

**Testimony of Peter Leon Guerrero Before
the Subcommittee on Insular and
International Affairs**

Testimony of

PETER LEON GUERRERO
Acting Director, Guam Bureau of Planning

on behalf of

JOSEPH F. ADA
Governor of Guam

Before the
SUBCOMMITTEE ON INSULAR AND INTERNATIONAL AFFAIRS

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Mr. Chairman and members of the Subcommittee, my name is Peter Leon Guerrero, Acting Director of the Bureau of Planning on Guam, and I am before you today, to present testimony on behalf of Governor Joseph Ada. On behalf of the Governor and the people of Guam, I appreciate the opportunity to present our views on federal policies regarding the U.S. Insular areas.

The Territory of Guam is heartened by these hearings, which represent an attempt to develop a comprehensive policy, or set of policies; to more clearly define the federal-island relationship; to establish direction for management and development of our fragile, island resources, and; to create more stable, self generated economies. That the process, to this point, has included full participation by the island governments, has been well noted and appreciated.

The Office of Technology Assessment, and particularly the staff of that office responsible for the document "Integrated Renewable Resource Management for U.S. Insular Areas", are to be congratulated. That document represents an extremely important information resource from which to base future actions. The document is not perfect, but does provide a solid starting point for study, dialogue and action. The method utilized in preparing the document allowed for maximum insular input and review, which we hope is a reflection of future, policy-making procedure.

There are two points which we feel must be made at the outset, and from which all following comments will be based. First; it would be a mistake to view all U.S. islands as being alike. The OTA document, perhaps out of necessity, described island resources, resource problems and resource opportunities, using the broad brush approach. The result was a very generalized product. Using this approach in the past has directly led to the problems of the present.

Second; in developing policies and programs to deal with the management and usage of island resources, we would caution against any unilateral actions. In too many cases in the past, that has been the cause of inappropriate legislation, which has resulted in wasted economic and human resources.

In order to clearly outline Guam's view of the OTA suggested options presented in the document, our testimony is divided into two sections. The first section deals with the background information provided from which the options were developed, and the second section will deal specifically with the options themselves. It must be emphasized that our comments are made from Guam's perspective only, and are not intended to be a response for the other U.S. island areas.

In defining resource problems, and in advancing suggestions for solutions, it is imperative that there be an accurate understanding of the causes. This cannot be accomplished in generalizing island environments. This is, perhaps, the single, greatest failing of the OTA study. Specifically, the report states:

"The majority of the U.S. affiliated islands have developed dependence on Federal funding to provide jobs, to provide public welfare, and to import food and other goods and services to the islands".

The study goes on to list five factors for this dependence, and concludes by stating,

"Despite the United States' past and present commitment to the economic vitality of the U.S. affiliated islands...."

The problems with those statements are severalfold. First; there is a cause for a level of dependence on the federal government which is not discussed, that being a deliberate and concerted effort by the U.S. Navy in the late 1940's and 1950's to create an urbanized, government work-force (on Guam). "...federal funding to provide jobs,...." was true thirty years ago, but is not true in any respect today. It would not necessarily have been true thirty years ago either if the U.S. Navy had not placed a strict security restriction on Guam, which absolutely precluded development of a civilian economy until that restriction was lifted in 1962.

"....federal funding to...support public welfare,...." is no more true on Guam than in any of the States. All that has been requested in this area is equal treatment as citizens.

"....federal funding to...import food and other goods and services..." This statement has no basis in fact for Guam. Private sector wholesalers import Guam's food products and, in fact, federal policies and an absence of federal (USDA) processes on Guam restrict our ability to import food stuffs from other countries in the region.

Finally, the statement, "Despite the United States' past and present commitment to the economic vitality of the U.S. affiliated islands...." is extremely misleading in Guams' case. Past U.S. policies in regard to Guam have been aimed at stifling the economy, (the security restriction being the prime example), or have resulted in a stifling of the economy, (constraints on usage of foreign built fishing vessels, dredges, etc.).

