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#1 memo	Bundy to all Holders of NSAM 68 <i>open 12-10-99</i> S 1 p	4/21/65	A
#1a memo	Duplicate of #1 <i>open 12-10-99</i>		
#2 memo	Duplicate of #1 <i>open 12-10-99</i>		
#4 memo	Kaysen to SecState and SecDef <i>open 12-10-99</i> C 1 p	2/19/62	A
#4a rpt	Report and Recommendations on Task Force... C 65 p <i>open 8-8-95 NIS 94-370</i> <i>(dup. #14, WTKF, Confidential file, ST 51-3, Box 89)</i>	12/61	A
#5 memo	Gilpatrick to Bundy S 1 p <i>open 12-10-99</i>	8/21/61	A
#6 memo	NSAM 68 <i>open 12-10-99</i> S 1 p	8/11/61	A

FILE LOCATION

NSF, NSAM, NSAM 68--Task Force on the Ryukyus

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THE WHITE HOUSE
WASHINGTON

April 21, 1965

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MEMORANDUM FOR HOLDERS OF NSAM NO. 68

SUBJECT: Task Force on the Ryukyus

The Task Force on the Ryukyus, having completed its assignment and there being no continuing need therefor, is formally terminated effective immediately in accordance with the President's wish that all unnecessary interagency committees and task forces be terminated.

McGeorge Bundy

McGeorge Bundy

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DECLASSIFIED
White House Guidelines, Feb. 24, 1983
By *y*, NARA, Date *11-16-91*

1a.
April 21, 1965

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THE WHITE HOUSE

WASHINGTON

April 20, 1965

MEMORANDUM FOR THE DIRECTOR,
BUREAU OF THE BUDGET

In response to your memorandum of April 12, 1965, relating to interagency committees, the committees chaired out of this office have been looked at in light of the President's wish to eliminate unnecessary or obsolete interagency committees and task forces.

At the present time there are six interagency committees and task forces for which I am responsible. Four of these groups are either actively carrying out continuing assignments or have not yet completed their principal task. Two groups have finished their work and may now be terminated.

In view of the fact that all of these committees were established by National Security Action Memoranda and without any public announcement thereof, it would be the preferred procedure to terminate these two groups at this time by a simple notice to the holders of the NSAM's in question. A similar procedure would be used in the future for any additional groups to be closed out. Accordingly, I am now issuing notices to the holders of NSAM No. 68 and No. 243 that the groups established thereby are formally terminated.



McGeorge Bundy

Mr. Bundy

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MEMORANDUM FOR

THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE

File
Rec'd 2/19/62

Attached is the report and recommendations of the
Ryukyu Task Force established in accordance with NSAM
No. 68 dated August 11, 1961.

Your comments and recommendations to the President
are requested at your earliest convenience.

Carl Kaysen
Chairman, Ryukyu Task Force

Attachment

Edward E. Rice, Department of State

Stephen Ailes, Department of Defense

John Ohly, Agency for International
Development

George L. P. Weaver, Department of
Labor

/cc: Mr. Bundy (2)

Each signature above (3)

1 copy each member of Working Group

1 copy to each information addressee of the NSAM: Secretary of
the Treasury, Director, Bureau of the Budget; Director of
Central Intelligence; Secretary of the Army; Under Secretary
of State George Ball; Under Secretary of Defense Nitze

Mr. Kaysen (3)

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White House Guidelines, Feb. 24, 1983
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REPORT AND RECOMMENDATIONS
OF THE
TASK FORCE RYUKYUS

December 1961

DECLASSIFIED
E.O. 12356, Sec. 3.4
NIJ 94-370
By CG, NARA, Date 6-15-95

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PREFACE

On August 11, 1961, the Task Force Ryukyus was established by the National Security Action Memorandum (No. 68) and directed to:

"investigate the extent to which economic and social conditions contribute to the dissatisfaction of the Ryukyuans, what measures can we undertake to improve economic and social conditions, and what specific steps are needed to make such a program effective. In carrying out its task the group will bear in mind the importance to us of

(a) Okinawa as a military base, (b) continued friendly relations with Japan, and (c) our responsibility to the people of the Ryukyus under the peace treaty with Japan."

