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DEPARTMENT OF STATE A/CDC/MR  
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*Defense Dept.  
1/28/82*

UNCLAS. (SEC I OF II)  
PASS TO DEPT. INTERIOR FOR OSN AND DASTA  
FROM POLAD 37. STATE FOR IO/UNP AND S/PC. COMTWELVE FOR AMBASSADOR  
WILLIAMS. DEFENSE FOR OSD/ISA AND JCS. WHITE HOUSE FOR MR. HOLDRIDGE  
(NSC). CINCPAC FOR POLAD.  
SUBJECT: TTPI FUTURE POLITICAL STATUS AND JAPAN  
REF: POLAD 29

1. SUMMARY. REFTEL REPORTED SUBMISSION TO CONGRESS ON JANUARY  
26 OF REPORT ON POSSIBLE FUTURE ECONOMIC RELATIONS BETWEEN JAPAN AND  
MICRONESIA PREPARED BY STATUS COMMITTEE SUBCOMMITTEE. THE ONE COPY

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OF REPORT I HAVE RECEIVED BEING AIRMAILED TODAY TO OSN. GRATEFUL IF  
OSN COULD REPRODUCE AND DISTRIBUTE APPROPRIATELY, INCLUDING TO  
AMEMBASSY TOKYO (ATTN. MR. DUENGLING). AS BACKGROUND, ADDRESSES WILL  
RECALL THAT SUBCOMMITTEE CONSISTED OF SENATORS NAKAYAMA (TRUK),  
LANWI (MARSHALLS), OLTER (PONAPE), PANGELINAN (MARIANA), AND REP.  
MANGEFEL (YAP), WHO VISITED JAPAN EARLY LAST SUMMER FOR TWO WEEKS  
FOR DISCUSSIONS WITH GOJ AS WELL AS JAPANESE BUSINESS LEADERS AND  
AMEMBASSY TOKYO OFFICERS. REPORT (PHICH RUNS 42 PAGES PLUS ANNEXES)  
DATED JULY 19 AT WHICHTIME IT WAS SUBMITTED TO STATUS COMMITTEE.  
ALTHOUGH THERE IS ROOM FOR DISSSENT WITH RESPECT SOME OF REPORT  
CONCLUSIONS, ON THE WHOLE REPORT IS THOROUGH, WELL-PREPARED DOCUMENT,

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EFFORTS AT IMPLEMENTATION MANY OF RECOMMENDATIONS ALREADY UNDERWAY VIA INTRODUCTION VARIOUS RESOLUTIONS AND BILLS IN CURRENT CONGRESSIONAL SESSION. IN GENERAL, THOUGH, THRUST OF REPORT IS DISCUSSION POSSIBILITIES OF AID AND INVESTMENT FROM JAPAN DURING POST-TRUSTEESHIP PERIOD.

IN THAT REGARD, KEY CONCLUSION IS AS FOLLOWS. "SPECIAL SUBCOMMITTEE HAS CONCLUDED THAT MICRONESIA NEED NOT BE ENTIRELY DEPENDENT ON U.S. FOR ECONOMIC AND FINANCIAL GOVERNMENT AID AND PRIVATE DEVELOPMENT ASSISTANCE. IN FACT, TOO CLOSE A TIE TO U.S. COULD SUBSTANTIALLY REDUCE AMOUNT OF AID AND ASSISTANCE MICRONESIA COULD EXPECT FROM JAPAN.

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JAPAN IS CLEARLY READY PROVIDE SUCH AID AND ASSISTANCE IN SIGNIFICANT AMOUNTS. JAPANESE GOVT. HAS VARIOUS ASSISTANCE PROGRAMS THAT WOULD BE AVAILABLE TO MICRONESIA IF MICRONESIA WERE NOT TO BECOME A PERMANENT PART OF U.S. ...." FOLLOWING ARE FURTHER KEY EXCERPTS FROM REPORT. END SUMMARY.

2. CHAPTER ONE. INTRODUCTION. DESCRIPTION OF MISSION OF SUBCOMMITTEE AND STATEMENT TO EFFECT JAPANESE PRIVATE SECTOR EAGER TO ENTER INTO ECONOMIC VENTURE IN MICRONESIA ONCE IMPEDIMENTS OF "MOST FAVORED NATION CLAUSE" AND UNCERTAINTY OVER FUTURE POLITICAL STATUS REMOVED. INTRODUCTION ALSO NOTES THAT GOJ OFFICIAL AND MOST JAPANESE BUSINESSMEN STATED THAT FOR PRESENT ALL RELATIONS BETWEEN MICRONESIA AND JAPAN MUST BE CONDUCTED THROUGH U.S. AS ADMINISTERING AUTHORITY.

