

894.6377/1-145--12-3146-47-48-49



OFFICE OF
ALIEN PROPERTY CUSTODIAN
WASHINGTON 25

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JK

In replying please
refer to MM:ftah
-037-40

LEGAL ADVISER
JK for action
JAN 29 1946
1-27-46
DEPARTMENT OF STATE

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

FEB 20 1946

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE
JAN 24 1946
Reply drafted by
FEB 1 1946
R. H. Whitman

Secretary of State,
Department of State,
Washington, D. C.

Attention: Legal Adviser

Sir:

Enclosed you will find a letter from The
Simpson Creek Collieries Co., Inc., 120 Wall Street,
New York 5, New York, dated January 11, 1946, and a
copy of my reply thereto.

Since the matter raised in the letter ap-
pears to be within the jurisdiction of the Department,
it is being referred to you for consideration and
reply.

Sincerely yours,

Raoul Berger
Raoul Berger
General Counsel

894.6377/1-2446

894.6377

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DEPARTMENT OF STATE

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Enclosures

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894.6377/1-2446

In replying please
refer to MM:ftah
037-40

JAN 24 1946

The Simpson Creek Collieries Co., Inc.,
120 Wall Street,
New York 5, New York.

Gentlemen:

I acknowledge your letter of January 11, 1946,
in which you state that you are interested in exploiting
deposits of phosphate on the island of Angauer which was
formerly held by the Japanese.

Since your letter appears to relate to a
matter within the jurisdiction of the Department of
State, it has been referred to that Department for
consideration and direct reply.

Sincerely yours,

(Signed) Raoul Berger

Raoul Berger
General Counsel

THE SIMPSON CREEK COLLIERIES CO., INC.

NEW YORK OFFICE:
120 WALL STREET
NEW YORK 5, N. Y.
WHITEHALL 3-4690

RECORD

MINES:
No. 2. GALLOWAY W. VA.
No. 3. GALLOWAY W. VA.

January 11, 1946

037-40

ALIEN PROPERTY CUSTODIAN
RECEIVED JAN 14 1946
ANS'D.....DATE.....
NO. ANS.....DATE.....

me

Alien Property Custodian
Washington,
D.C.

Dear Sir:

We understand that the island of Angauer, formerly held by the Japanese, contains large deposits of phosphate. We contemplate the manufacture of superphosphate and for this purpose would be interested in exploiting deposits large enough for our needs.

We assume that this island having been enemy property is under your jurisdiction and therefore are addressing you in this matter. If we are wrong, perhaps you will be good enough to advise us whom to approach for correct information.

Very truly yours,

THE SIMPSON CREEK COLLIERIES CO. INC

by *Weyler*

ms

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JAN 15 1946

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Re *GO*
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MAR - 5 1946

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894.6377/2-1146

In reply refer to
JK 894.6377/1-2446

FEB 15 1946

Sirs:

This is in answer to your letter of January 11, 1946, concerning deposits of phosphate on the island of Angauer, which was referred to us for reply by the office of the Alien Property Custodian.

The island of Angauer is a former Japanese mandate, now under the Naval Military Government. We have consulted the Navy Department and have learned that no private business interests are at the moment permitted to operate in any of the former Japanese mandates. This restriction is due to lack of facilities for opening up business on a fair and open basis to private concerns.

As soon as conditions make it possible, private trade with these islands will be opened up in accordance with usual United States commercial policy.

Very truly yours,

Edwin M. Martin, Chief
Division of Japanese and
Korean Economic Affairs.

The Simpson Creek Collieries Co., Inc.,
120 Wall Street,
New York 5, New York.

DCR - ITP Unit

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[Handwritten signature]

JK:RHWhitman:aw

2-7-46

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[Handwritten initials: WMB]

FEB 14 1946

3 P.M.

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OS 1894.6377/2-1546

FEB 27 1946

In reply refer to
JK

Sirs:

This is in answer to your letter of February 19, 1946, in which you stated that you are interested in negotiating now the leasing or purchase of the phosphate rock mines located on the island of Angauer, even though no business interests are now allowed to operate there.

