Multilateral Investment Guarantee Agency.

Labor

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The workforce in 2012 was estimated at 10,482, of which 45% worked in the public sector. Preliminary results from the 2010 RMI census indicate the country has a 31% unemployment rate, and a significant portion of the population remains underemployed as well. Unemployment rates among youth and young adults could be as high as 50–60%. Official reported unemployment is 4.7% however, by including all household production such as fishing or making handicrafts for personal consumption.

Under the Compact of Free Association, Marshallese citizens are entitled to live, attend school, and work in the United States visa-free as “nonimmigrant residents.” Accordingly, many skilled and professional workers migrate to the U.S. for its higher

wages and standards of living. Professional, medical, management, and other special labor skills are in high demand in the Marshall Islands.

Given the scarcity of resident qualified workers, the Marshall Islands allows investors to employ non-resident workers provided they agree to cover the cost of repatriation, hire and train at least one citizen to perform the same work, and pay a fee of US\$1,000. The National Training Council provides training resources for Marshallese workers. The rules concerning non-resident workers do not apply to U.S. citizens and citizens of the Federated States of Micronesia, and Palau. While many consider the law discriminatory against foreign workers, employers are willing to pay the fee in order to hire skilled labor, which is not widely available in the country. Some companies, particularly in fisheries, seeking to expand business and hire additional workers are limited by other infrastructure constraints, such as the lack of available land, water, and power.

There is no legislation concerning collective bargaining or trade union organization. The country has a very limited history or culture of organized labor. The only union ever created in the country, the Teachers' Union, was formed several years ago. Since the death of the founder, the union is has become inactive. The Marshall Islands has been a member of the International Labor Organization (ILO) since 2007 but has only had limited engagement with the ILO.

Foreign-Trade Zones/Free Ports

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There are no geographic foreign trade zones or free ports in the RMI.

Foreign Direct Investment Statistics

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The Marshall Islands has relatively low levels of Foreign Direct Investment (FDI). The authorities have pledged to continue their efforts to ease the obstacles to private sector development. They emphasize that there has been some progress in registering land and that they will tackle further the land ownership issues, though this will take considerable time and effort due to the complex nature of the Marshallese land tenure system. Ensuring proper infrastructure and legislative framework will help reduce costs in running businesses and providing a level playing field to investors will attract foreign direct investment. In 2010, foreign investors purchased new purse seiner vessels for operation in the RMI Exclusive Economic Zone, temporarily increasing FDI to US\$37.1 million. In 2013 FDI was US\$4.1 million (4% GDP), in line with the general average of FDI level from 2004 to the present, excluding the purchase of the purse seiner vessels.

There are limited comparable data for RMI direct investments abroad, except for the RMI Compact Trust Fund which was valued at US\$158.2 million in August 2012.

The major foreign direct investments are concentrated in the fisheries sector, including a tuna loining plant and a tuna processing plant along with several fishing purse seiners, the majority of which are owned by investors from China and Taiwan. Boutique tourism

has recently become a factor as well, with elite surfing and diving operations making some significant expenditures in 2013 and 2014.

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (Millions U.S. Dollars)	FY 2012	3.2%	FY 2012	2.4%	Host Country Data Source: Graduate School, Fiscal Year 2012 Economic Review (August 2013): http://www.econmap.org USG Data Source : http://www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international statistical source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (Millions U.S. Dollars, stock positions)	Not Available	Amount	Not Available		(BEA) click selections to reach. <ul style="list-style-type: none"> • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (Millions U.S. Dollars, stock)	Not Available	Amount	Not Available	Amount	(BEA) click selections to reach <ul style="list-style-type: none"> • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of

<i>positions)</i>					Dollars)
Total inbound stock of FDI as % host GDP	Insert N/A	Amount N/A	FY 2013	2.4%	IMF Country Report No. 14/26 https://www.imf.org/external/pubs/ft/scr/2014/cr1426.pdf

* Provide sources of host country statistical data used.

19. Contact Point at Post for Public Inquiries
 Pol/Econ/Consular Officer
 P.O. Box 1379, Majuro, MH 96960
 692-247-4011

Web Resources

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- RMI Embassy to the United States: Economy and Investing:
<http://www.rmiembassyus.org/Economy.htm>
- RMI Government: <http://www.rmigovernment.org/index.jsp>

U.S. Government:

- U.S. Embassy Majuro, Marshall Islands: <http://majuro.usembassy.gov/>
- U.S. Department of the Interior, Office of Insular Affairs:
- U.S. Department of Commerce, International Trade Administration: <http://trade.gov>
- OPIC: www.opic.gov
- U.S. Trade & Development Agency: <http://ustda.gov>
- USAID Pacific Islands Office, Port Moresby, Papua New Guinea:
<http://pacificislands.usaid.gov>

Regional Organizations:

- Asian Development Bank: <http://beta.adb.org/countries/marshall-islands/main>
- UN International Labor Organization: <http://www.ilo.org/asia/lang--en/index.htm>
- Graduate School, Economic Reporting in the RMI:
<http://www.pitiviti.org/initiatives/economics/rmi.php>
- Graduate School, Fiscal Year 2012 Economic Review (August 2013):
<http://www.econmap.org>
- Micronesia Chief Executive Summit: <http://rmimces.info/index.php>
- IMF: <https://www.imf.org/external/pubs/ft/scr/2014/cr1426.pdf>

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Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
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How Do I Get Paid (Methods of Payment)

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- Most import transactions in the Marshall Islands require payment up front.

