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Governor

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**Testimony of the Honorable Felix P. Camacho, Governor of Guam,
before the House Subcommittee on Insular Affairs, Oceans and Wildlife
relative to the Implementation of Public Law 110-229
to the Commonwealth of the Northern Marianas and Guam,
with specific reference to the Visa Waiver Program**

Congresswoman Bordallo, and members of your committee, thank you for affording me the opportunity to comment on the Implementation of Public Law 110-229 and for your continuing interest in our economy.

I am particularly pleased to learn that the intent of this hearing is to ascertain the status of, and progress being made in, implementing the Visa Waiver Program (VWP) as authorized by Public Law 110-229.

In enacting Public Law 110-229, it was clearly the intent of Congress to facilitate expansion of our tourism opportunities at a time when our largest source market (80% Japan) continues to decline for reasons demographic, economic, and social. It should be noted that the strategic outlook for this market is not encouraging as more low cost leisure resorts in Asia proliferate the competitive landscape, taking away Guam's share of market.

In passing this law, it was also the intent of Congress to allow countries not currently on the visa waiver list to be included in the program as long as:

- a) They represent a significant economic benefit; and
- b) Adequate safeguards are provided with regard to our national security.

Significant Economic Benefit

The economic benefit from Chinese tourists is well documented in both the Commonwealth of the Northern Marianas (CNMI) and elsewhere. And of the three major outbound markets in East Asia, only China continues to grow in the midst of a global recession. Japanese and Korean overseas travelers, which account for 90% of Guam tourists, declined significantly in 2008 while China grew +12% to 46 million. About 18% or 8 million of these Chinese travelers are potential tourists to non-Asian destinations, and a target 2% market share for Guam translates into some 160,000 visitors. At \$112 in daily spending (U.S. Commercial Service) one can surmise the significance of the Chinese market for Guam, both in number and spending potential.

Achieving even half of our target share of market at an average 4 day stay can produce an economic benefit of \$62.7 million to Guam. ¹ As travel is made available to the pool of residents beyond Beijing, Shanghai and Guangzhou (more recently to about 100 second tier cities), the potential for Guam to establish direct air service and to attract 160,000 or more Chinese tourists each year is an opportunity too compelling to be denied.

As previously stated in the Guam Visitors Bureau comment letter on the Department of Homeland Security (DHS) Interim Final Rule (copy attached), the case for Guam is simple regarding the inclusion of China in the VWP. Guam will either see its single largest economic sector contract by -30%, from \$1.2 billion to \$800 million, or it will be allowed to contain this decline, grow the China leisure market, and expand its tourism economy to its full potential under a favorable visa waiver program.

National Security

We are encouraged by this hearing because we believe that the issues associated with fulfilling Congressional Intent will be sufficiently examined to produce an outcome that will enable Guam to grow other markets. I am especially interested in how much progress DHS has made to standup the institutional and physical infrastructure required in implementing the VWP, and the specific details associated with the installation of additional layered security measures.

Timing Issue

We recognize the major hurdles that DHS will have to address in standing up a VWP that would allow inclusion of currently excluded countries while safeguarding our national security. Further, we are concerned that completion of these tasks may not occur in a timely manner. If so, and in order to prevent irreparable economic harm to the CNMI, we recommend that the current 180 day delay be extended yet again until DHS completes its task and provides the road map to achieve security and visa processing objectives as intended by the Congress. If further extension is warranted, however, it is imperative that Guam's needs are also addressed in the interim, specifically as regards:

1. H-2 Labor
Delinkage of the H-2 cap, so as not to impede the construction build up of national defense projects associated with force restructure agreements (i.e. Japan).
2. Hong Kong
The inclusion of Hong Kong residents in our current VWP for both British National and Special Administrative Region passport holders.

In closing, I take this opportunity to share yet again certain principles that I believe underpin the intent of Congress in passing Public Law 110-229:

- a) Recognizing the importance of tourism in the economies of Guam and the CNMI, given few other economic development options because of geographic isolation, limited natural resources, and small economies of scale;
- b) Recognizing important source markets of economic significance to the region, now and in the future, China and Russia providing the most compelling cases;
- c) Recognizing Guam's strategic importance in the Pacific theater's U.S. force structure realignment, and inherent therein the need to balance U.S. security concerns with the economic interests (indeed economic survival) of Guam and the CNMI;

- d) Recognizing the stated goal of promoting economic development in the region, thereby enabling it to support the costs for infrastructure and quality of life improvements associated with a more robust regional military posture; and
- e) Recognizing the nation's policy of constructive engagement with China, specifically through trade and commerce that include bilateral tourism and air service arrangements concluded by former U.S. Commerce Secretary Carlos Gutierrez, and highlighted more recently by U.S. Secretary of State Hillary Clinton's visit to China.

Sincerely,



FELIX P. CAMACHO

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Governor of Guam

(Footnotes)

² Spending @ 112 per day x 4 = 448.00 x 80,000 pax = 35,840,000 x 1.75 multiplier = \$62.7 million