The Task Force and Working Group were appointed in September. After preparation of initial briefing papers and subsequent discussions of the principal issues, the group's terms of reference were determined. On October 3, the Working Group, led by Mr. Kaufmann, went to Okinawa, where they were joined one week later by Mr. Kaysen, Chairman of the Task Force, and Mr. Brodie of the Working Group.

During its three-week stay in the Islands, the group held discussions with the High Commissioner; the USCAR staff; the Chief Executive of the Ryukyus and his staff; committees of the Ryukyu legislature; and with many private groups reflecting a cross section of the Islands' life and problems businessmen, labor organizations, social groups, representatives of farm and fishery interests, political parties, municipal government leaders, newspaper editors, and many others. Members of the Working Group also visited the Islands of Miyako, Ishigaki and Iriomote to the south of Okinawa in order to look into issues that have arisen in the more remote areas of the Ryukyus.

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On October 23, Mr. Kaysen and some members of the Working Group went to Tokyo for discussions with Ambassador Reischauer and the Embassy staff, and informal conversations with officials of the Japanese Government. Mr. Kaysen talked with both the Prime Minister and the Minister for Foreign Affairs.

In Washington during the month of November, the Working Group wrote papers on the major issues. This report draws on them. The Appendix of this report lists discussion papers which contain a much longer and more detailed analysis than is possible in a summary statement of this kind. These papers have been turned over to the appropriate agencies of the Department of Defense and the Department of State. However, they are not agreed Task Force documents, but represent only the individual views of their authors.

Members of the Task Force and the Working Group were:

<u>Department</u>	<u>Task Force</u>	<u>Working Group</u>
White House	Mr. Carl Kaysen (Chairman)	Mr. John H. Kaufmann
State	Mr. John Steeves	Mr. Henry Brodie
Succeeded by	Mr. Edward E. Rice	Mr. Kingdon W. Swayne
Defense	Mr. Stephen Ailes	Brig. Gen. Benjamin F. Evans, Jr. Col. Edward G. Allen Lt. Col. John D. Sitterson
A.I.D.	Mr. John H. Ohly	Mr. L. Albert Wilson
Labor	Mr. George L.P. Weaver	Mr. James D. Hoover

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SUMMARY AND RECOMMENDATIONS

Summary

Okinawa is our most important base in the Western Pacific. Its value reflects not only the installation and facilities contained therein, but the fact that our use of it is free of the restraints imposed by the existence of another political authority. Yet, although we have exclusive administrative authority, our effective control is in fact conditioned both by the domestic situation in Okinawa and by the reflection of that situation in Japan. There is at the moment no immediate crisis in our situation in Okinawa. However, several continuing factors point to the potentiality of a sharp deterioration and a consequent threat to our ability to make full and free use of the base. Prudence dictates that we do what is reasonable to minimize this possibility. The costs of so doing are small in relation to the value of the base.

In the first instance, our ability to continue to use the base freely depends on at least tacit cooperation from the Government of Japan. A Japanese Government which desired to make our tenure of the Ryukyus so uncomfortable as to cause us to abandon the base rather than maintain the degree of repression that would be necessary to continue to hold it could readily do so, except in circumstances of overt war in the Western Pacific. The present government has no such desire. Indeed, its views are quite the opposite. It welcomes the existence of an American base which contributes to its security, without at the same time posing the political problems for it, which would be created by having the base in Japan. This government and its likely successors, which we now expect to be of the

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same general outlook, can therefore be expected not to press us in respect to Okinawa except to the degree that is made necessary by the internal political situation in Japan. While the government continues to speak formally in favor of the return to Japanese administration, it recognizes that we in fact have no intention of making any such transfer for the indefinite future, and that its position on this matter is for the public record only. Should the Socialist party and those further left, who are opposed to the American military presence in any form, gain power in Japan we would find ourselves in a very difficult position in Okinawa and what we do along the lines discussed below would make little difference to our position. This underlines the importance of dealing with the present government in such a way as to assist it in meeting the internal political problems that our administration of the Ryukyus causes.