The misinformation (regarding federal-Guam relations), is an example of the confusion which can occur when describing "general" island conditions. If the misunderstanding of Guam's conditions are

incorporated into recommended actions for increasing utilization of the resource economy, then the recommended actions are bound to fail.

The same kind of misunderstanding can occur through usage of information which is not detailed or explained. For example; Table 1-1 on page 5 of the Executive Summary shows federal expenditures. This table shows 1984 estimated federal expenditures on Guam as being \$768,000,000, with no further explanation. On the face, this would appear to be an extraordinarily large injection of monies into the economy. This figure, however, fails to explain that:

1. Federal salaries are primarily spent in base commissaries, base exchanges, base recreational facilities, or deposited in base and state-side banks. A small percentage of salaries find their way into the local economy. Monies spent in that fashion are not locally taxed, and therefore do not contribute to the local tax base.

2. Military construction costs do not reach the economy due to the fact that, very often, construction companies utilized are from off island, and laborers (H-2) are foreign nationals who return 50-75% of their wages to their home countries.

3. Procurement monies are spent off island in most cases.

In other words, a very large portion of these federal monies, and the benefits accrued, are enjoyed by Department of Defense only, and do not extend beyond the fences, (both literal and figurative), which are designed to keep the local residents out.

In addition, there are costs and economic losses associated with the presence of military bases, including:

1. The military on Guam owns approximately 35% of all real properties, yet pays no real property taxes or, as is done in the States, makes no payments in lieu of taxes. This represents a substantial loss to the Government of Guam's tax base.

2. Large tracts of highly developable private properties are constrained from development due to a lack of access created by military boundaries. This has the effect of substantially reducing the Territory's development potential, and suppresses the property values (and taxes paid) on private properties.

3. Educational Impact Aid, designed to help defray the additional costs for the placement of military dependents in the local school system, is inadequate and the Government of Guam absorbs a portion of that cost.

It would be difficult, at best, to compute the economic advantages to the federal presence on Guam, and there is no argument that there is

an economic advantage, but raw figures such as are used in the study do not provide for an accurate assessment, and could conceivably have detrimental effects in assessing future policies and programs.

Other statements made in, (or omitted from), the study which could lead to misconceptions about Guam specifically, or with islands generally, follow. The purpose of pointing out these statements is not to denigrate the document, as we believe the document to be extremely valuable, but to illustrate the dangers inherent in generalizations.

1. Chapter 2, page 39: "...islanders do not contribute to the national treasury through Federal income taxes." While technically true, the islands contribute indirectly through a lack of taxation or payments-in-lieu of taxes for federal land holdings. The amount of savings to the federal treasury is substantial.

2. Chapter 2, page 41: "Although the U.S. affiliated Pacific islands do not play an important role in current or projected Department of Defense programs,...." In so far as the role the military has played on Guam, this statement has no basis in fact, and ignores the effectiveness of the Nuclear Free Pacific movement and the Pacific political situation. The U.S. affiliated islands provide the only major, totally secure bases in the Pacific area. Further, military expansion is welcomed in the U.S. islands, and provide a legitimate option for the possible loss of bases in the Philippines.

3. Chapter 2, page 41: "Puerto Rico is a notable exception, deriving nearly two-thirds of its annual operating budget from internal sources." (emphasis added). This statement is true, but ignores the reasons for that truth. Puerto Rico, although acquired at the same time and in the same manner in which Guam was acquired, was not only allowed, but encouraged to develop an internal economy at a very early stage. U.S. companies were allowed federal tax incentives for locating to Puerto Rico, where a cheap, labor supply was readily available. Their location in proximity to the mainland U.S. was also a factor in the economic growth. On the other hand, Guam was a closed island until 1962, and no such tax incentives were offered. Economic advantages associated with (limited) U.S. citizenship were also given to Puerto Rico some 33 years prior to Guam, and Puerto Rico was allowed to redefine its relationship (Commonwealth), some 35 years prior to the same allowance for Guam. In short, Puerto Rico was encouraged in many ways to develop, while Guam was discouraged in many ways, (imposition of the Jones Act, the Brooks Amendment, etc., which do not serve their intended purposes in such distant locations, but only serve to impede the economic self-sufficiency of the Pacific flag islands).

