



GUAM CHAMBER OF COMMERCE

Partners in Progress

Guam Chamber of Commerce
Armed Forces Committee
Hawaii and Washington DC Visit
April 2023



The D.C. Overlay: Guam to major cities in Asia

Graphic: Ruder Integrated Marketing Strategies

About Us

As members of the Guam Chamber of Commerce Armed Forces Committee, we live in the Indo-Pacific region and are very sensitive to what is happening in Asia. In the late 1990's we could see changes in Asia that did not espouse prolonged security for our region. This was the same time the Department of Defense was downsizing its assets in Guam and began to return federal government property to the Government of Guam. The downsizing of the military had a deleterious impact on the economy of Guam and companies were forced to lay off employees. Combined with the downturn of the Japanese economy, and the loss of skilled workers to the Continental United States, our island had to seriously consider options on how to turn our debilitating economy around. After a series of meetings with Guam's civic and business leaders one weekend, it was decided that Guam needed the military to stay here, we wanted to grow the economy, and we wanted enhanced security in Asia. Because of this commitment, the Chamber's Armed Forces Committee was formed.

Shortly thereafter we decided the people in Washington needed to better appreciate and understand where Guam was located, and the reality of our concerns in Asia. We began our voluntary visits to D.C. as non-political advocates for regional security. Forward deployment, Air, Land, and Sea was key to herald the avoidance of what we saw as encroachment throughout the Pacific waters boarding Asia.

We believed a lot more attention was needed in our area and Guam would do its part to accommodate those assets. For the past 20-years we have annually traveled to Washington on our own nickel to advocate the importance of regional security, more attention to the obvious shift in world economics and the urgent need to address an encroachment in the South China Sea. We are advocates for a secure, strong, democratic, and free economy for Guam, this region and the interest of the United States, its allies, partners, and friends.

The primary discussion topics from our vantage point are:

- H2B Visa waiver extension, expansion and additional relief for the program
- Housing infrastructure in Guam
- Re-growing our once vibrant Ship Repair industry in Guam
- The US commitment to Taiwan and need for a Taiwan Free Trade Agreement
- The addition of another Defense access road between Navy and Air Force bases
- Ensure that proper plans have been laid for the reality of a cyber attack
- Maintain Air National Guard Space Control Squadron on Guam



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URGENT RELIEF FOR THE H-2B TEMPORARY WORKERS PROGRAM

Last month the US INDO-Pacific Command addressed this issue in the following manner:

“The Department of Defense (DoD) requires extended relief in both Guam and the CNMI from the H-2B temporary work requirement (set to expire on Dec 31, 2024) to Dec 31, 2029, for work associated with the military realignment. The extension would match the expiration of the current CNMI transition program. If not enacted, DoD would face costly delays in construction and contract cost increases, significantly degrading the Department’s readiness posture and ability to respond to crisis or conflict within the Indo-Pacific area of operations.”

Guam, and the whole of the Mariana Islands, is a relatively small, but important strategic and sovereign U.S. asset. Notwithstanding its small population, it has managed to develop the 3rd highest construction workforce in all the U.S. States and Territories. It can currently sustain \$760M of total construction per year. DoD itself was appropriated \$832M in FY22, \$475M in FY23, more than \$1.4B in FY24 and the requirement is expected to reach a peak of \$2B in FY27. This does not accommodate the needs of the island community for all of its infrastructure and economy: schools, hospitals, housing, commercial buildings, tourism facilities, and all the needs to service the buildup.

Using only the local workforce, Indo-Pacific expects the completion of the DoD infrastructure would not be completed for another 10-20 years at a dramatically increased cost. The use of U.S. labor would require a higher standard of accommodations, frequent and costly returns to their home base, the latest technology, and better health care. The expense of U.S. labor is 3-4 times that of foreign H-2B – assuming any such US labor could even be found. In 2022 construction companies advertised both locally and on the mainland for 1,200 construction jobs on Guam. They received one (1) applicant from Guam, none from the mainland. The lone applicant was offered a job but did not accept it.