The source of our present and potential problems in the Ryukyus lies in the fact that the population feels itself to be Japanese, that basically, with the exception of a small group of businessmen who benefit substantially from our presence, there is a widespread but not intense desire to return to Japanese administration, and a widespread and much stronger tendency to compare the present situation of the Ryukyus with what it would be under Japanese administration. These comparisons contain, of course, many speculative elements, and in terms of general well-being, it is difficult to conclude whether or not the Ryukyus would be better off if they had remained part of Japan and there had been no American bases there. To be sure, the comparison

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which is most often present in the minds of articulate Ryukyuan is one which assumes that the American bases remain, with the economic benefits that now they bring, and in addition the area once again enjoys whatever benefits would accrue to it as a Japanese prefecture. Even here the comparison is necessarily speculative. However, with respect to certain easily quantifiable items in the government sector such as education, health and welfare, and pensions, there are obvious shortcomings which redound severely to our disadvantage. A minimum requirement for improving the acceptability of our continued administration is the immediate narrowing and eventual elimination of these differences.

In recent years, the political significance of the real and fancied economic disadvantages which American administration has imposed on the Ryukyuan has been magnified by the public offers of assistance that have been made by the Government of Japan. While we have accepted some assistance, we have rejected much more than we have accepted. The result has been a kind of competition in promises between the Government of Japan and ourselves, a competition which we are clearly unable to win in the way the contest is presently organized. A second condition for improvement of our situation is therefore to organize an agreed system of cooperation which will provide a formal means for Japan to help us to raise living standards in the Ryukyus. Such an agreement would serve the political needs of the Japanese Government by making it clear that the joint statement of their Prime Minister and President Kennedy on cooperation in the Ryukyus was being put into effect. It would

minimize the necessity for the GRI to press the Japanese through informal channels for assistance; and at the same time it would put the High Commissioner in a much better position to restrain such pressures than he is in now. Finally, within the framework of such an agreement, it would be possible to accept a much larger volume of aid from the Japanese than has seemed politically tolerable to the High Commissioner in the past.

Together, the two steps recommended above would go far in easing the immediate tensions, but unless combined with moves in still a different direction, they would in our estimation not go far enough. The third dimension in which it appears desirable to move is the internal political one. As was observed above, American administration in the Ryukyus is an alien one, and as such inevitably creates resentments and frictions. Nothing we do so long as we remain in control of the Islands can eliminate these entirely. Further, the fact of our bases and the sizable population of troops and dependents they entail, all concentrated in a relatively small area of Okinawa, would constitute a source of friction even under Japanese administration of the Islands. Nonetheless, the degree of detail with which we exercise our control has a relation to the magnitude and intensity of this problem. It is our judgment that a stage of evolution in the relations between the Government of the Ryukyus and the U.S. Civil Administration has been reached in which it would be desirable and possible within the constraints imposed by our security needs to permit a considerable increase in the degree of autonomy for the GRI in both form and substance

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The GRI, and articulate Ryukyuans outside the government, feel deeply the present detail of control as an invasion of their liberties. It goes almost without saying that ultimate American control must be maintained and that to this extent some invasion of Okinawan liberties will continue so long as we maintain the base. It is further clear that there will always be a sharp difference of opinion between Ryukyus and Americans on the spot as to how much is necessary, but in our judgment, a considerable diminution in the detail of control could be achieved without raising a threat to our freedom of action in the military sphere. Some change in this area, together with the changes suggested above seem to us to promise a sufficient improvement in Ryukyuan attitudes to make considerably easier our task in maintaining a useful base in Okinawa.

The problems which we have considered above are all short-run problems. In addition to these, we face in Okinawa a difficult problem of long-run economic development, and our responsibility for assisting the Ryukyuans to achieve more rapid economic growth. The underlying situation of the Ryukyuan economy is not a favorable one. The most important industry is now the American base which provides directly and indirectly about 40% of the Ryukyuan income. Were we to withdraw the base, the Ryukyuans would face a desperate crisis. Aside from the sale of services to the base, the two largest exports -- sugar and pineapples -- are both crops which the Ryukyuans sell in a heavily protected and subsidized Japanese market. As governing power we have a particular responsibility to the Ryukyuan people to help develop economic strength apart from the industries catering to the base and to reduce the dependence

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of Ryukyuan agriculture on two subsidized crops. To this end the more promising aspects of the Ryukyuan economy should be further supported. More financial assistance and technical aid is needed to encourage the growing and energetic group of Ryukyuan entrepreneurs in agriculture, fishing and industry to make better use of their limited natural and more abundant human resources.