Since the Navy Department is responsible for the administration of the island of Angauer, your letter has been referred to them for further reply.

Very truly yours,

Edwin M. Martin, Chief,
Division of Japanese and
Korean Economic Affairs.

The Simpson Creek Collieries Co., Inc.,
120 Wall Street,
New York 5, New York.

JK:RHWhitman:aw

2-26-46

DCR - ITP Unit

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FEB 27 1946

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FEB 27 1946

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FEB 27 1946

THE SIMPSON CREEK COLLIERIES CO., INC.

New York Office

120 Wall Street

New York 5, N.Y.

Whitehall 3-4690

C

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P

February 19, 1946

Y

United States
Department of State
Washington, D. C.

Attn: Mr. Edwin M. Martin, Chief
Division of Japanese and Korean
Economic Affairs
JK 894.6377/1-2446

Dear Sir:

We thank you for your letter of February 15th advising us that no business interests are at the present permitted to operate in any of the former Japanese mandates.

While we realize that present conditions in these islands make private trade impossible for the time being, we should nevertheless be interested in negotiating now the leasing or purchase of the phosphate rock mines located on the island of Angauer, subject, of course, to the final decision by the Navy Department as to the disposal of these mines.

We should appreciate hearing from you in this matter.

Very truly yours,

THE SIMPSON CREEK COLLIERIES CO., INC.

by /s/ M. Seyler ?

ms

DEPARTMENT OF THE ARMY
OFFICE OF THE FOOD ADMINISTRATOR FOR OCCUPIED AREAS
WASHINGTON, D. C.

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ACTION
is assigned to

[Handwritten signature]

DIVISION OF DEPENDENT AREA AFFAIRS
DEPARTMENT OF STATE
RECEIVED

AUG 29 1949

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12 August 1949

MESSAGE CENTER

DEPARTMENT OF STATE
OFFICE OF
INTERNATIONAL TRADE POLICY
AUG 19 1949
DEPARTMENT OF STATE

RECEIVED
AUG 16 1949
DEPT. OF STATE
D.C.
The Honorable
The Secretary of State

Dear Mr. Secretary:

Enclosed for your information is a copy of the letter sent to the Secretary of the Navy concerning the mining of phosphate rock on Angaur Island. This enclosure is in response to the letter dated 1 July 1949 from the Acting Secretary of the Navy to the Secretary of the Army, a copy of which was furnished your office.

Sincerely yours,

John P. Loomis
John P. Loomis
Food Administrator
For Occupied Areas

JUL 26 1950
FILED

894.6377/8-1249

1 Incl. *at real*
Ltr as stated
Action Assigned to *HMP*
Action Taken *Referred to UNR*
(UNO) 8/26/49 by HMP.

Date of Action _____
188508 Office symbol *1787R*
Name of Officer _____
Direction to DC/R _____

INTERNATIONAL RESOURCES DIVISION
Referred to UND for appropriate disposition.
AUG 19 1949
DEPARTMENT OF STATE *etc.*

DCR - CLAIMS UNIT
Anal _____ *etc*
Dev _____ *etc*
at _____
Dist. _____

OS/H
894.1377/8-1249

12 August 1949

The Honorable
The Secretary of State

Dear Mr. Secretary:

Enclosed for your information is a copy of the letter sent to the Secretary of the Navy concerning the mining of phosphate rock on Angaur Island. This enclosure is in response to the letter dated 1 July 1949 from the Acting Secretary of the Navy to the Secretary of the Army, a copy of which was furnished your office.

Sincerely yours,

(Signed) J. P. Loomis

John P. Loomis
Food Administrator
For Occupied Areas

1 Incl.
Ltr as stated
above

RESTRICTED

11 August 1949

The Honorable

The Secretary of the Navy

Dear Mr. Secretary:

Under date of July 25th, 1949, your letter of July 1st in regard to phosphate mining on Angaur Island was acknowledged, pending the receipt of more complete data on the subject.

