

u. s. trust territory of Pacific Islands
SAIPAN, MARIANA ISLANDS
96950

U. S. ADDRESS: SUITE B 500 BURROUGHS DRIVE SNYDER, NEW YORK 14226



April 16, 1971

T. R. GOLDSMITH, JR.

Mr. Herbert Levin
National Security Council
White House
Washington, D. C. 20500

PRESIDENT MICRONESIAN MFG. CORP. SAIPAN, MARIANA ISLANDS 96950 U. S. ADDRESS
SUITE B
SOO BURROUGHS DRIVE
SNYDER, N. Y. 14226

Dear Mr. Levin:

You have asked that I jot down a few notes pursuant to your and my telephone conversation of Wednesday, April 14th. I have accordingly attempted to be brief, with my elaborations as confined as possible.

Attached are observations and reflections held by me and by my associate Christopher C. Ferrer, who has accompanied me recently on a tour of Micronesia. Both of us share a deep concern. We are most anxious to initiate our effort - The Micronesian Manufacturing Corporation - as one which we in addition to Micronesian proponents feel will offer a tremendous impetus toward better relations, stable growth and sound leadership respect.

Your interest in our concern is greatly appreciated.

With kindest regards,

Zazala.

Thomas R. Goldsmith, Jr.

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 - ELECTRONIC COMPONENT ASSEMBLIES AND PRODUCTION
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DATE:

April 16, 1971

FROM:

Thomas R. Goldsmith, Jr.) The Micronesian

Christopher C. Ferrer) Manufactu

Manufacturing Corporation

RE:

Micronesia - Economic Development and Political Unrest

"Micronesian Congress passed a resolution petitioning the Soviet Union for financial and economic aid" - so went the article printed in Time Magazine, March, 1968. The story went on to relate the quick visit to Saipan by Secretary of Interior, Walter Hickle, who promised the people many reforms and economic development programs.

"Marianas District Legislature passed a bill yesterday appropriating \$3,000.00 with which to buy arms and ammunition; there is another bill pending asking for \$300,000.00 with which to establish an armed militia" as quoted by the legal counselor to the Legislature in February, 1971. The Legislature again put a resolution before committee asking for funds to send a delegate to the Soviet Union to ask for aid.

"The Third Marianas District Legislature fifth regular session meeting in Saipan adopted on Friday, February 19th, a resolution advising the Security and Trusteeship Council of the United Nations that the District would like to 'secede' from the Trust Territory of the Pacific Islands (resolution number 30-1971)" - was passed unanamously.

When confronted with Time Magazine's March, 1968 article, Tom Goldsmith referred back to his 1944 experiences, following invasion activities through the islands from his ship during World War ll. A prompt letter to Interior Secretary Hickle produced a trip to Washington, followed by an Interior requested observation tour of the Trust Territory.

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Tom declined a subsequently offered Government post, feeling that he could best follow up his reports and correspondence with a private enterprise effort. He has proposed our Micronesion Manufacturing Corporation, as the first broad industrial complex to create jobs and trade since America took over the Trust Territory in 1944. Now almost three years later, in 1971, we find still a multitude of barriers discouraging U.S. businessmen, to the extent that we find it would be more feasible for a Japanese to fund our project through Micronesian front men.

The present unrest among the Micronesian Islanders began about 12 years ago when the United States failed to put into motion a sound economic development program. Private enterprise can help to strengthen a currently disunited population possessing no national charismatic leader. Trust Territory Government administration might have and could be considerably more efficient, at a cost fractional to that of presently proposed budgets.

Since the Trust Territory has become a matter of national concern, care should be taken to replace T.T. based U.S. employees who cannot match the responsibilities of their jobs. Replacement of U.S. employees by Micronesians cannot be hasty, for the latter still lack proficient sophistication in World trade, internal government, education.

We should not be so complacent as to allow Micronesian financial subjugation to any foreign power which desires to influence the Micronesians to lean toward that power. By the same token, we should give all consideration to American business interprise to fill the gap of financial responsibilities through joint participations with the Micronesians. That participation has already taken form in the business charter requirements allocating a specific amount of any localized American enterprise's stock to Micronesian purchases.

