



Office of the Governor of Guam

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The Honorable Ken Salazar
Secretary
U.S. Department of the Interior
1849 C Street, N.W.
Washington, D.C. 20240

Dear Secretary Salazar:

Hafa Adai! Thank you for the February 3, 2009, letter of invitation to participate in the 2009 plenary session of the Interagency Group on Insular Areas (IGIA). I appreciate the opportunity to present issues of importance to the people of Guam and am certain that, under your leadership, the IGIA will continue to help direct significant policy changes to benefit the U.S. territories.

Through the commitment of the men and women of the Office of Insular Affairs, many issues affecting Guam have been resolved to help our community. However, despite this progress, a number of remaining concerns merit discussion during this upcoming IGIA session.

Interagency Assistance with Implementation of Guam Military Buildup Program

Issue

The Government of Guam understands the immediate needs of the people of our island who will be directly impacted by the "U.S.-Japan Alliance: Transformation and Realignment for the Future" entered into by the United States and Japan in 2005 and ratified recently by the Secretary of the U.S. Department of State and the Foreign Minister of Japan in the Guam International Agreement. The Government of Guam should sit as an equal partner in negotiating a successful buildup program, estimated to cost at least \$15 billion, that will have immense effects on the local community.

Background

Millions of dollars in capital improvement projects have been identified in the civilian community, and we continue to seek funding for more than half of those projects. In July 2008, the Government of Guam submitted a \$237.8 million budget proposal to the Office of Management and Budget. Additionally, millions more in separate funding requests to the various executive branch departments and agencies of the federal government for inclusion in the

FY 2010 Presidential Budget requests to the United States Congress were submitted for consideration.

The FY 2010 funds would allow Guam to proceed with critical projects in infrastructure, human resource development, and additional local government personnel to meet the needs of a burgeoning population and rapidly developing island. Because of limited resources, individual agencies within the Government of Guam continue to seek funding sources, including bond financing, to support projects that will improve the quality of life for all residents.

The Government of Guam is taking cost-cutting measures and approaches to maximize the limited funding opportunities afforded the island as a U.S. Territory.

Recommendations

The Government of Guam is seeking the assistance of the White House and U.S. Department of the Interior to partner with the U.S. Department of Defense in seeking direct appropriations and technical support of the Executive Branch Agencies in ensuring the full implementation of the Guam Buildup Program.

It is unrealistic for any U.S. community to plan for, finance and manage unfunded federal mandates imposed by the bi-lateral agreement within the aggressive timeline without assistance from the U.S. Government. We are confident the Fiscal Year 2010 budget request and future funding requests for the Guam Military Buildup will do much to improve our seaport, roads, utilities, schools, health care systems and public safety programs vital to both the civilian and military communities.

The Government of Guam asks the IGIA to develop a network of authorities, statutes, ordinances, rules and regulations for incorporation into the Guam Military Buildup Program as a primary means of carrying out the objective and policies of the U.S. Department of Defense, the U.S. Marine Corps and Government of Guam.

In the near future, the staffing requirements will need to be increased to collect baseline data, review all federal consistency determinations, Environmental Impact Statements, Economic Impact Statements, mitigation plans, and develop appropriate monitoring and compliance protocols.

Interagency Support of Extension of Implementation of Guam-CNMI Visa Waiver Program

Issue

In reviewing the interim regulations filed by the Department of Homeland Security on or about January 15, 2009, in the Federal Register, the Government of Guam has determined that the U.S. Department of Homeland Security (DHS) has failed to implement a provision of Public Law 110-229 (the Consolidated Natural Resources Act relative to the Northern Mariana Islands Covenant Implementation Act) as was intended by Congress. The regulations creating the Guam CNMI Visa Waiver Program (VWP) will fall short of "expanding the tourism economy of the

CNMI", and in fact, will have a devastating effect in the region by cutting of the tourist markets of China and Russia effective June 1, 2009.

Background

Full implementation of Public Law 110-229 will result in Guam watching its single largest economic sector contract by about 30 percent, from \$1.2 billion to \$810 million, or be allowed to contain its decline and grow it to \$1.5 billion by 2013 within the framework of a favorable VWP.

Tourism expenditures currently represent \$1.2 billion in our local economy, an estimated 40percent of Guam's Gross Island Product (GIP). Visitor spending alone accounts for 95percent of this total, generating \$148.9 million in combined payroll, hotel lodging, and gross receipts taxes, according to Global Insight, a U.S. marketing research firm tasked with measuring the economic impact of Guam's tourism industry (Guam Tourism Satellite Accounting model).