The necessary information has been received by cable from the Supreme Commander for the Allied Powers in Japan in two messages, dated respectively July 21st and July 26th, 1949, and also from consultation with representatives of SCAP presently in Washington. Copies of the above cables are attached.

It will be noted that the information in the cable of July 21st is somewhat at variance with the information in your letter of July 1st in regard to the effect of the mining operation on agricultural land and on ground water resources. The cable of July 26th contains a fuller discussion of these problems and indicates that there is more unused land available and suitable for growing taro than is now being used in the mining operations. This land was so used until the year 1938 and there appears to be no agricultural reason why it cannot again be placed in production.

Another factor submitted for your consideration is that on the basis of the agreement between the Department of Navy, the Department of State and the Department of Army an investment has been made in this operation by the Japanese Government at the request of the United States in the amount of about \$268,000. If operations must cease prior to the conclusion of the original agreement, compensation should be made to the Japanese Government for the loss occasioned by the abrogation of that agreement.

The critical need for fertilizer for food production in Japan makes the supply of phosphate rock to the Japanese economy essential. If the Angaur source were denied the authorities responsible for carrying out the U. S. policies in Japan, a new source would have to be obtained. It is currently estimated that if such is the case, an addi-

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Secretary of the Navy

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11 August 1949

tional dollar expense of about \$8,000,000 will be incurred which must be borne by the U. S. Government to replace the phosphate rock obtained from this source, about 25% of the total imported into Japan.

As you know, the Trusteeship Agreement for the United States Trust Territory of the Pacific Islands provides, in part, that the administering authority shall promote the economic advancement and self-sufficiency of the inhabitants and to this end shall regulate the use of natural resources. The phosphate rock is the main natural resource of the Island and is valueless as long as it remains unmined. The mining operations provide several advantages to the natives.

1. It furnishes employment to about 10% of the total population of the Island.
2. It provides, on a limited scale, barter with personnel arriving on ships to transport the rock.
3. It provides a source of income for the local Government and others through the severance fee.

Mr. Sherman K. Neuschel, the Chief of the Pacific Geological Mapping Program reported that he felt that the problem was not one of agricultural subsistence or water supply, but one of severance fee and land ownership. In this connection, the Department of the Army is willing to revise upward the severance fee of 25 cents per ton now being paid to the Department of the Navy for rock removed from the Island. This measure should remove to a large extent local objections to the mining operation.

In view of the above factors, especially since the operation appears to be in conformity with the Trusteeship Agreement, it is requested that you reconsider your request contained in the reference letter and allow the phosphate mining operations on the Island of Angaur to continue for the life of the agreement.

Sincerely yours,

John P. Loomis
Food Administrator
For Occupied Areas

cc: State Department ✓
2 Incls
1-Cm In 16049
3-Cm In 16902

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CONFIDENTIAL

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: October 10, 1949

SUBJECT: Discontinuance of Phosphate Mining on Angaur Island.

DC/R
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This Document Must Be Returned to

PARTICIPANTS: Mr. Kenneth Young, Office of the Secretary of Defence
Commander William Germershausen, Office of Island Governments,
Navy Department.
Mr. Cargo, UND, Department of State.
Mr. Yeomans, UND, Department of State.

COPIES TO:

S, Mr. Sheppard.	IR, Mr. Barger.
UNA, Mr. Sandifer.	CP, Mr. White
NA, Mr. Hemmendinger.	L, Miss Whiteman
SEA, Mr. O'Sullivan.	
SEA, Mr. Oliver.	
FE, Miss Bacon	

In accordance with the suggestion of Mr. Sheppard (S), Mr. Cargo and Mr. Yeomans talked with Mr. Young, who is in the Office of the Secretary of Defence, regarding the problem of the phosphate mining operation on Angaur Island, instead of sending the letter drafted September 7, 1949 from the Secretary of State to the Secretary of the Navy, a copy of which was to be sent to the Secretary of Defence.