Our Micronesian Manufacturing Corporation strongly expects to become a model operation. Incorporated and chartered by business activity throughout the Trust Territory, Micronesian Manufacturing has discussed and developed not only opportunities for basic employment and capital inflow, rather than debt and commodities inflow, in the local economy, but it has proposed various profit sharing, training, educational funding and business sponsorship programs for Micronesians.



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In formulating our objectives, we have had to consider the Micronesian climate most closely - in terms of economic growth, trade policies, leadership, education and identity. We are confidently optimistic of the overall development potential, but we are just as aware of vitally needed changes. Some of our observations were advanced last November, through copies of our informal personal notes following another of our several observation tours of the area. These notes were sent to selected parties though they evoked absolutely no response.

Economic growth must readily acknowledge that Micronesia contains no internal consumer market adequately strong enough to support the end products of heavy investment. The economy's growth must emphasize exporting to and servicing of external demands, exemplified by Micronesian Manufacturings' initial step - a major machine shop servicing complex.

Several areas afford development opportunities. Capital and management expertise must be supplied externally. That can be done only if enticements draw investor interests - low labor costs, labor availability and trainability, absence of taxation, reasonable trade policies, internal stability, incentive programs, freedom to select shipping charters for world-wide cargo distribution. Natural resources have been neglected. Most immediate areas should include commercial fishing, fish protein plants, metal working plants, agriculture, copra mills, light assemblies and tourism. However, care and planning should be undertaken to provide stable and basic economy foundations with industries other than strictly tourism. The continual problems of Hawaii, the Bahamas and Curacao can be curtailed, as can a preponderance of imported luxury consumer goods. Tourism has natural implications for Micronesia. also has implied threats for long-term economic stability if followed as a sole course of growth. Hard industry can supply a needed backbone, as well as help to advance tourism flows.

Incentives are obviously necessary. There exist questions as to stability and security, partially promoted by a total lack of outside knowledge of Micronesia and partially laid onto such smaller facts as the lack of bonded warehouses within the Trust Territory. The Territory has been kept in a closet for 24 years; awareness of it cannot be expected within nine months, particularly in a business period of generally restricted American operating capital.

Japanese capital expansion has made a huge impression, having practically overrun Guam and having subtly obligated key Micronesians through debt financing "participations". Saipan boasts



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several businesses, leaders and investments fronted as Micronesian but effectively owned by Japanese sponsors. Such a situation has prompted understandable confusion.

EDLF (Economic Development Loan Fund) sponsorship has been limited at best. The "loans", actually grants in the event of default, carry no managerial assistance nor end-product consumption nor input guarantees. Thus, little communication has evolved. Micronesian Manufacturing seeks to create a working relationship, using American capital and management expertise to develop Micronesian complements. We have actively investigated our creating an Economic Development Corporation, to include such above elements from among Micronesian and American participants. Among the Americans directly contacted by us thus far, the following have indicated potential interest in a joint Micronesian program of one form or another: Bank of Hawaii (Honolulu), Belt, Collins and Associates (Honolulu), Dillingham Corporation (Honolulu), Wells Fargo Bank (San Francisco), National Semiconductor (Santa Clara), Canada Dry (New York), Borden Inc. (New York), Stanadyne, Inc. (Hartford), Robert R. Nathan Associates (Washington). We have further scouted a number of other smaller firms presently engaged in light industry adaptable to the islands.

Direction of industry investment in Micronesia requires a considerable change. Presently, all efforts must first go through U.S. Administration processing under the offices of Resources and Development, District Administrator, District Land Office, District Economic Development Office, District Land Board; then to the T.T. Attorney General, T.T. Division of Corporations, T.T. Land Office, T.T. High Commissioner for signature and approval, at which time the High Commissioner refers to the opinions and reactions of the Micronesian Congress leaders.

We see a distinct need for a consolidation of those efforts into an office of Deputy High Commissioner for Economic Development. Within that office would come Resources and Development, Division of Corporations, and Economic Development Loan Fund. The Deputy High Commissioner would require a direct staff of professionals in such areas as accounting, corporate development. That man himself must have a successful and practical business background as his foremost qualification. He must have access to immediate and adequate transportation facilities. He should hold a working knowledge of Micronesia, having hopefully visited the area. His efforts should include a control of industry type and location for proper manpower and employment allocation as well as for geographic concentration of growth, on the inner or the outer islands. He should oversee wage levels, such that pay scales for Micronesian employment are kept within reasonable limits - whether



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under the Armed Forces, The Trust Territory or private enterprise.