How Does the Banking System Operate

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- There are currently two banks with branches in the Marshall Islands. The bank of Guam is publicly owned U.S. Company with its headquarters in Guam. The bank complies with all U.S. regulations and is FDIC-insured. The Bank of the Marshall Islands is privately-owned Marshallese Company with its headquarters in Majuro.
- There are no stock exchanges or financial institutions in the country. A growing number of unregulated financial service institutions have been reported, but little is known about their assets or available credit instruments.
- While not easy to come by, financing loans are available. Loans require collateral, usually future land payments, or for government employees, payroll allotments set up with the ministry of finance. Interest rates on consumer loans dropped to 13.8 percent in FY2012.
- Since RMI uses US currency, it has no independent monetary policy. Interest rates are closely aligned with those in the US, although lending rates are slightly higher to reflect the additional risk and costs of doing business in the RMI. The banking system is regulated by the banking commissioner, who does supervision of all commercial banks, licensing of domestic and foreign banks, and consumer protection.

Foreign-Exchange Controls

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- The Marshall Islands uses the U.S. dollar as its official currency, and there is no central bank. There are no official remittance policies and no restrictions on foreign exchange transactions.

U.S. Banks and Local Correspondent Banks

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- There are currently two banks with branches in the Marshall Islands.
- The Bank of Guam is a publicly owned U.S. company with its headquarters in Guam. It complies with all U.S. regulations and is FDIC-insured.
- The Bank of the Marshall Islands is a privately-owned Marshallese company with headquarters in Majuro. There are no stock exchanges or financial institutions in the country. A growing number of unregulated financial service institutions have been reported, but little is known about their assets or available credit instruments.

Project Financing

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- International development agencies, such as the World Bank and Asian Development Bank, as well as international aid agencies, provide funds for development projects in the Marshall Islands. Projects most recently funded by the ADB include water supply and sanitation on Ebeye, economic policy and planning, fiscal reform and debt management, and improved energy supply to poor households.
- The Overseas Private Investment Corporation (OPIC) and the Export-Import Bank of the United States offer limited financing for American business ventures in the Marshall Islands and for U.S. equipment sales.
- The Marshall Islands is one of ten Pacific island countries to sign the Memorandum of Understanding (MoU) to establish a Pacific Regional Trade and Development Facility. Once established, the facility will coordinate Aid for Trade resources in the Pacific region and fund regional and joint national projects.
- USAID is providing funding under the Pacific-American Climate Fund for climate change adaptation measures. In order to apply, businesses must be registered in the Marshall Islands. Surprised at the number of high quality applications for the region, they have removed the third category of \$1 million funds and are now emphasizing funds in the \$150,000 range.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

ADB: <http://www.adb.org/countries/marshall-islands/projects>

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Chapter 8: Business Travel

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- [Travel Advisory](#)
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- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Web Resources](#)

Business Customs

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- Foreign business people should not expect to find their Marshallese counterparts in suits and ties. Normal business attire consists of dress pants and open collared tropical shirts with modest patterns, tucked in or out.
- While appointments are preferred, most Marshallese operate on “Island time,” with low emphasis placed on punctuality.
- For more information on visiting The Marshall islands, its customs, attire, recreational activities, and maps please visit <http://www.visitmarshallislands.com/>

Travel Advisory

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Detailed and updated travel information on the Marshall Islands is available through the U.S. Department of State Consular Information Sheet at http://travel.state.gov/travel/cis_pa_tw/cis/cis_964.html

Visa Requirements

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U.S. Citizens are not required to obtain a visa to enter the Marshall Islands.

Marshallese citizens are not required to obtain a visa to enter the U.S.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