Commander Germershausen was in Mr. Young's office briefing Mr. Young on the problem when Messrs. Cargo and Yeomans arrived, and was asked to stay throughout the conversation.

Mr. Young said that he had very little background information on the problem and that Mr. Sheppard had given briefly the substance of the proposed State Department letter. The general background of the State Department's interest in the phosphate operations was outlined to him and a copy of the Department's draft letter shown to him. Mr. Young appreciated the position of the State Department, in view of the basic disagreement between the Departments of the Army and the Navy, and felt that it was a matter which could be adjusted within the Department of Defence.

In reply to questions regarding the attitude of the Trusteeship Council, Messrs. Cargo and Yeomans emphasized that from the State

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Department's point of view it was important that the United States be able to present to the Trusteeship Council valid and conclusive arguments in support of whatever decision might be made regarding the continuance or discontinuance of the mining operation. Mr. Young himself elaborated on this theme as regards the possible embarrassment which might be caused the United States on the general principle of exploiting resources of dependent peoples. During the general conversation, the basis of the Army's position was brought out in order to present the problem as fairly as possible. Mr. Young seemed to feel, subject to his consulting further with the Army Department, that the matter is one of principle and one on which too much weight should not be given to the fact that discontinuance of the operation would mean several millions of dollars increase in the Japanese occupation costs.

Commander Germershausen brought forth the most recent letter of the Secretary of the Navy to the Department of the Army on this subject. (Copy attached). (This letter presents a much more detailed argumentation of the Navy's case and cites a United States Geological Survey supporting the contention of the Navy regarding the effect of continuing mining operations on the agriculture and ground-water supply of the island.)

As regards the urgency of reaching a decision on the problem, it was pointed out that the next annual report by the United States would probably be examined by the Trusteeship Council in June, but that in the meantime a visiting mission was being sent by the Trusteeship Council to the Trust Territory and that the mission would undoubtedly examine this problem. Mr. Young felt that the Department of Defence should take the next immediate steps in an attempt to reach a solution to the problem. If the formal views of the State Department should be required in the meantime, he would call for them.

CONFIDENTIAL

THE SECRETARY OF THE NAVY
WASHINGTONC
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4 October 1949

My dear Mr. Secretary:

In your letter of September 15, 1949, in reply to my request that phosphate mining on the island of Angaur be terminated, the suggestion was made that a conference between Lt. Col. F. C. Norvell, of the Office of the Under Secretary, and a representative designated by me, might be the means through which a mutually satisfactory solution to this important problem could be reached.

In accordance with your suggestion, my representative, Captain P. G. Hale, Assistant Chief of Naval Operations for Island Governments, met with Lt. Col. Norvell, for the purpose of discussing the problem in all of its aspects. Present also at this conference was Mr. Emil J. Sady, Chief of the Pacific Branch, Division of Territories and Island Possessions of the Department of the Interior. Mr. Sady's interest and concern in this matter stem from the fact that the President has directed the transfer of responsibility for the civil administration of the Trust Territory to that Department in about two years.

Because of firm and opposing positions taken by our Departments, it was not possible for our representatives to arrive at a solution to the problem that appeared equitable and satisfactory. The position of the representative of the Department of the Army appeared to rest on the premise that, because of an apparently lessened cost to the United States of furnishing fertilizer for economic rehabilitation in Japan, an obligation incurred through military occupation, mining operations on Angaur should be continued until the phosphate deposits there are exhausted. On the other hand, it is the position of the Department of the Navy, as set forth in previous correspondence, that the obligation of the United States to the people of the Trust Territory, under the terms of the Trusteeship Agreement, transcends all other obligations in matters that are in any way relative to that territory. Therefore, any obligation of the United States for the economic rehabilitation of Japan should not be fulfilled at the expense of the inhabitants of the Trust Territory. Representatives of the Department of the Interior have indicated complete concurrence in this tenet.

