



# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

APR 27 1971

*Handwritten notes:*  
W. J. Davis  
National Security Council  
for review

## Memorandum

To: Mrs. Jeanne W. Davis, Staff Assistant  
National Security Council

From: Mr. Royston Hughes, Staff Assistant to  
Secretary of the Interior

Subject: NSC 27733

Enclosed is a draft reply to the letter of April 16 from Mr. Thomas R. Goldsmith, Jr., which, in turn, enclosed a report, "Micronesia - Economic Development and Political Unrest."

Enclosure

*Handwritten signature:*  
Royston C. Hughes

D R A F T

Dear Mr. Goldsmith:

We appreciate receiving your report "Micronesia - Economic Development and Political Unrest," which you sent on April 16 to Mr. Herbert Levin of the National Security Council. Mr. Levin requested that you send this report following your telephone conversation with him and your previous letter of April 13 -- all of the foregoing communication between you and Mr. Levin flowed from your telegram to Mr. Henry Kissinger, Assistant to the President.

We have reviewed, briefly, the wide-ranging report prepared by you and Mr. Christopher C. Ferrer. We do find some interesting thoughts expressed and, while we do not agree with your appraisals of the leadership exhibited by the officials of the Trust Territory Government, we look to the latter and the responsible officials in the Interior Department to evaluate your proposals to seek those which they believe can be constructively put into effect.

May we assure you that we, too, believe that private enterprise in the Trust Territory is the ultimate key to economic development there, and our goals are set in that direction. We do have a general comment, however, on your appraisal of the economic development engendered by the Japanese during their occupation of the Trust Territory, as contrasted with the economic development under the U.S. trusteeship.

The development by the Japanese Government was for and by the Japanese. Japan used the area for colonization purposes almost exclusively -- so much so that by the end of the 1930's there were more Japanese colonists in the islands than there were Micronesians. The Micronesians, during that period, played virtually no part in the economic and political life of the islands. World War II destroyed substantially all facilities in the area, and after the end of the war, the colonists were returned to Japan.

The United States effort, on the other hand, has been designed to assist the people of the Trust Territory in developing their economic resources and building their own economic and political systems. This has been a relatively slow process, but we believe that in the long run the people of the Trust Territory have been better off than if we had allowed exploitation of the limited resources of the islands by outside capital for foreign profit. That is why we have restricted outside capital to only that provided by American investors -- if there is Japanese investment in Micronesia today, it would have to be other than overt and official.

May we wish you success in your private enterprise endeavor in Micronesia. We thank you again for your report and we will share it with the Department of the Interior and with the Trust Territory Government.

Sincerely yours,

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NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

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May 5, 1971

REPRODUCED AT THE NATIONAL ARCHIVES

Dear Mr. Goldsmith; *THOMAS R.*

I appreciate receiving your letter and report "Micronesia - Economic Development and Political Unrest," which you sent me following our telephone conversation subsequent to your telegram of April 12 to Dr. Kissinger.

I have read with interest the wide-ranging study prepared by you and Mr. Christopher C. Ferrer and will be pursuing with responsible officials in the Interior Department those proposals which can be constructively put into effect.

I agree with you that private enterprise in the Trust Territory is the ultimate key to economic development there, and our goals are set in that direction. In this connection I do have a general comment on your appraisal of the economic development engendered by the Japanese during their occupation of the Trust Territory, as contrasted with the economic development under the U.S. trusteeship. The development by the Japanese Government was for and by the Japanese. Japan used the area for colonization purposes, so much so that by the end of the 1930's there were more Japanese colonists in the islands than there were Micronesians. The Micronesians during that period played virtually no part in the economic and political life of the islands. World War II destroyed substantially all facilities in the area, and after the end of the war, the colonists were returned to Japan.

In contrast, the United States effort has been designed to assist the people of the Trust Territory to develop their economic resources and build their own economic and political systems. Admittedly, this has been a relatively slow process, but I believe that in the long run the people of the Trust Territory will be in a better situation than if we had allowed relatively unrestricted exploitation of the limited resources of the islands by outside capital for foreign profit. That is why we have restricted outside capital to only that provided by American investors.

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Any Japanese investment there may be in Micronesia today is other than officially sanctioned.

I hope you will be successful in your private enterprise endeavor in Micronesia. I am grateful for your report and will be discussing it further with the Department of the Interior.

Sincerely yours,



Herbert Levin  
Staff Member

Mr. Thomas R. Goldsmith, Jr.  
President, Mohawk Industries  
865-871 East Ferry Street  
Buffalo, New York 14211