Recommendations

The recommendations of the Task Force fall into three categories:

(1) U.S. dealings with Japan in respect to the Ryukyus; (2) levels and types of external aid for economic and social development in the Ryukyus; and (3) relations between the U.S. Civil Administration and the Government of the Ryukyu Islands.

(1) U.S. - Japanese Relations

A. To negotiate and sign an agreement with the Japanese government providing Japanese assistance to U.S.-approved programs in economic and social development of the Ryukyus for an indefinite period of time; designating channels of communication and methods of cooperation, and establishing a specific agreement on the level of aid for an initial five-year period.

B. To establish under the agreement a policy committee consisting of the U.S. Ambassador to Japan and the Japanese Foreign Minister and a tripartite technical committee consisting of the representatives of the Civil Administrator and the Chief Executive of the Ryukyus, and such officials as the Government of Japan shall designate.

C. To take visible steps toward establishing agreement

(as well as increasing economic aid) within the next few months, with announcements made from high levels in both governments.

(2) External Aid

A. To increase the level and type of aid to the Ryukyus from both the United States and Japan and to apply this assistance in programs of (1) short term effort primarily directed at quick increase in levels of income and standards of social security, and (2) longer term effort for economic development toward self-sufficiency.

1. Short term effort to include:

(a) increases in the GRI budgeted program for a retirement system for teachers and other GRI employees retroactive to 1952 as well as increases in their wages; establishment of a health insurance program, complementary health projects and a program of public welfare assistance.

(b) increase in U.S. Forces' employees pay, benefit and allowances to provide for a separation/retirement program, increased fringe and basic wages.

The cost of the program (a) above, which we recommend sharing with Japan, is estimated as an initial \$6 million per annum rising to \$10 million in five years plus a one-time grant of \$5 million, while the cost of (b) would soon become about \$3.8 million per annum with a one-time funding of \$9.0 million.

2. Long term effort to include:

(a) continued support for the GRI budget at the current level of approximately \$6 million per annum, of which at least \$1 million would represent reimbursement for public safety and sanitation, while \$5 million should be utilized for

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reconstruction of typhoon damage, education programs (e.g. teaching of English, Ryukyu University support, etc.), infrastructure development (e.g. water, irrigation and power).

(b) increase the capitalization of the Ryukyuan Development Loan Corporation (RDLC) by \$6 million per year for five years, with much of the additional capital being loaned at more favorable terms for development purposes.

(c) increase the capitalization of the Central Bank of the Cooperatives by \$4 million per year for five years, with provisions that will allow low interest rates being provided for farm and fishing development and other credit needs.

The cost of these long term efforts, most of which are recommended to be shared with the Japanese, are \$16 million per annum. These in addition to the short term efforts to be shared with the Japanese total an initial \$21 million per annum rising to \$25 million in five years, plus a one-time funding of \$5 million.

It is recommended that we seek a sharing of the costs of both short and long term programs with the Japanese on the basis of the United States' assumption of about two-thirds of the total. On this basis, the recommended programs would cost the U.S. about \$14 million in the first year rising to \$21 million in the fifth year. (Without a Japanese contribution, U.S. spending would rise from an initial \$17 million to \$27 million in five years.) In addition, there would also be the annual costs of USCAR rising from an initial \$1.7 to \$2.7 million.

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To carry out this recommendation it will be necessary to seek an amendment to the Price Act (Public Law 86-629) to raise the current limitation on aid expenditures in the Ryukyus from \$6 million to \$25 million annually, with the proviso that the unexpended balances be carried over to the following year.

In order to promote the better utilization of these additional resources for economic growth, we recommend that the Civil Administration and the GRI move to:

1. Strengthen the staff of the RDLC and the economic planning capability of the GRI by hiring of foreign economists, industrial, agricultural and fishing advisors.
2. Allow GRI to borrow for certain restricted self-liquidating purposes.
3. Provide sufficient water and electricity at reasonable rates.
4. Relax present restrictions on foreign, primarily Japanese, investment in the Ryukyus.
5. Direct U.S. Forces' purchases to stimulate local agriculture, industry and commerce in the Ryukyus.

To the same end, we recommend that the following steps be taken in Washington:

1. Revise the budgetary procedures for the General Fund to permit greater flexibility for the High Commissioner.
2. Seek from the Congress a substantial contingency fund for disaster relief with carry-over provisions.