With the view that a better mutual understanding may lead to the early achievement of a solution to the problem I submit herewith a brief history of the operation together with a resume of these factors that are most pertinent in the matter.

Following cessation of hostilities, reactivation of phosphate mining on Angaur was initiated upon the request of the War Department. It was pointed out in the original request, dated March 22, 1946, that an

extremely critical situation existed in Japan in regard to fertilizer requirements, in that, because of the critical world fertilizer situation, only 100,000 tons of phosphate rock could be allocated to Japan for 1946, to meet estimated requirements of 750,000 tons. Because of this indicated urgency, it was requested that phosphate rock be provided from deposits known to exist in the Pacific Islands.

In response to this request, the Department of the Navy, through private contractors, rehabilitated the mining equipment on Angaur, and commenced mining and shipping phosphate rock to Japan. It is to be noted that, from the commencement of these operations, Naval commanders concerned with the Military Government of Angaur objected to such mining, and pointed out repeatedly that depletion of phosphate reserves in Angaur was distinctly contrary to the best interests of the inhabitants of the former Japanese Mandated Islands and to those of other United States possessions.

Early in 1947, it was apparent that the critical need for phosphate for agricultural fertilizers in Japan would be continuing one. However, development of the Angaur deposits had resolved itself into a problem of production rather than engineering, and for this reason, by letter of March 7, 1947, the War Department was requested to take over the operation, with mining of phosphate to be done through the use of imported Japanese labor under the control of the Supreme Commander for the Allied Powers.

Since that time, there have been accumulating, from many sources, reports and comments in regard to the phosphate mining operation and the attendant depletion of these natural resources. The consensus of these comments is that the operations should cease. I cite some of the more relevant for your consideration.

At the request of the Secretary of the Navy, the Hopkins Committee made a report on the civil governments of Guam and American Samoa. Although the island of Angaur was not included in the Committee's study, an entry most pertinent to the phosphate situation in the islands is contained in the report of that Committee, dated March 25, 1947. It states:

"Mention has already been made of the need of fertilizer in producing crops on Guam. One of the important elements, phosphorus, is available in the form of phosphate on the comparatively nearby island of Angaur. It exists in a form that is immediately applicable to the soil and does not require treating with acid. This deposit should be primarily conserved for use in the Pacific island area".

The Commander of the Military Government Unit in the former Japanese Mandated Islands submitted the following in his report of April 25, 1947:

"It is also pointed out that title to the lands containing the phosphate has not been established, and cannot be until the completion

of legal processes which cannot be initiated until the sovereignty of the United States is confirmed".

Of more recent date is the following comment, quoted from a report of the U. S. Geological Survey dated in July, 1948:

"It should be clearly recognized that native economy is largely dependent on agriculture, that the amount of arable land, especially in the smaller coral islands such as Fais, Gaferut, Ebon, Sonsorol, Tobi, etc., is strictly limited; that the phosphate deposits commonly underlie the best agricultural land; and that the mining of those deposits renders the land useless for agricultural purposes, and if carried below sea level may affect the supply of ground water. The removal of stockpiles and the mining of additional phosphate on Angaur should be stopped, if this has not already been done. If any phosphate mining is to be permitted on any of these islands it should be purely local in character and should be undertaken solely to supply the needs of the native population. In almost every case it will be better to leave this material in the ground, where it will act as a natural fertilizer for the farms of the native communities".

Upon the signing of the Trusteeship Agreement with the United Nations on July 18, 1947, Military Government of the former Japanese Mandated Islands was terminated by Executive Order. The authority and responsibility for the civil administration of the Trust Territory, on an interim basis, was delegated to the Secretary of the Navy. The terms of the Trusteeship Agreement are clear and well defined. It is the considered opinion of the Department of the Navy that they are not to be subject to broad interpretations that would contribute to the detriment of the welfare of the native people. Most pertinent to the matter at hand is Paragraph 2 of Article 6 of the Trusteeship Agreement, which stresses the obligation of the United States as the Administering Authority to:

"promote the economic advancement and self-sufficiency of the inhabitants, and to this end shall regulate the use of natural resources; encourage the development of fisheries, agriculture and industry; protect the inhabitants against the loss of their lands and resources; and improve the means of transportation and communications".