There were also resources omitted from the study, which will have a major impact on the sustainability of all renewable resources. These include energy, the EEZ, and the people themselves.

It is interesting to note that the study states, in regards to energy production, "...innovative forms of energy production that exploit the energy of the sea (i.e., ocean thermal energy conversion systems, wave energy systems and hypersaline solar ponds) may also be possible once such systems become more readily available." Typically, technology is developed for the benefit of the States first, then the technology is allowed to trickle down to the islands at some later point. In the case of ocean energy, however, the process should be reversed.

The geologic and geographic realities alone should provide sufficient reason for utilization of the island areas for development of these energy technologies. The presence of deep waters close to the shore and a more than sufficient temperature gradient, would suggest that OTEC technology be developed in areas like Guam first. The combination of synclinous geography, rapid, seafloor sloping and Guam's proximity to the area of Northern Hemisphere/Southern Hemisphere circulation convergence, would indicate that Guam may be the appropriate location for the development of wave energy systems. In other words, the position in the study should be reversed, and those new and developing forms of energy production should be developed within the island areas first, and then made available to the mainland after the systems are proven.

These, then, are the problems with the study, and it should be reiterated that, a generalized description of islands in which such a wide range of geology, geography, history, status, resource inventory and internal ability for development exists, can only present a misleading picture of any one island in particular. The danger in this misleading picture is that policy and program development which would address the real needs is virtually impossible. The good news is that all of the problems of the study can be resolved through implementation of the options.

OPTIONS

The options presented in the study provide an excellent base for both the federal government and the island governments to work from. A wide range of actions are allowed for, over the resource areas which were the focus of the study. The following section is a review of each

option, and how implementation of that option could affect Guam, and contains suggestions on implementation of the options in order to best serve both Guam and the federal government.

CONGRESSIONAL OVERSIGHT AND FEDERAL AGENCY COORDINATION:

Option: New Congressional Subcommittees.

Guam welcomes the suggestion of a greater, active participation on the part of Congress, and was pleased with the re-institution of the Subcommittee on Insular and International Affairs. On the House side, this Subcommittee could well be sufficient for the purposes and, at least within the House, no other, new Subcommittees would be required. We would also welcome the establishment of a congressional Joint Territorial Policy Study group. We do not feel, within this option, that it is an either/or question. The study group should be created whether or not any new subcommittees are created. There are, however, two suggestions that Guam would offer in regard to this option. First; the study group should be referred to as an insular policy study group, rather than territorial. This would more accurately reflect the scope of the group to include all U.S. affiliated insular areas.

Second; any new subcommittee created, at least within the House, should include the Representatives from the islands, including Hawaii. These same Representatives should be included in any joint study group. Some provision must be also made for island representation on any Senate committee or subcommittee dealing with these matters. Because the insular areas are not afforded representation in the Senate, the requirement could be fulfilled through the inclusion of island representatives on a staff level.

Without island participation, similar to that outlined above, there is the probability for the "ivory tower" approach to policy making. It is impossible for policy makers without an island background to understand the uniques of the island environment, except on an intellectual level. It is, therefore, imperative that any option undertaken include input from island representatives.

Option: Increase Federal Program Coordination:

Any actions designed to increase coordination among federal agencies is welcomed, but with reservations. As stated in this option, "...and

suggest funding priorities for technical assistance from the agencies." As will be detailed in the next suggested option, the federal agency determination of program effectiveness or prioritization should not be undertaken without an equal determination from the program users, the islands.