In addition, as a separate item of aid directed to individual Ryukyuans, we urge the increased and improved teaching of English both inside and outside the school system.

(3) Relations Between U.S. Civil Administration and GRI

To improve the internal political situation in the Ryukyus we

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recommend:

A. Regarding organization:

1. The appointment of a civilian Civil Administrator by the Secretary of Defense after consultation with the Secretary of State and the President, to administer the authority in Executive Order 10718 delegated to and by the High Commissioner to the Civilian Administrator, with the High Commissioner retaining the ultimate authority of veto, promulgation of basic ordinances and relations with Japan through the U.S. Ambassador in Tokyo.

2. The reorganization, by the civilian Civil Administrator after appointment, of the USCAR offices with (a) a Deputy Civil Administrator with functions of supervision and control over GRI and negotiation with the Chief Executive and other branches of GRI and (b) an Assistant Civil Administrator for Technical and Economic Development to provide technical assistance to the regular government departments and the economic development effort.

3. Greater effort to attract civilians to replace military personnel in the civilian administrator's organization by use of assurance of housing for families, a hardship allowance, transfer from other U.S. government agencies on reimbursable loan. Alternatively, the use of a contract consulting organization for part of the task might be considered

B. Regarding Policy:

1. The High Commissioner and the Civil Administrator give as much autonomy as possible to the GRI consistent with the security of the base, in order to develop its responsibility and establish a more

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viable relation between it and the United States. Examples of steps toward both the form and substance of more autonomy include (a) nomination of Chief Executive by Legislature subject to High Commissioner's approval, (b) revising prior coordination of legislation with USCAR, limiting it only to matters directly affecting the security of bases, and requiring the majority party to take responsibility and initiative in seeking USCAR approval, (c) increasing criminal jurisdiction of GRI courts to almost all cases where Ryukyuans are defendants, and (d) transferring, where advisable, USCAR corporations and other functions to GRI.

2. Movement toward less restrictive policy in the field of civil rights, such as (a) abolition of prior approval for all publications and substituting registration in its stead, (b) abolition of the use of the "long form" to restrict travel to Japan and substitution of a direct denial where necessary with the possible help of a GRI review procedure as buffer for the U.S. administration, (c) rescission of Ordinance No. 145 requiring U.S. approval of labor union officials, and (d) revision of Ordinance No. 116 better to fit Ryukyuan conditions.

A final recommendation, somewhat outside this classification, is the provision of a U.S. immigration quota of 100 per year for Ryukyuans as long as the Islands remain under U.S. administration.

I. THE PRESENT SITUATION: U.S. INTERESTS IN THE RYUKYUS

1. Military Imperative

The Task Force report is based on the assumption that the U.S. must retain exclusive control over the Ryukyus for an indefinite period in the future. The Islands are our most important base in the Western Pacific, and our military strength in the Far East depends heavily on our remaining there with unfettered control of the base.

U.S. military contingency plans and U.S. support of SEATO military plans presume complete freedom of U.S. action in the Ryukyus, including but not limited to stationing and deploying U.S. military forces to and from Okinawa, introduction of missiles, storage of special weapons, and using facilities for the logistics support of operations in the area. In addition to the extensive Army, Navy, Air Force and Marine installations on the Islands, there also are non-military facilities, bases of operation for USIA and other agencies.

2. Threats to the Security of the Base

Starting from this assumption, the Task Force has considered the factors that might, now and in the future, threaten U.S. control in the Ryukyus or unfavorably affect our relations with Japan.

In recent years, we have been confronted with a variety of political and economic problems in the Ryukyus, centering around the "reversion" issue. This issue in turn has had repercussions in Japan, creating both domestic and international difficulties for the Government of Japan. In these circumstances, reassertion of our legal rights in the Ryukyus is no guarantee that these rights can be maintained. Our effective control is conditioned both by the Ryukyuan political and economic situation and by its reflection in Japan. In the Ryukyus today, there are sources of discontent that threaten U.S. interests in Okinawa and in the Far East in general.