In view of the added responsibilities imposed by the Trusteeship Agreement, it was essential to conduct further studies of the phosphate mining operation, in order to determine whether this operation, in any sense, was in violation of the terms of the Agreement, and particularly the article and paragraph quoted above.

Objections have been raised repeatedly by the native inhabitants of Angaur to the continuation of the phosphate mining operations on the island. These people are being deprived of the natural resources on their property without their consent and it is extremely doubtful that any doctrine of public necessity can be made to apply since phosphates can now be obtained for Japan from other sources.

In response to these objections from the Angaurese people, the High Commissioner of the Trust Territory initially requested that the

mining operations be curtailed, and later requested that they be discontinued entirely, in order to avoid exploitation of the phosphate deposits to exhaustion. To verify the urgency of his request, the High Commissioner was directed in September, 1948 to undertake further study to determine the effects of phosphate mining on the future economy of Angaur and the Trust Territory. It was decided at the time that final action regarding the termination of the mining operations on Angaur would depend upon the findings on his investigation.

By letter of May 21, 1949, the High Commissioner gave the following as one of the results of this important investigation:

"It is considered that the continuance of the Army-Navy Agreement may cause the United States considerable embarrassment when its report, as administering authority, is presented to the Trusteeship Council. The Agreement is not compatible with our position as Trustee of the native resources, particularly in view of the repeated protestations by our representative in the Security Council, with respect to Article 6 of the Trusteeship Agreement, that the United States does not intend to take advantage, for its own benefit, of the resources of the islands of the Trust Territory. Such embarrassment would be accentuated by the fact that the Angaurese people are on record as opposing the terms of the Army-Navy Agreement".

As a further indication of questioning reactions that may be expected, the Trusteeship Council on July 22, 1949, adopted the following resolution:

"The Trusteeship Council, noting with concern that, in spite of the recommendation of the United States Commercial Company in 1946 that the entire output of the Angaur phosphate mines should be retained as soon as possible for use within the Territory, arrangements to export the entire estimated tonnage to Japan are still in force, and noting further that apart from a royalty of 25 cents per ton, the Trust Territory derives no benefits even from a processing tax from the phosphates, recommends that the Administering Authority subject this arrangement to further review and, in the light of this review, reassure the Council that the interests of the Territory and its inhabitants have been safeguarded".

The rapid rise in population indicates that in the future the inhabitants will be forced to adopt a program of intensified farming, including extensive use of fertilizer, to meet their food requirements. If phosphate exportations from Angaur are permitted to continue, the supply there will become exhausted in approximately five years, at the very time when need for fertilizers in Guam and the Trust Territory will be increasing rapidly. Importation from other sources would be mandatory, at a cost to the United States which through the years would unquestionably exceed any savings anticipated by the diversion of phosphate rock from Angaur to Japan during the next five years. In my opinion, this factor adds further justification for early termination of phosphate mining under the Army-Navy Agreement.

I consider that the conservation of natural resources of the Trust Territory, to permit their development by the inhabitants in order to bring the greatest future economic benefit to the territory, in the obligation of the United States assumed under the Trusteeship Agreement to promote the economic advancement and self-sufficiency of the inhabitants.

It is my sincere hope that your consideration and analysis of the above factors will enable us to achieve fullest cooperation in this urgent matter, and that early termination of the mining of phosphate on Angaur will be agreed to.

Sincerely yours,

/s/ FRANCIS P MATTHEWS

The Honorable Gordon Gray
Secretary of the Army
Washington, D.C.