Guam agrees with the suggestion that Congress designate the U.S. Man and the Biosphere Program (U.S. MAB) as lead coordinating agency, and increase on-the-ground research and presence in the Pacific Area. While it may take some time for that program to acclimate themselves to the realities of the Pacific islands, we believe that such physical presence is essential to a federal understanding of the problems and opportunities.

Option: Review Effectiveness of Federal Island Programs:

We believe that this option is not only desirable, but necessary. What we are not convinced of, is the quality or accuracy of such evaluations if they are accomplished merely from the federal agency perspective. Past appropriation hearings have shown instances of funding justification based around continuation of programs which have not been effective for the islands and, in the past few years, instances of agency requests for no funding, when in fact the programs are working and effective (funding for the Coastal Zone Management Programs).

This option would be more effective, for decision makers, if a similar evaluation were accomplished by the island governments. In that scheme the economics, the implementation, and the results of the federal programs could be reviewed together, and a true analysis of program effectiveness could be made.

Guam does not believe that the alternative, a review by the General Accounting Office, would be effective. While it could be argued that such review would be unbiased, the possibility remains that the results would be a review that has the same problems associated with trying to evaluate all islands as a single entity; problem or accomplishment generalization.

DATA COLLECTION AND INFORMATION MANAGEMENT ISSUES:

Option: Analyze Island Databases and Information Management Systems:

This option is well thought out, and addresses one of the most pressing needs of Guam. While we have recognized the problem of inadequate databases, and have begun to address the problem, the fact remains that expertise in developing large, integrated database systems is not currently available on island. Because Guam has already begun addressing the need, it is possible that only an abbreviated study would be necessary before full implementation of data collection is undertaken.

Option: Assess Federal Data and Information Programs Likely To Be of Benefit to the U.S. Affiliated Islands.

This option would be extremely beneficial in terms of time and man-hour savings. All too often collection of information, or development of information has been undertaken when the same task had been undertaken previously in other locations. Because the islands are isolated, not only from the federal government but from each other as well, "re-inventing the wheel" is a too frequent activity. Implementation of this option would be a major improvement in the island's ability to manage the resources in the most effective manner.

Option: Establish Regional Information Clearinghouse(s):

This option would be easy to implement, as such clearinghouses already exist for the areas. The East-West Center and the Pacific Basin Development Council are currently being utilized regularly by Guam, as information centers and/or area coordinating bodies, and as such these organizations have served well. Designation (and utilization) of these bodies would help to guarantee that information gathered at the federal level did not get "lost in the shuffle", as can too easily happen when dealing with a large amount of information.

We are bothered by the last statement in this option, that, "....development of this network would require additional funding at a time when new funding is scarce." Because Guam in particular, and the Pacific islands in general, received so little federal attention and support for the majority of our relationship, we feel it is incumbent upon the federal government to expend the effort and monies now. It is only through such expenditures that the Pacific islands will become self-sufficient, in respect to our economies as well as our ability to manage our renewable resource base.

Option: Reactivate USDA Minor Economic Crops Computer Database.

Guam agrees with this option. Agricultural improvements on Guam will probably depend more upon expanding tropical crop production and processing, than on expanding production of those crops which can be grown more efficiently in other locations where large-scale farming occurs.

Option: Develop Small-Scale Island Farmer and Fisherman Profiles.

While application of this option would probably benefit the less urbanized islands more than Guam, we believe it to be a useful option.

Option: Fisheries Statistics Collection:

Guam is particularly interested in the idea of developing sea resources atlases. The Western Pacific Regional Fisheries Management Council has completed base studies which track migration patterns of tuna types, as well as beginning the process of developing migration information on bill fishes. Other work in this area has included fish inventories along submerged banks, and census histories of catches. The centralization of this and other data into comprehensive atlases would be a major step in developing long-range strategy for increasing local participation in fisheries.