A prime example is Guam, where Government wage levels have far exceeded the expectations of the civilian sector, resulting in a gross disparity not only between rural and urban standings, but in consumer preferences, productivity and leadership/hiring practices. A basic pattern for disunity has been established, one which cannot be allowed to exist or to be propagated in Micronesia, already widespread geographically. One should note that average per capita Gross Territorial Product in Micronesia is about \$450., approximately 47% of which is government provided goods and services, 35% local, 18% imported goods. Copra gatherers receive \$1.50 - 1 day for a 10 hour day clerical, T.T. Government workers receive \$0.65/hour for an 8-hour day.

Trade policies need similar guidance. There should be the same relief benefits between America and Micronesia as exist between America and Samoa, Guam and the Virgin Islands. Van Camp Seafoods prefers to take its trust territory fish for processing to Samoa from which it can ship tariff-free to the United States. Trade agreements must be effected between Micronesia, Australia, Japan, Malaysia and other potential international trading areas before such trade can properly develop. Much of the lack of trade may be directly traced to a lack of policy, as well as to a lack of leadership initiative.

Internal political unrest relates to that leadership role, or rather to its lack of definition. The Congress of Micronesia bears little relevance to the sexpartite tribal leadership. The Congress, established in 1965, comprises popularly elected senators (12) and congressmen (21) from the six districts, meeting twice per year or whenever summoned, usually in Saipan. Their true authority is quite limited; of 226 bills, 84 joint resolutions and 30 resolutions recently introduced to both houses, only 3 were passed and sent to the High Commissioner for approval.

Regional hereditary chiefs have autonomous influence over their respective District subjects, including Congressional representatives. When a recent personal income tax, though nominal, was approved by Congress, uprising promptly ensued. The Marianas hold the greatest modernization and highest wage levels, thanks mostly to the T.T. Government headquarters being in Saipan. Consequently, Marianas incomes would provide the majority of tax revenues to be distributed to the remaining five poorer Districts.



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A similar situation could be expected if Truk's fish or the Marshalls' copra were subjected to a pinpointing tax responsibility. It should be readily clear that Micronesia need not impose income taxes on its people or on its industrial development if that industrial development is promoted properly.

Present leadership remains inadequate to encourage early decentralization. Rather, a strongly centralized body is needed, supported more closely by Micronesian understudy. A joint effort must be expressed instead of the present aura of external administration. A Micronesian should be employed in the Interior Department in Washington, possibly in the Division of Territories, for the purpose of maintaining close communication with the peoples from all the districts. Thus, a feeling of communication, participation and leadership as well as financial responsibility can enhance effective and cooperative leadership qualities.

Much assistance can come through proper educational emphasis. To date a rather fine educational program has been instituted with elementary and high school facilities located throughout the islands. A trade school has been established on Koror, though employment thereafter must await the development of more Micronesian Manufacturing efforts. Our own operation will provide an excellent step in the vocational and managerial pattern.

We are strongly in favor of a Micronesian two-year technical college, with later progression into a four-year school. Micronesians now attending college usually attend Honolulu's University of Hawaii, a West Coast school, or occasionally a Japanese institution. A technical college must supply existing employment areas with programs covering hospital and dental technicians, machine shop mechanics, seamanship (cargo handling, international trading), fishing, agriculture (agronomy, animal husbandry, fisheries, hydroculture), education, business administration, and other course areas which will enhance the development of local inherent resources. The Micronesian alumni of current college educations in Hawaii and elsewhere should be closely tapped for the coming economic development opportunities at home.

The type of repartriation appeal builds a stronger sense of identity, possibly on the order of what might be termed a nation-state. National identity is still weak, seriously lacking in communication. The islands need awareness, through radio, newspaper, a commemorative coin - which Micronesian Manufacturing has designed and proposed, a national anthem - which might be encouraged through district competitions, an historical society museum with all districts participating, and a myriad of other self-sustaining rather than externally imposed motivations.