Contractor bids must account for instability in the labor force. This leads to much higher construction costs and significantly longer construction timelines. Few people understand that increased bids over the MILCON threshold prevents contract award and delays projects for multiple years until the project can be reauthorized. As an estimate, program costs would increase \$1-1.5B if U.S. labor was required.

This would mean the U.S. would not meet timelines for moving the Marines from Japan to Guam, which would have a detrimental impact to our Pacific posture and ability to keep pace with the PRC’s military modernization. In addition, the delay or cancellation of the construction of the CNMI Joint Military Training (CJMT) intended to provide irreplaceable training facilities for high-intensity, peer competitor conflict would be placed at risk. Construction through 2029 requires a very large workforce that cannot be found, trained, or sustained locally. The solution to this dilemma is expansion of the current capable and economically sound H-2B workforce that can then be returned home when the work is been completed.

We need the authority to extend the existing workforce numbers along with the ability to do so for work outside the fence line. By doing so we can fulfill the needs of the buildup and the people of Guam for housing, tourism, health, recreation, and commercial facilities, which would provide services for local and military needs.

REVIEW the TEMPORARY WORK VISA APPLICATION PROCESS

In addition to the above, we need to review the visa application process. In 2014 more than 90% of the visa applications were accepted. But that number fell to less than 10% over the last year and a half. Projects for the Department of Defense alone have exemptions for hiring (albeit the requirements are very stringent and complicated adding to the pre-operating costs of the projects) and they require more than 3,000 foreign workers for construction projects alone.

The Navy's SEIS identified as many as 10,000 foreign workers to be needed IN SUPPORT of the military buildup for ancillary projects outside of the fence. In 2018 a provision was made in the NDAA that granted H-2B approvals for DoD endeavors in Guam. While the provision granted limited approval for civilian projects "related" to DoD projects, the vast majority of necessary projects outside the fence have created a large shortage of construction labor for local housing and our own infrastructure undertakings: power, sewer, roads and bridges, schools, water, housing and hotels, and recreational facilities, etc.

Contractors that do not qualify for on-base construction are not generally qualified for local projects and do not have the requisite manpower to do the work. This has created impacts for not only the construction industry but also tourism and health care, adversely affecting Guam's economy as well as the island's ability to support the warfighter and the total mission in the region. The resulting cost of construction coupled with the enormous need to support DoD infrastructure has escalated to a point that homes are not being built and affordable, and businesses have had to cancel valuable construction projects for the island. This is contrary to the commitments made in the signed Programmatic Agreement and the joint "One Island" commitment, which assures a mutually beneficial buildup.

SHORTAGE OF HOUSING ON GUAM

Guam is in a "hurt locker" when it comes to building its own facilities, housing, and commercial buildings. And increased interest rates only exacerbate the problem. We are terribly short in housing for our own residents, let alone visitors coming here to work for companies associated with the buildup. We simply don't have the indigenous population to recruit an adequate construction workforce to build the facilities.

Following the workforce development comments above, once the buildup is over and the housing is built, the off-ramp for our own workers will be in servicing the expansion of the ship repair facility, the missile defense system, and related infrastructure, and all the needs of a much more busy small island.

Guam, as well as the military, really need to rethink housing.

Guam is a small island and developable land is limited. As we think forward many decades, this seems to translate to more vertical building, more sewage capacity, and a smaller lot size like Hawaii. We have learned that each of the branches of service including the U.S. Coast Guard are short of housing, especially family housing. This leads to reduced tours, and that leads to more family distress and costs. Will the viable local construction, Guam could provide the housing it needs for both the military and the civilian population. For Guam, this would increase employment, tax revenues, and theoretically the costs to the military.