3. CHAPTER TWO. GOJ AID AND ASSISTANCE POLICIES, AND RELATIONSHIPS WITH MICRONESIA. MUCH OF CHAPTER GIVEN OVER TO STRAIGHTFORWARD DESCRIPTION GOJ AID POLICIES AND PROGRAMS. EMPHASIS GIVEN TO GOJ VIEW THAT ASSISTANCE PROVIDED ONLY TO UNDER-DEVELOPED AREAS. THUS, IF MICRONESIA SHOULD BECOME A "PERMANENT PART" OF U.S. IT WOULD BE SEEN AS HAVING SAME STATUS OF U.S. AND THUS PROBABLY NOT QUALIFY FOR JAPANESE ASSISTANCE. IF MICRONESIA WERE TO BE LOOSELY ASSOCIATED WITH

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U.S. OR INDEPENDENT, HOWEVER, IT WOULD BE CONSIDERED AN UNDERDEVELOPED

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COUNTRY AND AS SUCH WOULD BE ELIGIBLE FOR GOJ ECONOMIC ASSISTANCE. GOJ HAS EXTENDED SOME ASSISTANCE TO SOME TRUST TERRITORIES AND MAY BE ABLE TO EXTEND SUCH LOANS TO MICRONESIA IF U.S. WAS AGREEABLE AND JAPANESE BUSINESSES COULD INVEST IN MICRONESIA." (ELSEWHERE EMPHASIS GIVEN POINT MOST GOJ AID IN FROM OF DEVELOPMENT LOANS.) IN SAME CHAPTER, REPORT INDICATES GOJ OFFICIALS QUOTED AS STATING PRIMARY AREAS OF POSSIBLE AID TO MICRONESIA IN FUTURE ARE MARINE RESOURCES DEVELOPMENT, TOURISM DEVELOPMENT, RICE AND AGRICULTURE DEVELOPMENT, ESTABLISHMENT OF A MICRONESIAN DEVELOPMENT BANK TO HANDLE DEVELOPMENT LOANS, AND GENERAL DEVELOPMENT LOANS IN SUCH AREAS AS ROADS, AIRPORTS EDUCATION, ETC. THERE IS ALSO DESCRIPTION GOJ TECHNICAL ASSISTANCE PROGRAMS, AND OF JAPANESE EQUIVALENT OF PEACE CORPS (JAPANESE OVERSEAS COOPERATION VOLUNTEERS, (JOCV). REPORT INDICATES JOCV VOLUNTEERS COULD BE MADE AVAILABLE TO MICRONESIA AT TERMINATION TRUSTEESHIP AGREEMENT.

4. IN SAME CHAPTER IN DISCUSSION MICRONESIAN-JAPANESE RELATIONSHIPS, REPORT NOTES GOJ CONSIDERING OPENING CONSULATES IN GUAM AND IN MICRONESIA. ON LATTER GOJ OFFICIALS APPARENTLY ENCOURAGED SUBCOMMITTEE TO INDICATE FORMALLY THEIR INTEREST IN HAVING GOJ CONSULATE ESTABLISH IN MICRONESIA. THIS WAS DONE BY A TELEGRAM FROM SENATOR NAKAYAMA TO

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GOJ FONMIN. TEXT OF TELEGRAM PROVIDED IN REPORT.

5. FURTHER ON IN SAME SECTION REPORT NOTES THAT WHILE GOJ "READY AND ABLE RENDER SUBSTANTIAL ECONOMIC AND TECHNICAL ASSISTANCE TO MICRONESIA? ... OFFICIALS MADE IT CLEAR JAPAN HAS NO INTEREST IN ACQUIRING ANY MORE TERRITORIES OR POSSESSIONS AND DOES NOT WISH TO ENCOURAGE ANY POLITICAL ASSOCIATION BETWEEN MICRONESIA AND JAPAN. FUTURE ECONOMIC AND OTHER RELATIONS BETWEEN JAPAN AND MICRONESIA WILL LARGELY DEPEND ON TYPE OF POLITICAL STATUS MICRONESIA CHOOSES."

6. TURNING TO WAR CLAIMS SETTLEMENT IN SAME CHAPTER, REPORT (A) GIVES EMPHASIS GOJ REFUSAL REOPEN WAR CLAIMS QUESTION, (B) NOTES JAPANESE BUSINESSES HAVE SHOWN NO INTEREST IN SALVAGE RIGHTS GRANTED

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UNDER THAT SETTLEMENT, AND REPORTS GOJ OFFICIALS STATE THEY WILL CONSULT WITH MICRONESIAN OFFICIALS BEFORE PERMITTING ANY SALVAGE OPERATIONS TO COMMENCE, (C) NOTES THAT U.S. GOVT. MAY ATTEMPT NEGOTIATE ARRANGEMENTS FOR IMPLEMENTATION AGREEMENT (I.E. JAPANESE PROVISION OF GOODS AND SERVICES) WITHOUT CONSULTING CONGRESS OF MICRONESIA. THUS, REPORT CONTINUES, "IT MAY BE WISED TO INFORM U.S. GOVT. THAT CONGRESS OF MICRONESIA DESIRES TO BE INVOLVED IN ANY FURTHER JJ DISCUSSIONS THAT ARE HELD WITH JAPANESE REGARDING IMPLEMENTATION OF THIS PART OF AGREEMENT."