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Micronesia deserves an international identity by virtue of its background of diverse nationalities (Spanish, German, Japanese, American), but also by virtue of its Pacific crossroads location between Japan and Australia, between East Asia and Hawaii and the West Coast, and on top of a booming tourism flow through the islands of the South Pacific. International awareness must be considered essential to effective leadership and the necessity of international trade. It can be encouraged through sports participation, international trade delegations - to and from Micronesia - directed by private enterprise participants, cultural enterchanges and tourism.

An identity can be established, giving national as well as international political, economic and social awareness. It can be accomplished in part by the above. It should include an updated census of the islands in addition to a monthly newsletter from the Saipan administration to all citizens of the districts. It must include Micronesian participation.

We wish to participate. We have been asked and encouraged by leading, conscientious Micronesians to participate. We are optimistic, but we hope for assistance in our pioneering leadership role.

Most Sincerely,

Thomas R. Goldsmith, Jr.

Christopher C. Ferrer

INDUSTRIES, INC. / 865-871 E. FERRY STREET / BUFFALO, NEW YORK 1421

THOMAS R. GOLDSMITH, JR., President

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13 April 1971

Mr. Herbert Levin National Security Council White House Washington, DC

Dear Mr. Levin:

I appreciated your phone call today in response to my telegram to Mr. Kissinger. It means a lot to know someone is concerned.

Iam enclosing a copy of my November, 1970 report sent to the members of my Board of Directors in Buffalo. I made monthly reports in short form taken from notes I made during my traveling through the Islands. A copy of this report was mailed to the Secretary of Interior and to responsible offices of Interior.

It may be of interest to know, I sent a long telegram to Ambassador David Kennedy and followed with seven phone calls asking to see him in order to compare notes and learn of his visit to the Trust Territory. To date all I have had is a phone call stating the telegram was received.

As you have requested, I will sit down with my staff and make up a full report for you, as soon as possible.

There are very few people in Washington who know the present situation in the Trust Territory and with this in mind I would consider taking a leave from business to help put together a sound economic program.

Sincerely yours, Mohawk Industries, Inc.

Thomas R. Goldsmith Jr.,

Muchania jo.

President

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During the past eighteen months I have been compiling data for my study of the economic conditions of the U.S. Trust Territory of Pacific Islands covering the Marianas through the Carolines to the Marshalls. I took it upon myself to have a first hand look at conditions from a private enterprise point of view, using our own funds. Too many misleading government surveys have been made with very little results. The Nadar Report is good on paper.

It is interesting to note that here is an area of some three million square miles, dotting itself with far reaching islands and having little if any national pride or unity with each other. In fact they have no one to whom they can call their leader other than their own chiefs. Because the U.S. Government never really understood this major thought of the Micronesian People, the Government has been proceeding with many ideas which never got to the core of the people's problem. The fact that we had ample time during the past twenty-four years to understand the problem and not do anything to correct it makes our position look sad compared to the solution used by the successful Japanese who used private enterprise in the fields of mining, fishing, sugar cane, copra, rice, pinapple and others. I fully understand that the Japanese government was solidly behind these enterprises, however, private enterprise was the factor which gave 83% employment. People were working and saw progress and had money to spend. Education was good and the better students were sent to Japan to learn the Japanese way of life before returning to the islands. We do a half hazard job now.

The fact that the U S Government chnages its policies often and their High commissioner of the Islands every four years or less along with his staff, makes it impossible to have a stable economic program to follow. Each new comer has his own ideas on how and where to develop, with too many restrictions. To bear this, out, I found that over 80% of the loans made by the TT Government through its Economic Development Loan Fund to the Micronesians were defaulted. The Director of Economic Development at that time was fully aware of the ill prepared projections submitted by the Micronesian Borrowers and did nothing to help make them a success except to say if they did succed, good but if they didn't, than they learned a lesson. The loss is in the millions of dollars and compounded by having many Micronesians with a very bad taste in their mouths even though they are equally at fault. Even the present system has lost its contact with the development problems, in fact the present Director of Resourses and Development stated to Chris and myself that he doesn't know half of what goes over his desk if it does reach his desk at all. The Office of Resourses and Development is perhaps the most important office under the High Commissioner. Here is an area I will make a verbal report including the entire staff.