In regard to fisheries, it should be noted that the study omitted the need to examine the interaction between large scale pelagic fisheries and the island based domestic small scale fisheries. This is an important topic, since distant water fisheries often provide minimal economic opportunities to the individual islands, while the domestic fisheries can provide significant benefits. Some preliminary indications show reduced quantity and size of domestic catch after increased activity from large scale fisheries. Comparison of economic benefits from each type of fishery and options to mediate possible negative impacts that may occur between these two fisheries could have been included.

Option: Training in Data Collection, Management, and Use:

This option is absolutely necessary for the sustained, long-term development and management of the renewable resources. It would be worthwhile for computerized systems and training to be compatible with the systems being currently set-up for regional databases by CCOP/SOPAC in Fiji. If a single system and database language were to be established for the Pacific region, a more comprehensive product could be made

available to the U.S. Pacific islands. Another advantage to this approach would be in the economic savings to the federal government, as training in database management could be funded through regional programs.

RESEARCH ISSUES:

The OTA document makes a statement, in relation to this section, which is worthwhile re-emphasizing. "...little research is oriented to tropical environments, and still less is aimed at the social and cultural aspects of the U.S. affiliated islands. The findings of resource-related research conducted in the temperate continental United States do not commonly apply to tropical island areas. Reliance on such research in the implementation of Federal programs on the islands results in "environmental misfits". This has caused some of these programs to fail and may even cause hardships to island inhabitants." (emphasis added).

Option: Increase Regional Research and Information Dissemination Activities.

This option would be quite workable, provided that East-West Center conducted field investigation (as opposed to modeling alone). For Guam, a significant amount of such research could be tasked to the University of Guam, for projects on Guam or in the neighboring islands.

Option: Screen U.S. Funded Research for Applicability to Tropical Islands.

Guam has major problems with the way in which this option is presented.

As has been stated previously, it is not possible for agency staff working and living in Washington, D.C., or any other mainland location, to understand in anyway beyond intellectually, the island environment. Because this option does not call for a cooperative working relationship with the islands, it is quite probable that the research findings gleaned would be too limited and esoteric to achieve maximum economic benefit.

This option goes on to assume that researchers (apparently in mainland universities or research labs) could understand the applicability of applied research to a generalized island concept, (if they just kept island problems in mind).

Guam believes the idea of screening research findings and of aiming on-going research toward the island problems is significant and positive, we do not feel it can be accomplished without direct and on-going input from the islands. For instance; Guam would have no particular use for volumes of information regarding copra production, while the FSM may have such an interest. The USDA and the researchers would not necessarily know which information would be applicable to which island, without island input from the beginning. There are some 2280 U.S. affiliated islands, under eight separate local governments. These islands vary greatly in individual ecology, economy, geology, geography, and needs. To expect non-island staff to be able to identify research applicable to any location is unrealistic.

Option: Link Tropical and Nontropical Land-Grant Institutes.

While Guam supports the intent of this option, it may be more productive and cost-effective in the long run, to fund on-island, long-term research by off-island researchers and experts.

Option: Extend Section 406 Programs and Funding to All Tropical Land-Grant Institutions.

Guam supports this option as being not only feasible, but necessary for the long-term, self-sufficiency of island management.

Option: Expand Tropical Agriculture, Forestry and Aquaculture Research.

Actions toward this goal, particularly in aquaculture development, are currently being undertaken in the Pacific. Guam feels a greater emphasis could be placed on these actions, and that they would produce significant benefits to the Pacific Islands.

On Guam, USDOI has been particularly helpful in supporting aquaculture research efforts. The Government of Guam came into possession of an aquaculture hatchery and research facility that had been left in disarray, and USDOI has committed funding to upgrading the facility. This effort will greatly increase Guam's ability of support the needs of the fledgling aquaculture industry on Guam, and will support research and training for aquaculture activities in the region.

EDUCATION, EXTENSION AND TRAINING ISSUES:

From the long-term perspective, the issue of resource education is perhaps the most important issue in which actions must be taken. To a significant degree, the process has already begun.