After a few startup problems, Public-Private Ventures (PPVs) have overcome similar "bumps in the road" and PPVs have become viable alternatives. This may be an option that DoD may want to revisit.

GROWING DEMAND FOR IMPROVING THE SHIP REPAIR FACILITY

Things have been going well for the three (3) current ship repair companies. They are building a robust potential for supporting current and limited potential future needs. They have been recognized for quality productive work, done on time, and they have very good training programs. New customers are in the works and on schedule, followed by more. Wharf restoration projects adding seven (7) new mooring locations in Apra Harbor are approved (6 are classified Maintenance Wharfs). Pearl Harbor Naval Ship Yard (PHNSY) has stood up to support improved submarine repair in Guam.

Ship repair is experiencing downsizing and many challenges elsewhere. We know of the many deficiencies of ship repair on the mainland. New submarines like the Virginia Class and the Columbia Class have many security mandates including a classified workforce.

An expanded operation on Guam would improve deficiencies elsewhere and reduce the backlog of ship repair maintenance. It will also place critical repair capabilities forward of Hawaii. Success will generate growth but it will greatly support other "services" and will include capabilities for air conditioning, machining, underwater service providers, electrical, small and larger retail companies that provide tools, consumables, and many other commercial and industrial service provider capabilities. In short, this can be another off-ramp for excess buildup employees once the basic buildup is completed.

WILL TAIWAN BE CHINA'S UKRAINE? IF SO, SHOULD WE ALSO WAIT FOR TAIWAN TO ASK FOR HELP?

The big elephant in the room is Taiwan. There have been numerous public hearings on the importance of the Pacific Islands in terms of protecting the freedom of navigation through the South China Sea, their right to free trade, and maintaining their independence as well as the U.S. interest in helping to protect them.

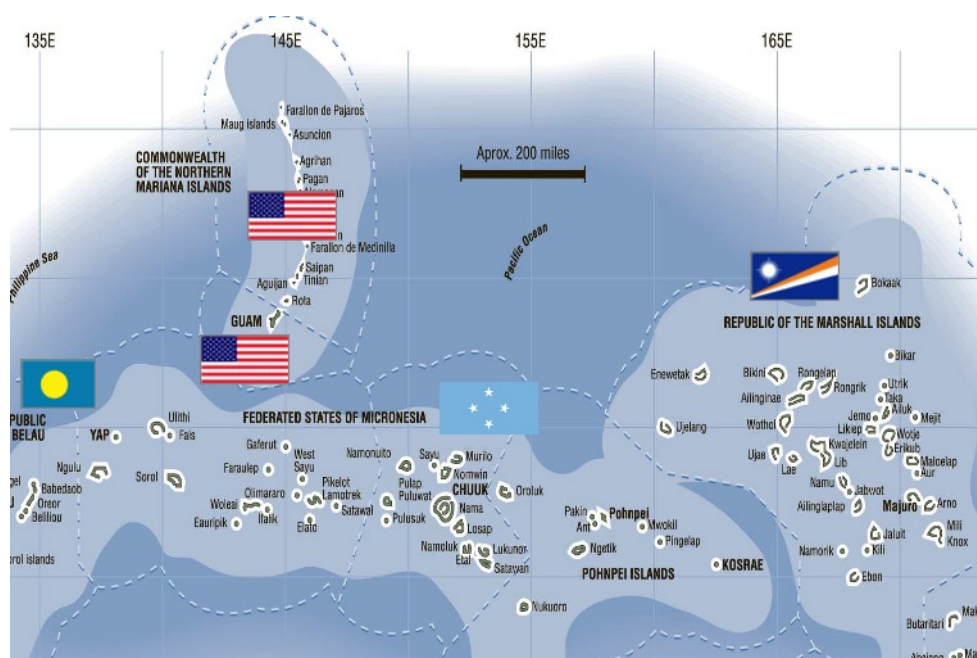
We heard over and over that the development of atolls throughout the South China Sea would never be militarized but that was a lie. We believe what happens with Taiwan will impact what happens in Guam, for better or worse. This conversation started 50-60 years ago, probably as far back as 1945, and the Taiwanese have consistently reported the fear loss of this important island and all the things Taiwan people stand for. We have many Taiwanese living on Guam, they are good entrepreneurs who are faithful supporters of democracy, free markets, freedom of navigation in the commons, and their right to freely exist.

