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DEPARTMENT OF STATE
AIRGRAM

899 2569/7-2362

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A-13 OFFICIAL USE ONLY AIR PRIORITY
NO. 103 JUL HANDLING INDICATOR

TO : DEPARTMENT OF STATE
INFO : High Commissioner for the Trust Territories, Saipan

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FROM : Embassy TOKYO DATE: July 23, 1962

SUBJECT : Japanese Business Interest in the Trust Territories
- IC

REF : W-313, Feb 9, 1962; Embdespatches 642, Jan 31, 1962;
501, Dec 6, 1961; 1245 May 9, 1961; 475 Oct 24, 1960.

FOR INTERIOR

Attached are two memorandums of conversation recording inquiries by Japanese businessmen about the possibilities of conducting commercial ventures in the Trust Territories. One is a renewed inquiry by Sumitomo Shoji about permission for the dispatch of a group to survey the bauxite deposits in the Palau Islands. Sumitomo Shoji and also the firm Yawata Aluminum Industrial Co. have expressed interest in exploiting the medium grade bauxite deposits in the Palau Islands either with or without the cooperation of American aluminum firms.

The second inquiry was by a group of businessmen who before World War II had large commercial interests in the mid-Pacific islands. They expressed general interest in participating or co-operating in a program of economic development in the Territories and a specific interest in establishing fishing bases for catching and processing tuna in the Carolines and in re-opening prewar sugar plantations. (They also wished to register their property rights for which they had previously submitted claims during the SCAP period.)

The Embassy suggests it may be timely for the Department to initiate a review of the policy of excluding foreign nations from participation in commercial enterprise in the Trust Territories as stated in Dept's W-313. The Embassy would imagine that exercise of administrative rights as the Trust Territory authority could effectively ensure against the success of any applications from undesirable nationals notwithstanding the most-favored-nation

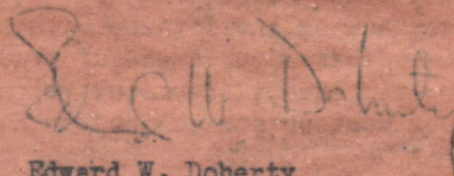
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Clearances: **POL:JESutterlin** **ECON:PKStahnke**

Japanese to Trust Secretary

commitment. While obviously undesirable to open scars of war or to encourage Japanese to reclaim economic dominance in/former mandated territories, it may be that carefully screened economic endeavors by Japanese firms which have proper qualifications and experience could be of real economic benefit to the Trust Territories. The Embassy is also inclined to believe that permission for useful Japanese economic activity in the Trust Territories would help dispel the Japanese feeling that the U.S. tends to retain unnecessary restrictions on Japanese entry into the Pacific islands. Such sign of "reasonableness" could prove of some benefit in parrying periodic Japanese requests for entry into Pacific areas regarding which security reasons exist for refusal.

For the Ambassador:



Edward W. Doherty
Counselor of Embassy
for Economic Affairs

Enclosures: *AB*

1. Memorandum of Conversation
of July 2, 1962.
2. Memorandum of Conversation
of May 10, 1962.

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Mr. Kunio Ohta, Director of Sumitomo Shoji Kaisha
Mr. S. Ohashi, Chief of the Non-Ferrous Ores Purchasing
Section of Sumitomo Shoji

Mr. Paul Stahnke, American Embassy

PLACE : Chancery

DATE : July 2, 1962

SUBJECT : Sumitomo Request for Information on Availability of
Bauxite Resources in Palau Islands

Mr. Ohta asked whether any information had been received by the Embassy regarding a request made by their company in late 1960 for permission to send a bauxite survey team to the Palau Islands. Mr. Ohta stated that Sumitomo Shoji was still very much interested in the possibilities of exploiting the bauxite resources of the Palaus. He said that in 1961 their New York representative consulted with the Department and the Commissioner of Trust Territories (Department of Interior).

The representative was told that the matter was of some sensitivity since the Palau Islands are part of a UN Trust Territory and any special rights granted Japan for exploitation of their natural resources would obligate the U.S. to provide equal treatment to any UN member desiring entry into the Palaus for similar purposes. The Sumitomo representative was told, however, that the U.S. wanted to develop the resources of the Palaus and if other problems can be overcome might be interested in Japanese participation in such development.