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UNCLAS (FINAL SEC OF III)  
PASS TO DEPT. INTERIOR FOR OSN AND DASTA  
FROM POLAD 37. STATE FOR IO/UNP AND S/PC. COMTWELVE FOR AMBASSADOR  
WILLIAMS. DEFENSE FOR OSD/ISA AND JCS. WHITE HOUSE FOR MR. HOLDRIDGE  
(NSC). CINCPAC FOR POLAD.

7. CHAPTER THREE, PRIVATE JAPANESE INVESTMENT AND TRADE. MOST  
OF CHAPTER GIVEN OVER TO DISCUSSION CONVERSATIONS WITH JAPANESE  
PRIVATE  
SECTOR LEADERS AND LATTER'S VIEWS ON POSSIBLE AREAS OF PRIVATE SECTOR  
ACTIVITY IN MICRONESIA OTHER THAN MARINE RESOURCES. PRIMARY INTERESTS,  
AS INDICATED IN REPORT, ARE IN TOURISM DEVELOPMENT, SHIPPING, AND

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POSSIBLY BANKING.

8. CHAPTER FOUR, JAPANESE INTEREST IN MARINE RESOURCES.  
CHAPTER  
HIGHLIGHTS FACT PRIMARY PRIVATE SECTOR INTEREST IN MICRONESIA  
DIRECTED  
AT MARINE RESOURCES DEVELOPMENT, INCLUDING PORT ENTRY RIGHTS AND  
SUPPORTING  
SHORE INSTALLATIONS. ALSO, BASED ON CONVERSATIONS WITH BOTH  
AMEMBASSY OFFICERS AND VARIOUS JAPANESE, REPORT DRAWS ATTENTION TO

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NEED TO ESTABLISH IN MICRONESIA A "CENTRAL PLANNING AND CONSERVATION AGENCY TO CONTROL DEVELOPMENT OF FISHING AND MARINE RESOURCES." ALSO, "SUBCOMMITTEE FEELS CONGRESS OF MICRONESIA SHOULD TAKE IMMEDIATE STEPS TO CORRECT PRESENT SITUATION WHEREBY U.S. AND TTPI ARE PERMITTING AND ENCOURAGING FOREIGN EXPLOITATION OF MARINE RESOURCES IN MICRONESIA."

9. CHAPTER FIVE, U.S. GOVERNMENT AND BUSINESSES IN JAPAN. "AMBASSY STAFF IN JAPAN EXTREMELY HELPFUL TO SUBCOMMITTEE WITH REGARD TO JAPAN'S POLICIES ON ECONOMIC AND TRADE RELATIONSHIPS WITH FOREIGN COUNTRIES." REPORT NOTES THAT AMEMBASSY TOKYO FREQUENTLY DEALS WITH GOJ ON MICRONESIAN MATTERS AND THEN RECOMMENDS: "CONGRESS OF MICRONESIA FIRST REQUEST U.S. DEPT. OF STATE TO CONSULT WITH CONGRESS OF MICRONESIA BEFORE TAKING ANY POSITIONS WITH REGARD TO JAPANESE/MICRONESIAN RELATIONS, AND SECOND CONSIDER SENDING A REPRESENTATIVE OF CONGRESS OF MICRONESIA TO BE ATTACHED TO U.S. AMBASSY."

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IN TOKYO TO ASSIST EMBASSY IN DEALING WITH MICRONESIAN/JAPANESE RELATIONS." CHAPTER ALSO NOTES AMERICAN BUSINESS COMMUNITY IN JAPAN INTERESTED IN INVESTMENT IN MICRONESIA WITH RESPECT AGRICULTURE, MARINE RESOURCES, AND TOURISM DEVELOPMENT, ESPECIALLY IN MARIANAS DISTRICT.

10. CHAPTER SIX, KOREA AND RYUKYU ISLANDS GOVERNMENT AND BUSINESS INTEREST IN MICRONESIA. SUBCOMMITTEE MET WITH KOREAN AMBASSADOR IN TOKYO AND REPORTED ROK INTERESTED IN INVESTING IN MICRONESIA, PARTICULARLY IN SMALL JOINT VENTURES FOR DEVELOPMENT MARINE RESOURCES. SAME INFORMATION PROVIDED BY OKINAWA OFFICIALS AND BUSINESSMEN.