In earlier visits to Washington, we were advised by think tank advisors that we should get the security experts in Washington to Guam to see what we are all about and to let them see firsthand how close we are to Taiwan and what the regional issues are. A new organization evolved called the Guam-US-Asia Security Alliance (GUASA). The organization invited security experts from the mainland who had strong segmental expertise for a 3-day meeting that was a profound experience for everyone. All contributed and everyone learned. The consequence of that meeting was another roundtable in 2014, where known security experts from Asia/Pacific countries like Australia, Japan, Malaysia, Philippines, South Korea, Taiwan, and Vietnam were invited to participate with those from the U.S. in an attempt to find commonalities of concerns as well as solutions.

Their contributions were even more profound, and they contributed to the "reality of the urgency" to get more involved, to protect the economies of each through the freedom of navigation, and to be able to market their products to anyone in the world without being held hostage to the mandates of a superior force. In short, to illuminate the issues confronting the small island/large ocean states and territories of Micronesia, and other small island states north of the equator.

You can find the final report of that Roundtable, and other events, on the right-side column of GUASA's website. This final report said: "Taiwan's security strategy is dominated by the threat posed by Communist China's PLA.

President Ma Yingjeou has promoted improved ties with the People's Republic of China, while still improving the military capabilities of Taiwan to counter threats, principally from China. Within its diplomatic and practical limits, Taiwan has sought to engage the United States and other partners for security cooperation. All of this became a commitment for us to help impede the usurpation of freedom along the first island chain as well as to protect the encroachment along the second island chain. After all, Guam is the largest and single most strategic link in the second island chain.