Mr. Ohta said that Sumitomo Shoji understood that it might be helpful for them to obtain the cooperation of an American company for this project through the establishment of a development company on a joint venture basis. He said that his company has considered this possibility, but has as yet come to no firm decision. Sumitomo Shoji has, however, been in touch with Alcoa recently and has been informed of the results of an Alcoa engineers' survey of the Palau bauxite resources. This survey indicated that approximately 3-4 million tons of bauxite are available on these islands and generally substantiated the report on bauxite resources in the Palau group prepared by the U.S. Military Geology Section, Office of the Engineer, General Headquarters, Far East Command, in January 1948.

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Encl. No. 1
~~SECRET~~ TELEGRAM A-13
From TOKYO

The Embassy told Mr. Ohta that it has received no specific information on the Sumitomo Shoji request of 1960 but would inform the Department of State of its continuing interest in the bauxite resources of the Palaus. The Embassy suggested that it may be advisable for Sumitomo Shoji to make further inquiries regarding the possibilities of participating in the exploitation of these resources in Washington. The Embassy further noted that it might also be an advantage to Sumitomo Shoji if it were able to present its proposals together with or through an American company with which it had established a working arrangement for the possible development of these resources. Mr. Ohta said that his company would probably prefer to conduct further exploratory talks in Washington on this matter before it definitely commits itself to a joint venture arrangement with an American company on this project. He indicated that Sumitomo Shoji's New York representative would probably again contact the Department for further discussions on this matter through the Japanese Embassy in Washington.

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MEMORANDUM OF CONVERSATION

PARTICIPANTS: Mr. Tokuichi Kuribayashi
Mr. T. Shibata
Mr. Seiki Yanao
Mr. T. Fukuda

Mr. John Goodyear, American Embassy
Mr. Charles L. Duthie, American Embassy

DATE : May 10, 1962

SUBJECT : Request for Information Regarding Possible Relaxation of U.S. Restrictions on Commercial Activity in the Trust Territories of the Pacific

On the morning of May 10 a group of individuals representing an association of former business interests in the Trust Territories of the Pacific, visited Mr. Goodyear's office by appointment. The group was led by Mr. Kuribayashi and Mr. Fukuda acted as their interpreter. Their visit had been stimulated by an article which appeared in the Asahi Shimbun on May 9 concerning the change of administration of certain areas in the Trust Territory from U.S. Navy control to the Department of the Interior. This group had interpreted this announcement to mean a change in policy of the United States Government in ^{the} administration of the Trust Territories, which would include relaxation of restrictions against private business enterprise in those islands.

Mr. Kuribayashi explained that he and the rest of the association which he represented had previously had wide-scale business interests in those islands at the time when they were under the League of Nations mandate to the Japanese Government. He claimed that with the defeat of the Japanese in World War II, his company had lost approximately 500 million yen in assets, and pointed out that this represented only company assets and not the properties privately owned by individuals who were involved. The point was made that the 500 million yen loss was computed at the prewar exchange rate and not the present inflated rate.

Mr. Yanao, the only individual besides the interpreter who spoke English, stated that he and the others present had lodged a claim for property rights with SCAP during the occupation period in Japan. Apparently this was a pro forma move made at the time in order that the association could seek reimbursement for wartime losses if such action ever becomes feasible. He went on to say that their present interest is to participate in or cooperate in a program of economic development

in the islands with the assistance of, or at least sanction of the United States Government. He further stated that he understood that certain unnamed American corporations are contemplating investment activities in the Trust Territories, and if this is in fact true his association desires to register what he called their prior property rights.

It was explained by Mr. Fukuda that the association's primary interest is in setting up fishing fleet bases for the catching and processing of tuna, and that they are especially interested in establishing these bases on Truk or Palau Islands in the Caroline group. He also said that there is some interest in re-developing the sugar plantations that once existed, but that this undertaking would necessarily first be the subject of an exhaustive study.

Mr. Goodyear explained that it is still not known whether the change in administration from Navy to Interior will result in any change in the United States policy regarding development of the islands. He promised, however, to look into the entire matter to determine what, if anything, can be done to satisfy the questions and claims posed by Mr. Karibayashi's group. A Japanese language document explaining the structure and function of the association, and a booklet illustrating prewar activities in the area were left with Mr. Goodyear. These documents will be translated for further study.