Option: Develop Environmental Education Programs:

Guam has made major efforts in this area to date. Environmental education has been one of the cornerstones of the Guam Coastal Management Program. Two years ago, that program produced a full color, Guam specific, environmental magazine format booklet, which was distributed to the Department of Education. This booklet was designed for usage in the middle school, science curriculum, and has been well received. This booklet has helped to increase awareness of the environment, and to create an environmental ethic in our children.

The program is currently printing teacher's guides and textbooks for use in grades Kindergarten through Fourth. This new effort is geared at creating an on-going education in the areas of ecology, geology, and geography, both on shore and in the near shore areas. Through the texts, the students are made aware of man's impact on the resources, and the need for wise development of our resources and communities are emphasized.

Guam fully understands the importance of this task, and would welcome assistance in continuing the effort. From any point of view, implementation of this option should be a priority.

Option: Increase Island Training and Extension Services:

This option was well thought out, and Guam fully supports the actions suggested.

INCENTIVE ISSUES:

Option: Marketing Assistance:

This is the option which Guam feels is the least creative, but with modifications could produce substantial benefits.

Guam's agricultural economy is important, and could certainly use

assistance in upgrading the growing and marketing techniques, but continuation or expansion of current production will do little to make significant impacts on import substitution. The potential for export exists, however, by creatively developing available products in two areas.

In the first area, (secondary production), Guam could not only produce some products for processing into exportable products, but could serve as a destination for crops grown throughout Micronesia for secondary processing. For example, hot pepper sauces, and tropical fruits and berries which could be processed into jams or jellies. This would include some products not currently available on a wide scale, such as manzanita jams or Lemon-De-China jelly. These products are not particularly land-intensive or labor intensive in the growing phase, and produce well in the clayey soils of Guam.

In this area, Guam would require assistance in obtaining U.S. production companies for the establishment of processing, canning plants. That assistance would include federal tax incentives for company location to Guam. The area would also require assistance from USDA in resolving the problems of agricultural importation into Guam from the other Pacific islands.

Another area in which Guam agricultural markets could be increased, would be through the allowance of the exportation of traditional products which are currently prohibited.

With a large, and growing mainland Chamorro population, a market exists for traditionally used products in their natural state. Unhusked coconuts, betelnut, unprocessed hot peppers and others, could be exported to serve the some 50,000 native Chamorro's currently living in the mainland U.S. (concentrated primarily along the west coast, which is beneficial from a marketing standpoint). Again, this would require USDA assistance in overcoming the obstacles of importation, but those obstacles are not insurmountable, unless the federal government wishes them to be.

These examples only point out the potential for agricultural expansion if some creativity, and knowledge of local desires are applied.

Option: Establish Insular Resource Management Cost-Sharing Programs.

Guam fully supports this option, as it would create additional incentives to individuals to enter the agricultural field.

Option: Analyze Income and Other Support Programs:

Guam has already begun some studies in this area, and supports the suggestion for assistance from USDA.

CONCLUSION

The Office of Technology Assessment has produced a very impressive and very usable document. The United States Congress is to be congratulated for having the foresight to request the study, and OTA must be congratulated for carrying out their task so well.

As with any study, and particularly a study of such scope, there are shortcomings, but in this case the shortcomings do not prohibit the document from immediate usability.

The options presented are important, and we would recommend that the Congress look at them seriously, and begin immediately the process of defining and creating new policy directions which will be of benefit to the United States, as well as her islands. We would once again suggest two cautions. First; do not attempt to create single policies to apply to all U.S. affiliated islands equally. We are as different from one another as Alaska is from Texas. Many of the policy problems of the past can be traced back to that very problem. Second; policy made from affair, without the full input of the affected islands, will in all likelihood, fail. Working together, policies and programs can be established which will ensure long-term benefits to the federal government, the local governments, all citizens, and to our renewable resources.

Once again, we thank you for the opportunity to present our testimony on this most important matter.