U.S. military installations cover 75,000 acres in Okinawa, more than one-fourth of the island's area. Thus, in effect Okinawa is predominantly a military base. This is, of course, the reason that the U.S. maintained jurisdiction over the Ryukyus under the Treaty of Peace with Japan. Consequently, the Ryukyuans find themselves under the administration of an alien military government, and cut off from their traditional adherence to Japan. The various sources of dissatisfaction stemming from this constitute the core of the reversion issue. First, there is the purely military aspect. The Ryukyuans are uneasy because their home has been transformed from a simple farming community into a major military base and therefore a prime target in the event of war. Furthermore, although the base has brought a livelihood to 50,000 workers and a degree of prosperity to Southern Okinawa, it has, nevertheless, also brought a large foreign colony with the usual attendant frictions; and it has also reduced the amount of arable land available. These difficulties are inherent in the situation and will not disappear. However, they increase the urgency of attacking those sources of discontent that we can affect.

Second, many Ryukyuans believe that their separation from Japan has brought them economic hardship. They point first of all to Japan's system of social security and health insurance, which has been denied them; and also to Japan's rapid post-war economic growth and to the greater educational and economic opportunities it offers. They also believe that U.S. administration has imposed certain extra direct and indirect costs on GRI that would not exist if the Islands were under Japanese control.

A third set of grievances that stimulate demands for reversion

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stem from ambiguities about the status of the Ryukyans and the limitations on their cooperation with Japan. In assuming control of the Ryukyus, the U.S. effectively took away the Ryukyans' Japanese citizenship. We offered them no citizenship or association with the U.S. or any other country as a substitute, but only the expectation that at some indefinite time we would again let them become full Japanese citizens. Meanwhile, we restrict Ryukyuan-Japanese intercourse, thereby denying them sufficient opportunity to build up close ties with Japan, even though we anticipate eventual resumption of Japanese jurisdiction.

Furthermore, Ryukyuan resentment of the American occupation and anticipation of reversion in the near future have led Ryukyuan leaders to be reluctant to cooperate too closely with the United States administration, for fear of being considered quislings in the eyes of Japanese and fellow Ryukyans.

A fourth group of issues centers on U.S. imposed restrictions on self-government and civil rights. The Ryukyans are governed by a U.S. High Commissioner. We have established a Government of the Ryukyu Islands (GRI) but its actions are subject to review and veto by the office of the High Commissioner. Furthermore, U.S. military control has been accompanied by certain restrictions on civil rights, such as limitations on freedom of travel, limitations on labor union organization, and censorship of publications. These factors are basic to the growing discontent of the Ryukyans who watch their politically unfettered compatriots in Japan with envy, as that nation becomes a strong and independent force in international affairs.

While a great many Ryukyans thrive today only because U.S. bases are on the islands, there is a growing sentiment that continued American

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administration has brought them disadvantages that far outweigh the economic gains: a loss of political unity with Japan; a cutting off of the social ties with Japan; a retarded economic growth; restrictions on political freedom and self-government; and all of this in an atmosphere of military danger.

These factors have led to increasing demands in the Ryukyus for reversion to Japan. This, in turn, has fed domestic pressures in Japan for reversion. This situation confronts the U.S. with a potentially serious problem.

We can only continue to use the Okinawan base freely if the Government of Japan gives us at least tacit cooperation. Except under wartime conditions in the Pacific, the Japanese Government could make our position in the Ryukyus so difficult that we might have to give up the base rather than exercise the repressive policy that would be required to hold it. The present Government of Japan has no desire to push us out of Okinawa. In fact, it welcomes the assistance of this American base in the Far East, which contributes to the security of Japan without creating the political problems that would follow if the base were situated in Japan. We can, therefore, expect that the current Japanese government, as well as its likely successors, will not press us seriously on the issue of reversion of the Ryukyus to Japan.

Nevertheless, the Japanese government will continue to speak publicly in favor of returning administration of the Ryukyus to Japan, although it recognizes that we have in fact no intention of making any such transfer in the foreseeable future.

There are three kinds of pressures on the Government of Japan in respect to the Ryukyus:

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a. Within Japan, the Socialist Party and others on the left are opposed to American military presence in any form and appeal to the strong nationalist, anti-militarist and neutralist sentiments in Japan. These pressures from the left wing are buttressed by widespread irredentist sentiments protesting foreign rule over fellow Japanese.

b. The Ryukyuans themselves exert pressure by such means as the press, political parties and union affiliations in Japan for better treatment than they now receive. These claims are heard sympathetically by a wide segment of Japanese opinion, including the present ruling Liberal-Democratic Party with which the Okinawan Liberal-Democratic Party is directly associated.

c. There are pressures from both Japanese and Ryukyuans who acquiesce in U.S. administration now but who want to see the Ryukyus develop more closely along Japanese lines to minimize the inevitable stresses of eventual reversion.

