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I-5963/72
May 1, 1972

MEMORANDUM FOR MR. DENNIS J. DOOLIN,
DEPUTY ASSISTANT SECRETARY/ISA

SUBJECT: Foreign Investment in the Trust Territory
of the Pacific Islands

Reaffirming our discussion on this matter of 28 April 1972:

1. The legal status of the Trust Territories is presently under negotiation. Until those negotiations have been completed, and until appropriate action, if any, is taken to change that status it would be premature and inappropriate to offer foreign investment privileges to Japanese or other investors.

2. Should such privileges be offered they would be subjected to the most-favored nation clause that is in the Agreement between the United States and the Security Council of the United Nations - under which the trusteeship was established. This clause provides the legal basis which would entitle other investors in Japan or elsewhere to treatment no less favorable than those which are proposed here. Selecting out particular investors would at the outset jeopardize the claims of other potential investors under the MFN clause.

3. Not only is the proposal premature, and subject to the MFN standard noted above, but in dealing with a subject whose status may be in doubt the negotiations relating to the legal status of the territories would be subjected to concerns raised in those negotiations and undoubtedly influencing them.

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DAD 5200.1-R (1-603)
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4. Apart from the above observations, I do not have in view a "fall-back" position, and therefore cannot recommend an alternative to the proposal made in the attached letter * from the Department of Interior.

SIGNED

Harry H. Almond, Jr.
Office of Assistant General Counsel
International Affairs

cc: GC
Chron
Circulating
File: ILP-TTPI

*Atch:
(Ltr retained in GC file)