<http://majuro.usembassy.gov/visas.html>

Telecommunications/Electric

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- The state-owned National Telecommunications Authority (NTA) is RMI's only Internet provider. Fiber reaches Kwajalein and Majuro from Guam, where NTA takes over responsibility. Wireless is now available at its local hot spots via Wi-Fi card. Wi-Fi cards can be purchased in denominations of \$5 to \$20 dollars. The \$5 cards are good for 50 minutes. Ultra Wireless Service can be purchased for \$35 per month – it gives access to all NTA hotspots on island.
- NTA provides the option for landlines in Majuro and Ebeye; however, it is cheaper and more common for residents to use cell phones. These landlines can support fax communications. It is not likely to find landlines on the smaller islands.
- NTA provides GSM coverage throughout Majuro, Kwajalein, Ebeye, Jaluit, Kili, Wotje, Enewetak, Mejjatto, Santo, and Rongelap, with some bleed over to the smaller islands. This system currently supports only voice and text communications. The texts only work within the NTA system. The local cellular phone cannot receive or send text from outside of the local system in RMI.
- Unlocked smart phones will work in the RMI with local SIM cards for voice and local text. They can access the WIFI Hot Spots with the purchased WIFI cards.
- RMI outlets are very similar to those found in the US and Canada. In many cases, no adapter is required for your devices. However, unlike the USA, RMI does not require that plugs have grounding or polarization features. As a result, plugs with a taller left blade (for polarization) or a rounded third pin (for grounding) may not physically fit in some RMI outlets and require the use of an adapter. Voltage is the same as the US with 110-120 volts AC.
- Electricity supply is generally reliable, although there was a recent uptick in outages related due to generator maintenance.

Transportation

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- United Airlines and Our Airline are the only two airlines that operate in the Majuro airport. As of June 2014, United Airlines offers an island hopper service in and out of the RMI three times weekly during busy seasons, with connections in Honolulu and Guam. Our Airline operates between Australia and the RMI, with connections in Nauru and Kiribati.
- Air Marshall Islands provides travel between islands, although its reliability has deteriorated recently. Unpaved airstrips on remote islands cause damage to planes on landing and takeoff. Due to lack of funds for spare parts, planes have been grounded for stretches as long as several months. Lack of passengers has contributed to the airline's recent struggles. Barring any major development in the outer islands, this downward trend is likely to continue.

Language

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- The official languages of the Marshall Islands are Marshallese and English. While Marshallese is the mother tongue and language of communication between locals, English is widely spoken and suitable for business interactions. It is the *lingua franca* for communication between small Oceanic nations which have different native languages.

Health

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- No immunizations are suggested or required to visit the Marshall Islands.
- There is little risk of acquiring malaria in the Marshall Islands; however, malaria is endemic to some surrounding nations.
- Health facilities in Majuro and Ebeye are adequate for routine medical problems. There are few or no health facilities elsewhere in the Marshall Islands. Majuro has a private clinic and a public hospital. Ebeye also has a public hospital. Most outer islands have medical dispensaries.
- Serious medical problems requiring hospitalization and/or medical evacuation to the United States can cost tens of thousands of dollars. Prescription and over the counter medicine may not be available.
- It is recommended that you bring a supply of your prescription medication when you visit. Doctors and hospitals often expect immediate cash payment for health services. However, the local cost for service is quite minimal.
- Americans are urged to consult with their medical insurance company prior to traveling to the Marshall Islands to confirm whether their policy applies overseas and whether it will cover emergency expenses, such as a medical evacuation.
- Tourists are encouraged to obtain medical insurance that would pay for medical treatment and medical evacuation before traveling to the Marshall Islands.

Local Time, Business Hours, and Holidays

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Marshall Islands Standard Time is 12 hours ahead of UTC/GMT.

- Daylight Saving Time is not used.
- Normal business hours for Government offices are from 8:00 a.m. to 12:00 noon and from 1:00 p.m. to 5:00 p.m., Monday through Friday. The private sector has varying hours, with most stores staying open until later in the evening.
- The Marshall Islands holidays for 2014 are:
 - January 1st New Year's Day
 - March 1st Nuclear Remembrance Day
 - April 18th Good Friday
 - May 1st Constitution Day
 - July 4th Fisherman's Day
 - September 5th Dri-Jerbal Day (Labor Day)
 - September 26th Manit Day (Culture Day)

- November 17th President's Day
- December 5th Gospel Day
- December 25th Christmas Day

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Us Embassy Majuro

<http://majuro.usembassy.gov/>

Marshall Islands Visitor Authority

<http://www.visitmarshallislands.com/>

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Chapter 9: Contacts, Market Research and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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Marshall Islands visitors Authority
<http://www.visitmarshallislands.com/>

RMI Embassy in the Unites States
<http://www.rmiembassyus.org/economy.htm>

Customs information
<http://www.visitmarshallislands.com/custom.html>

Marshall Islands:

RMI Embassy to the United States: Economy and Investing:
<http://www.rmiembassyus.org/Economy.htm>

RMI Government: <http://www.rmigovernment.org/index.jsp>

U.S. Government:

U.S. Embassy Majuro, Marshall Islands: <http://majuro.usembassy.gov/>

U.S. Department of Commerce, International Trade Administration: <http://trade.gov>

OPIC: www.opic.gov

U.S. Trade & Development Agency: <http://ustda.gov>

USAID Pacific Islands Office, Port Moresby, Papua New Guinea:
<http://pacificislands.usaid.gov>

Regional Organizations:

Asian Development Bank: <http://beta.adb.org/countries/marshall-islands/main>

UN International Labor Organization: <http://www.ilo.org/asia/lang--en/index.htm>

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: buyusa.gov

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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