

February 11, 2025

MEMO TO: David M. Raatz, Jr., Director of Council Services

F R O M: Ellen McKinley, Legislative Analyst *EBM*  
Jarret Pascual, Legislative Analyst *JPP*

SUBJECT: **POTENTIAL OPPORTUNITIES TO DIVERSIFY THE ECONOMY OF HAWAI'I** (PAF 25-010(1))

This report briefly summarizes Hawai'i Economic Association's webinar, entitled "Potential Opportunities to Diversify the Economy of Hawai'i," presented by University of Hawai'i Assistant Professor Steven Bond-Smith on January 23, 2025.

Hawai'i faced short-term shocks when visitor numbers and spending were impacted by the September 11th attacks, the Great Recession of 2008, the COVID-19 pandemic, and the August 2023 Maui wildfires. Consequently, policymakers have looked for opportunities to diversify and strengthen Hawai'i's economy.

Professor Bond-Smith stressed the importance of identifying potential diversification opportunities that are related to existing industries. Related industries use similar capabilities and are frequently found in close proximity, or clusters, that can benefit from labor market pooling, supply-chain linkages, and knowledge spillovers.

Diversification opportunities in Maui County based on relatedness density, include:

- Marinas
- Fruit and tree-nut combination farming
- Boat building
- Shellfish fishing
- Rice farming (may not be feasible due to access to water)
- Finfish fishing

Priority clusters identified by Professor Bond-Smith for Hawai'i's counties include:

- Tourism
  - Local hospitality establishments
  - Local retailing of clothing and general merchandise
  - Jewelry and precious metals
  - Performing arts
- Water transportation
  - Boat and ship building
  - Cargo handling and coastal and deep sea freight
- Education and knowledge creation
  - Appears as a strength on O‘ahu
  - Research and development in the physical, engineering, and life sciences appears as a strength in Maui and Hawai‘i counties
- Video production and distribution
- Agriculture
  - Identify high-value niche crops that can be produced in Hawai‘i

Policy efforts must also address barriers that constrain emerging industries.

To view the full webinar and Professor Bond-Smith’s presentation, please visit <https://www.youtube.com/watch?v=5DUC5wZPwt8> and [https://drive.google.com/file/d/1DrU\\_iTGVuhvxwZ-2mwKSSfK210xRO1IR/view](https://drive.google.com/file/d/1DrU_iTGVuhvxwZ-2mwKSSfK210xRO1IR/view).

We hope you find this information useful. If you have any questions or would like more information, please contact Ellen at ext. 7661 or Jarret at ext. 7141.

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cc: Deputy Director of Council Services