11. CHAPTER SEVEN, CONCLUSION. BASIC CONCLUSION OF REPORT ALREADY CITED PARA ONE ABOVE. FOLLOWING ARE ADDITIONAL CONCLUSIONS AND RECOMMENDATIONS.

A) "JAPANESE BUSINESSES ARE VERY ANXIOUS TO BE PERMITTED TO INVEST IN MICRONESIA ESPECIALLY IN AREAS OF TOURISM DEVELOPMENT AND MARINE RESOURCES DEVELOPMENT. TERMS OF SUCH INVESTMENT CAN PROBABLY BE ARRANGED SO AS TO BENEFIT MICRONESIAN PEOPLE RATHER THAN TO EXPLOIT THEM." PROCEEDING FROM THAT CONCLUSION AND ONE REPORTED IN PARA ONE ABOVE ON GOJ ASSISTANCE, "SPECIAL SUBCOMMITTEE THEREFORE

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CONCLUDES MICRONESIA NEED OT BE ECONOMICALLY DEPENDENT ON U.S. IN ORDER TO PROGRESS AND DEVELOP ECONOMICALLY."

B) "SUBCOMMITTEE DISTURBED ABOUT U.S. GOVERNMENT'S APPARENT POSITION THAT IT SHOULD HAVE COMPLETE CONTROL OVER MICRONESIAN/JAPANESE RELATION (AND) FEELS CONGRESS OF MICRONESIA SHOULD BE CONSULTED WHENEVER U.S. GOVT. IS REPRESENTING MICRONESIA IN JAPAN. SUCH REPRESENTATION HAS DEALT WITH WAR CLAIMS, AIRLINE LANDING RIGHTS, NOREIGN INVESTMENT, SHIPPING AND ECONOMIC DEVELOPMENT." RECOMMENDATION THEN MADE REGARDING CONSULTATION IN FUTURE AND ASSIGNING CONGRE S OF MICRONESIA REP TO AMEMBASSY TOKYO.

C) "SUOCOMMITTE APPREHENSIVE ABOUT POSSIBLE ADVERSE CONSEQUENCES OF UNCONTROLLED FOREIGN INVESTMENT IN MICRONESIA (AND) THEREFORE RECOMMENDS CONGRESS OF MICROMESIA CONSIDER ESTABLISHING A MICRONESIA-WIDE AGENCY TO CONTROL AND DIRECT FOREIGN INVESTMENT IN MICRONESIA."

D) "SUBCOMMITTEE ALSO APPRFHENSIVE ABOUT FOREIGN AND DOMESTIC INTEREST IN DEVELOPING FISHING AND OTHER MARINE RESOURECES, (AND) THERFFTRE RECTMMENDS CONGRESS OF MICRONESIA CONSIDER ESTABLISHINGO W MICRONESIA-WIDE MARINE RESOURCES DEVELOPMENT CONTROL AGENCY." "SIBCOMMITTEE ALSO RECOMMENDS CONGRESS OF MICRONESIA CONSIDER

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ADOPTING AN APPROPRIATE RESOLUTION INVITING MR. ATINSON, F1 HERY ATTACHE (AMEMBASSYTOKYO), TO COME TO MICRONESIA TO ADVISE ON PROPER MARINE RESOURCE DEVELOPMENT."

E) "FINALLY, SUBCOMMITTEE HAS CONCLUDED THAT IN ORDER TO INTELLIGENTLY APPRAISE POSSIOLE ECONOMIC BENEFITS THAT CAN BE DERIVED FROM ANY FOREIGN COUNTRY, A GROUP MUST ACTUALLY VISIT THAT COUNTRY. SUOCOMMITTEE THEREFORE RECOMMENDS JOINT COMMITTEE ON FUTURE STATUS CONSIDER SENDING OTHER SUBCOMMITTEES TO OTHER COUNTRIES IN A IA/OCEANIA AREA TOEXPLORE SIMILAR AREAS TO THOSE EXPLORED BY SPZCIAL SUBCOMMITTEE IN JAPAN. SUBCOMMITTEE ALSO STRONGLY RECOMMENDS THAT, CONSIDERAING PROGRESS OF STATUS NEGOTIATIONS WITH U.S., JOINT COMMITTEE ON FUTURE STATUS CONSIDER SENDING ANOTH DELEGATION TO JAPAN TO FURTHER EXPITRE FUTURE ECONOMIC RELATIONS BETWEEN JAPAN AND MICRONESIA."

12. BALANCE OF RPORT, SOME 66 PAGES, TAKEN UPWITH BACKGROUND

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BRIEFING PAPERS, ECONOMIC TABLES, ETC. DORRANCE

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