I will attempt to enlighten you with some of the facts I have learned first hand during my travels. Since 1963 to 1970 the Imports to the Islands outweighted the Exports by at least six to one. The gap is growing each year. This is not necessary and could be corrected with ease and forsight. It is interesting to note that canned Fish was imported to the tune of better than a million dollars while less than a million dollars were exported. I find the Van Camp people are doing their best however running a very, very poor second to the Japanese who are there also. Here is an area where the Japanese were sending over thirty million pounds of fish per year to export and are this very day taking out better than ten million pounds from this same area. Copra usually heads the Export list contributing about two-thirds of the export value which is some where in the neighborhood of two and a half million dollars. Scrap Metal was running second behind Copra with about \$250,000- \$300,000 to date. Scrap metal has been picked over to slim findings except the Japanese Ships at the bottom of Truk. Heavy in Imports is Beer and Hard Liquor with a value of better than a million dollars. With an average income of less than \$600/year per person, this is high. The tourist trade cannot be considered an Export item other than the fact that it is on the rise and will bring added revenues to the Islands. This trade will continue to grow, however it is hard hit at the present. Copra cannot be called stable since the World market has its many ups and downs each year.

It was interesting to note during my travels how the Japanese have taken their place in the Trust Territory. On Saipen alone, "Joe Ten" is in heavy debt to his Jap suppliers as well as his Micronesian Contruction Corp.. This same proble exist with every merchant in the Islands. In fact I had the pleasure of talking to two Jap accountants who were making their rounds for their "Clients" in the TT. It was also interesting to note the lack of import control the TT Government had. Here I saw a load of Russian made pistols delivered to a Saipan merchant withe rest of his order from his Australian Supplier.

I saw no real controls nor real educational programs to show the Micronesians how to promote private enterprise. All I have heard and seen reflected the fact that "Uncle Sam" has a bottomless bag of hand-outs. The largest employer is the tt and U S Governments with about 3/4 of the Islands payroll. Japanese funds continue to flow into the Trust Territory through such firms as Pacific Industries Corp. which is fronted by the higher Micronesians. Even though the Japese cannot have direct participation, they control through the loans and accounting systems. They have interest in farming, hotels, apartment houses, shipping, retail outlets and loans to the people themselves. Here an American Businessman cannot compete because he must go through government channels where the Japs have been dealing directly with the Micronesians for years, without accounting for their actions. I will make a more detaled report verbally when I get home.

One of the major problems of the TT-US Government employees who handle the economic development programs is that they have no comprehension of what they are trying to accomplish. It seems that these employees could care less since they don't want to hurt their retirement plans. These same employees also hold the view that all Micronesians are lazy which comes from the fact the TT has an over supply of people working for them with little to do. I talked with many Micronesian Students going to school in Hawaii and have found many not wanting to return just to sit around. Here again I will made my verbal report to elaborate the problem.

A major step to the solution of the unrest of the prople is clearly through sound private enterprise. This is clear by the few Micronesians who have enlisted the aide of the Japanese already. Private enterprise built the USA, Japan, Germany and Australia and others and can work in the TT. Iam proud to say our firm, The Micronesian Manufacturing Corp. has the best program incorporated into its charter which will help get these people started. We have included such things as stock option plans where we will help them own part of the corporation, we have a scholar-ship program for higher education and a profit sharing program for retirement. All is geared for their salaries.

I see much trouble ahead and the situation will get worst if a good program is not enacted. I could fill fifty pages of the talks I had with chiefs and political leaders and the young people, but it all comes down to empty promises made over the past ten years by Secretary of Interiors to the lowly administrator. Idle people create Problems with the time on their hands, get them working in some fashion now. With little effort, a sound program could be made to work without creating a burden on the present budget of \$61,000,000. In fact a few million is all that will be needed. With the present unrest getting to a boiling point. we may be too late per usual. If the TT-US Government doesn't wake up within the next three months, it will find itself with another major problem child on its hands. It is a shame the present staff cannot see what is being done around them, perhaps a pair of glasses will help. Progress isn't just spending money, it is creating a continues flow of money and jobs in a planned cycle. The present High Commissioner is a good man but has his hands tied in many ways. He is away from the desk too long and the wool is being pulled over his eyes by many. The Deputy Highcom is not one who can make major decisions even through he was a former governor of Saoma. I find him holding "court" on his own. He probably was a good man for Samoa but the Trust Territory is another kind of ballpark.

