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TAB "B"

The Impact of Potential Japanese Economic Activity in the Mariana Islands on the Status and Land Negotiations

There is a strong presumption in the study that the Marianans see their future economic growth as almost totally dependent on the establishment of large scale U.S. military facilities. This may well have been true when the Marianas leaders first began actively pursuing separate status. Defense activities had been the corner-stone of the prosperity of nearby Guam which they have looked upon as an example of what they might achieve. Other sectors of the Guam economy have boomed, however, in the last few years with heavy influxes of investment from the United States, Japan and Taiwan. The Marianans have been in close touch with Guamanian leaders who continue to attach great economic importance to U.S. defense activities on the island but have become increasingly concerned that military land requirements not inhibit the growth of conventional commercial activity.

The Marianas political leadership is well aware that their islands have a considerable potential for the development of tourism and agriculture. Saipan already attracts more tourists than the rest of Micronesia and further heavy investment in hotel construction is soon to come. The exercise by Japan Airlines of landing rights on Saipan which they already hold is only a matter of time. The Mayor of Tinian has publicly discussed plans for the construction of a four hundred room hotel on that island which would hardly square with Department of Defense plans for the utilization of Tinian. Tinian is also the site of one of the few attempts at large scale agricultural development in Micronesia with several thousand cattle now grazing on TPI public lands.

As is the case in Guam, the Marianas leaders will probably welcome our defense requirements to the extent that they do not preclude other types of development. The opening position suggested by Defense (all of Tinian, and harbor and airfield requirements on Saipan) will considerably exceed Marianan expectations and could delay completion of the negotiations if pursued for any length of time. Economic perspectives in the Marianas are changing rapidly and it is important that our requirements be quickly agreed upon before they become unattainable or unduly expensive.

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The above considerations do not require any change in the Under Secretaries' recommendations to the President, nor in the proposed draft instructions for the President's Personal Representative. But they do underscore; (a) the importance of our primary objective of early agreement on and implementation of a status settlement; and (b) the fact that the Defense Department's optimum land requirement is, realistically viewed, not a feasible negotiating goal and should be considered only as a tactical tool to obtain at least the minimum land requirement.

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