These, in short, are the principal issues in the Ryukyus and in Japan which have created and accentuated the question of reversion. In this summary the need for increased levels of economic aid has not been discussed at length, not because we believe that it is of little importance (as is borne out by the substantial increase of the level of assistance we recommend below), but only because we believe that these non-economic factors have not been seen in their proper context in relation to our security in the Ryukyu Islands. It is clear that we can offer no panacea for these problems.

Some of them, such as domestic pressure for reversion in Japan, or Okinawan opposition to being saddled with a military base in Okinawa, are beyond our control, given our basic assumption of the importance of the

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Okinawan base. More generally, the Task Force recognizes that our military objectives, the desires of the Japanese government, the desires of the Ryukyuans and their government, as well as our own standards of fair administration, cannot all be satisfied at the same time. Clearly, we cannot grant all of the Ryukyuans' demands; nor can we give the Japanese Government the rights that would put an end to the political pressures they face. The program we propose in the following section of this report cannot hope to eliminate some basic conflicts. Nevertheless, these conflicts can be made less severe. Our policies should be aimed at establishing a modus vivendi that will allow us to remain in the Ryukyus on reasonably friendly terms, for an indefinite period, as required by international circumstances.

Finally, before recommending certain policy shifts and changes in the levels of U.S. and Japanese aid to the Ryukyus, we wish to point out the importance of the stakes, in order to underline the need for a wise policy. We have already referred to the military importance of the Ryukyus. Dollar figures are not an adequate measure of the Islands' strategic value. However, the monetary cost of U.S. investments in the Islands may give some idea of the magnitudes involved.

The U.S. Government has an investment of well over \$400 million of military real property in the Ryukyus. This is 30 percent of the total of all such investments abroad. It has been estimated that the value of military equipment now on the Islands is over \$400 million. Together with other facilities, such as the Voice of America communications and broadcasting system, it would seem reasonable to estimate that U.S. assets in the Islands are now worth about \$900 million. Furthermore, military construction expenditures are adding to this investment at a rate of about \$14 million annually; and current military operations and maintenance costs run about \$175 million annually.

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The "rent" that we are paying for use of these assets is now limited to a maximum of \$6 million annually under the Price Act (PL 86-629). This is a remarkably small sum compared to what we are paying for much more limited rights in Morocco and Libya - \$20 to 40 million and \$10 million per year, respectively; to say nothing of Spain, where we have given aid of \$1.5 billion over the last decade.

3. Revisions in U.S. Policy

In the opinion of the Task Force, the U.S. does not face any immediate crisis in Okinawa. However, the situation is unstable and deteriorating. In Japan, the Okinawan issue will continue to be a political tinder box that could ignite unless the welfare of the Ryukyuans can be improved under a program which provides for significant Japanese Government participation.

In order to improve the present situation, we recommend several changes in current U.S. policies and programs. Some of these policies appear to be aggravating existing tensions rather than reducing them.

The Ryukyuans have stressed particularly their dissatisfaction on certain political issues, particularly those affecting self-government and civil rights.

Executive Order 10713, providing for the administration of the Ryukyu Islands, directs the Secretary of Defense to "encourage the development of an effective and responsible Ryukyuan Government, based on democratic principles and supported by a sound financial structure..." The U.S. administration has been reluctant to push this policy unreservedly because of the danger that the Okinawans might govern themselves badly or encroach

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on the High Commissioner's control, thereby reducing the security and the military readiness of the base.

Because this is a major immediate source of discontent, it is important to determine whether the United States can transfer greater authority to the GRI, thereby building up a buffer to present criticisms, without irrevocably losing the necessary control.