Guam, CNMI, Greater Micronesia, Palau, FSM, and RMI

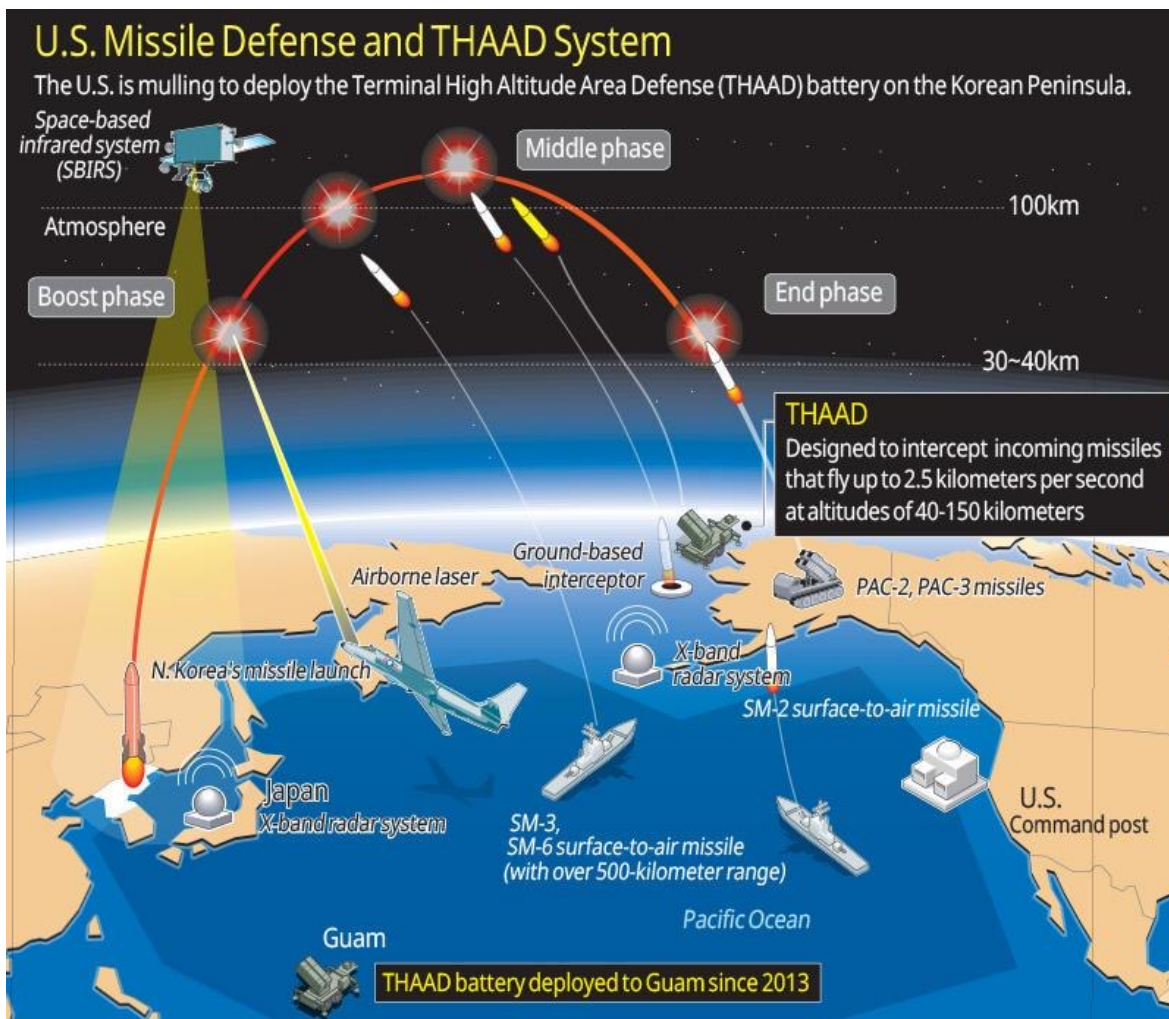


Photo: Reddit.com (Pinterest)

MISSILE DEFENSE SYSTEM FOR GUAM

With the continuous threats from North Korea, China, Russia, and other regional players, Guam's population is keenly aware of the need for defense – a defense that is much needed and appreciated. Guam and the CNMI puts us within seven (7) minutes striking distance from both China and North Korea, so this AFC strongly supports a comprehensive 360-degree Missile Defense System for Guam and the CNMI, and the freely associated states, if possible.

Guam is currently protected by the U.S. Army's Terminal High Altitude Area Defense (THAAD) ballistic missile defense system and the U.S. Navy's Aegis system off the coast, which will continue to be supported by the Missile Defense Agency. To fully defend against any and all strikes would require several concepts, one being the Air and Missile Defense System that Guam is scheduled to receive in 2024. Studies are currently being concluded as to where the systems are expected to be placed and how they can periodically be moved.

While all of this is National Security related, the amount of land it will take comes into play because of the “net negative” agreement/decision surrounding the entire buildup. But the bottom line will be that it represents a new military capability in Guam, a significant part of the probability is being honed and provided by the Guam National Guard.

We would still need to posture commercially so we are prepared to provide services and support to the defense system and their personnel. We need to be prepared for this capability as new industries – such as adaptive manufacturing for example (the same applies to ship repair) – so we can benefit from this capability and properly prepare to service the customer.

Additionally, Congress needs to take a fresh assessment of the Army's logistical and basing operations in the Pacific via the FY2023 NDAA.

THE ADDITION OF ANOTHER DEFENSE ACCESS ROAD

As Guam and the Department of Defense work together to harden Guam in the years ahead we must be reminded of the need for more than one main artery to connect our primary military bases much like in Hawaii. As Hawaii has the interstate H1-2 & 3 that serve as the critical connections between bases, Guam too requires the same transit capabilities.