The best side of the TT Government is its educational system. The present Director of Education is doing a grand job with what he has, however, where does one go

page #3

·report to Buffalo Group: Nov. 1970

for a job when one gets out of highschool? Not all can work for the government or hotels. The Micronesian Airlines is doing a fine job and is an example of what Iam trying to get across. I strongly recommend a sound economic program be enacted at once, otherwise even by force we could not maintain a truly good relationship with the Micronesians after 1972 dead-line. Sure we have the power to hold them by force but we cannot control their minds. They are fed up with empty programs and promises. The average American citizen could care less what is happening on the Islands in the middle of the Pacific when we lost many good Sons to free them from Japan, until he finds out what happened to his tax dollar and his pride of loosing something he really never cared about in the first place. I sincerely would like to be part of making up a new program, not just another governemnt program but one with private enterprise in mind.

Through no fault of the Micronesians, the present system has created mass confusion with grossly inadequate and untrained Micronesian personal who are expected to make a sound decision which they will never be able to conclude. This stems from the fact that no one can honestly sit down and show me a complete workable economic program which everyone can understand and no one can show me when the line of communications are complete to execute that program.

The government is taking the position that they must have more Micronesians in responsible jobs to make responsible decisions before 1972. This should have been planned sometime in the 1960 administration or better. The present system will show very poor results for the overall Micronesian, perhaps the very few rich will get richer but that is all. 1972 is just around the corner and time is running out.

The Micronesians understand progress with a set plan that will be followed with a true time date to be concluded, this they will work for, however they cannot follow the many changing plans with no results at a time when Japan offers them what they need, and indeed the Japanese are businessmen of their word (as hard as they may drive a bargain) here again I will relate a verbal report for safety.

At the present rate of mismanagement, I predict that the people of the Marianas will rebel against many ideas of the future such as taxes and joint union with the other five districts. The people of Palau and Yap are strongly pro Japanese whic will present many future problems. The people of Truk are trying hard to help themselves with lettle help from TT but a lot of help from the Jesuits who are in the District.

Without a common interest, a common leader and a common desire to look for a stable future, the Micronesian people will never permit a truly Micronesian unification. We will never achieve such a thing as a nation called Micronesia. Iam not too sure such a Nation would work or be pratical as in the best of our interest (USA), however Iam sure we must keep our hands on some parts for military bases and to hold the Japanese and others in check. Judging from my trips to Japan and Hong Kong, I understand that Japan already has a Master Plan ready for the TT Area and they will be able to make it work since they have already shown the Micronesians they have the funds to accomplish the job. Japan has a good foothold today through its loans and accountants. They are entreched on Guam through their Hotels, Agencies, front corporations, Airlines and Loans. They have made their first open foothold in the TT by way of Air Japan which is good for the Tourist Trade but bad for the Americans who will be loosing more and more of their hold as the Japanese keep their flow of money coming.

I will make a full verbal report to you when I return, however there is much that I will not put on paper for other eyes to see. Iam sure we can do a good job for all concered in the Trust Territory. We will be able to serve both the TT and the future military when they move.

THE WHITE HOUSE OFFICE

REFERRAL

To: Office of the Secretary of the Interior

Date: April 17, 1971

Department of the Interior

ATTN: Mr. David Parker, Staff Assistant

ACTION REQUESTED

XXX	Draft reply for:	1	
	President's signature.	·	
	Undersigned's signature.		
		NOTE	
-	Memorandum for use as enclosure to		
	reply.		
		Prompt action is essential.	
	Direct reply.	If more than 48 hours' delay is encountered,	
	Furnish information copy.	please telephone the undersigned immediately, Code 1450.	
	Suitable acknowledgment or other appropriate handling. Furnish copy of reply, if any. For your information.	Basic correspondence should be returned when draft reply, memorandum, or comment is requested.	
_	For comment.		
REMARK	S:		
		In reply to NSC,	
		refer to: NSC 27733	
Description	on:		
X	XXXX Letter: _XXXXX Telegram; Other:		
To:	Dr. Henry A. Kissinger		
From:	Thomas R. Goldsmith, Jr.		
Date:	April 13, 1971		
Subject:	TTPI		

By direction of the President:

Jeanne W. Davis

National Security Council

Rain W. Hulus

Staff Secretary