Japan and Korea today comprise 90 percent of the 1.2 million annual visitors to the island, with the vast majority of our arrivals from Japan. However, these are mature source markets forecast to decline in the future due to their aging demographics and heightened regional competition from lower cost Asian resort destinations.

Japan arrivals to Guam declined 27 percent between Fiscal Year 2000 and 2008, and the strategic outlook for this market is bleak. Guam can foresee a further estimated 30 percent decline in Japanese visitors by 2013, and another 10 percent decrease from current numbers by 2018, for a combined loss, respectively, of \$119.5 million and \$172.2 million in payroll, hotel lodging and gross receipts taxes (based on current visitor spending surveys). A spin off from this negative impact is the potential loss of 4,000 jobs at an average annual salary of \$30,000 and the added costs of unemployment and other social programs by 2013 (Guam Visitors Bureau Research Department and Guam Department of Labor Report, 2008).

With a favorable VWP for Russia and China, this loss can be offset, enabling the island's tourism industry to grow and contribute significantly to the infrastructure investments required in support of the increased military footprint now actively discussed. This is so because of the improved yields associated with Chinese and Russian tourists, who are not now in our visitor mix, but provide a compelling reason for their inclusion in the VWP.

Without an expanded VWP that includes China and Russia, this industry may shrink approximately 32 percent in five years, from \$1.2 billion to \$810 million. With an expanded VWP, we have an opportunity to not only preserve but to enable growth in the largest portion of our economy, potentially generating \$1.5 billion by 2013.

Recommendations

The Government of Guam is asking the White House, U.S. Department of State, U.S. Department of Homeland Security and U.S. Department of Commerce for support for the regional request of Guam and the Northern Mariana Islands to delay implementation of the regulations until adequate border security measures are implemented and the regulations are amended to allow for the expansion of the tourism economies for our area by allowing China and Russia to continue as key tourism markets.

We are fully aware of the issues under consideration by DHS, and the challenge of meeting the deadlines set forth in Public Law 110-229. In meeting this challenge, however, we would urge your fullest consideration in allowing us the opportunity to sustain and grow our single most important industry. As an island with limited natural resources, Guam relies on tourism as a sustainable economic foundation.

The people of Guam are facing tremendous economic challenges in the face of the impending military buildup, which will see the island's population grow by some 25 percent within the next seven years. To meet these enormous challenges, a robust economy is needed to generate revenues that can support the millions of dollars required by the local government to upgrade the island's infrastructure and provide basic services.

Inclusion of the U.S. Territories into Free Trade Agreements negotiated by the Office of the U.S. Trade Representative

Issue

Difficulties continue to confront the Insular Territorial governments as each attempts to diversify their respective island economies. Each is committed to sustained economic growth. Over the past three decades, Guam has identified and fostered potential competitive advantages for its economy. There has been a renewed understanding that sustained economic growth through significant reforms will ultimately improve the business climate in the Territory. While federal agencies continue to craft and negotiate bi-lateral agreements with foreign governments in close proximity to the Insular Territories, the insular governments are not able to take full advantage of them to improve the quality of life for the American citizens who live there.

Background

The United States concluded an historic free trade agreement with the Republic of Korea in April 2007 that would eliminate tariffs and trade barriers in goods and services, promote economic growth and strengthen economic ties between the United States and Korea.

The agreement provides the 50 states and Puerto Rico with several trade advantages with South Korea; however, it does not include any of the other U.S. Territories by name.

The KORUS agreement would include Guam in the U.S. Customs territory, allow local financial and insurance companies to establish branches in the Korea market and provide Guam/U.S. firms the opportunity for full ownership of telecommunications operations in Korea.

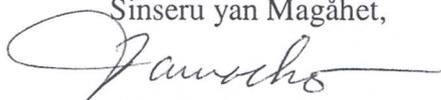
Recommendations

The Government of Guam is asking that the Office of the United States Trade Representative extend the Korea U.S. Free Trade Agreement to include Guam. To assist with expanding the Guam economy, Guam respectfully asks that all future free trade agreements negotiated with the United States, industrial nations (OECD), new industrial countries (NIC) and less developed countries (LDC) include the Territory of Guam and other Insular Territorial Governments.

Such inclusion would allow Guam and the Insular Territories to create activities to sustain substantial industrial continuity, increase personal and family incomes, and encourage reliable business and farming activities.

I appreciate your support of the Interagency Group on Insular Areas and I respectfully request your assistance in addressing these critical issues facing the people of Guam.

Sinseru yan Magåhet,



FELIX P. CAMACHO

I Maga' Låhen Guahan

Governor of Guam