Currently, there is only one main artery that connects Naval Base Guam to Andersen Air Force Base and only one secondary road that connects both bases to the Naval Magazine. We believe it is time to look at providing another major artery between the Naval Magazine and the back gate to Andersen Air Force Base. This has been the subject of discussion in years past but for some reason fell by the wayside.

With the advent of current regional geo-political circumstances, we believe it is the right time to resurrect these discussions to ensure that Andersen Air Force Base, Naval Base Guam and the Naval Magazine have more than one way to transport critical assets in time of critical need. Improving and connecting the existing cross-island road and the existing back road to Andersen Air Force Base is the logical answer to this pressing dilemma. We believe it is the right time to dust off the previous discussion plans and set them into motion with the balance of the current buildup preparations.



Photo: Guam Chamber of Commerce



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Guam has a 360 degree threat. So our ability to defend it and to be able to operate from there is absolutely critical.

Admiral John Aquilino, Commander, IndoPacific Command, on A Conversation with INDOPACOM Commander Admiral John Aquilino, FDD Events

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Photo: Guam Chamber of Commerce



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ARE WE PREPARED FOR THE REALITY OF A CYBER ATTACK?

A few weeks ago, one of our major contracting communications firms was hit by a cyber-attack that brought nearly all of their communications capabilities to a halt, impacting thousands of clients across the island and creating significant cyber vulnerabilities island-wide.

All federal, local government and business entities must prepare and properly plan for the reality of dealing with such attacks in the future should a foreign adversary decide that such an attack is more likely than launching an attack of a kinetic nature.

Federal support, guidance and a call to action seems imperative if we are to survive another such event and one that would be far more wide-spread than this smaller and apparent test-run.

MAINTAIN AIR NATIONAL GUARD SPACE CONTROL SQUADRON ON GUAM

Guam is the strategic and logical choice for the Air National Guard (ANG) Space Control Squadron which has access to geosynchronous orbit over Pacific theater, access to C-17 capable airfield, existing security presence, and available real property which currently exists on Guam. The island's strategic location is advantageous, not only for its geographical location but as a platform to maximize SPCS mission, enhancing Indo-Pacific regional response requirements and mitigating the "Tyranny of Distance" from the Homeland. Guam's geostationary satellite footprint is perfect for this mission. The Air Force's 36th Wing has property that satisfies positioning and horizon requirements at Andersen Air Force Base.

Existing Manpower

Guam is #1 of the 54 states and territories in meeting assigned strength and effective manning. Guam has a proven recruiting and retention base on the island and the region to meet the personnel requirements for the Space Control Squadron. Guam ANG's strategic location, current assigned strength, fully staffed Space Control Squadron complement, and eligibility AFSC compliance provide the foundation in all areas to meet and exceed defensive capability requirements.

IN SUMMARY

The Guam Chamber of Commerce Armed Forces Committee are a group of citizens who are proponents of national defense. All of us are extremely patriotic Americans who time and again have shown our commitment to freedom, free trade, and the right to the protection of open seas that others on this globe would threaten. We are forward thinking and action oriented. Guam has been on the front lines of national defense and our island deserves America's full support, attention, and protection. We stand ready to plan for and protect our freedoms under God.



Photo: U.S. Air Force photo by Master Sgt. Louis Vega Jr.

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The bottom line: the more willing America is to fight for Taiwan, the less likely it is that it will have to. Now, if Washington really wants to do something useful, offer Taiwan a Free Trade Agreement (FTA) and strengthen its economy. That's as important as bolstering the military...

Col. Grant Newsham, a retired U.S. Marine officer and author of “When China Attacks: A Warning to America.”

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372 West Soledad Avenue • Hagåtña, Guam 96910 • (671) 472-6311 • ccastro@GuamChamber.com.gu