The present policy is to keep Ryukyuan-Japanese contacts at a necessary minimum and discourage Japanese participation in the economic and social development of the Islands. This policy has been followed because the U.S., Japanese and the Ryukyuans themselves have overlapping and sometimes conflicting interests. In the past, we have assumed that increases in Japanese influence or in Ryukyuan autonomy would lead to a decline in U.S. control of the base. However, despite our efforts to limit Japanese influence, the emotional ties between the Ryukyuans and Japan have increased. The policy shift that we recommend recognizes that Japan will continue to be influential and active in the Ryukyus, and that the Islanders will continue to seek more self-government. The judgment of the Task Force is that these tendencies cannot and hence should not be combatted but rather used constructively and channelled so as to enhance the security of the base. Greater U.S.-Japanese cooperation will increase Japanese influence, but need not impair maintenance of U.S. control. Our objectives should be to build up both cooperation with Japan and autonomy in the Ryukyus to the greatest degree consistent with retaining control of the base.

In the economic sphere, we have, under the Price Act, limited our maximum contribution to Ryukyuan economic development to \$6 million a

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year. This level of assistance is not only too low, but also has no necessary relation to the problems of the Islands, which it is supposed to solve. Furthermore, as the largest employer in the Ryukyus, we have shown in our wage policy relatively little initiative in promoting and establishing progressive wage standards.

In the following chapters, the Task Force sets out the direction of a program that should markedly and quickly improve the present situation, and also set the stage for long-term economic development of the Ryukyus.

Broadly speaking, this program responds to the four major sources of discontent discussed above. About one of these issues -- the American military presence -- we can do virtually nothing directly. The program we propose consists essentially of three aspects, each addressed to one of the principal sources of tension in the present situation. It includes:

(i) Increased aid for the economic development of the Ryukyus, including both a short-term program providing relatively rapid increases in economic and social welfare, and also greater aid to long-term economic development programs.

(ii) This increase to be provided by the United States and Japan, within a framework of active U.S.-Japanese cooperation for the economic and social development of the Ryukyus. This cooperation, to be carried out within well-defined limits embodied in a new Japanese-U.S. agreement, will formally recognize and define a role for Japan in the current development of the Islands.

(iii) Granting greater autonomy to the Government of the Ryukyus and removing certain existing restrictions on Ryukyuan civil rights and Japanese-Ryukyuan contacts.

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We believe that it is urgent to take rapid action to carry out our recommendations. The present sources of conflict are not likely to diminish by themselves, in fact the contrary. Furthermore, the Kennedy-Ikeda joint communique, followed by the visit of the Task Force, has raised expectations in the Ryukyus that aggressive measures will be taken to improve their situation. If real progress is not made within the next few months, the Ryukyuans will doubt our sincerity, thereby increasing our difficulties.

Furthermore, unless both the United States and Japan can soon demonstrate that the Ryukyus are making rapid political and economic progress, the inevitable criticism by Communist countries in the United Nations will be accepted by other countries. African and Asian states would naturally be particularly susceptible to the emotional appeal of the colonialism issue. If the Ryukyus were to become a major issue in the UN, it would be exceedingly difficult, under the present circumstances, for Japan to give sustained support to the U.S.

We recommend that these policy changes be announced at a suitably high level of government in order to demonstrate to the Ryukyuans and the Japanese alike that the U.S. is both aware of, and responsive to, these joint concerns. We consider it politically important to dramatize the fact that a new chapter in U.S.-Japanese-Ryukyuan relations is being established; this will be a psychological force in allaying present force and pressures for reversion. The new program should be presented not as a grudging concession to Ryukyuan and Japanese pressures, but as part of a new U.S. approach.

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II. A POLICY FOR RELATIONS WITH JAPAN IN THE RYUKYUS

We believe that our bases will be more secure if the Japanese will cooperate with us in the Ryukyus. We recommend that the U.S. take steps to make this cooperation explicit by signing a formal agreement with the Japanese, preferably with some official title, such as Joint Economic Program Agreement for the Ryukyus. The agreement should establish formal channels of action for working out the operating details under the agreement.

Such a program would reduce domestic pressures on the Japanese Government by testifying publicly to its concern for the Ryukyus. It would also reduce the pressure from GRI, particularly the present situation under which the Ryukyuans attempt to play the U.S. and Japan off against each other. A basic agreement with the Japanese Government would put a stop to this particular game, in which the U.S. is at a permanent disadvantage and establish a situation which would be a great deal more manageable. The current negotiations for Japanese aid to GRI during GOJ fiscal year 1962 are an example of the uncertainty and conflict which the present system creates. The GRI selected an aid list of \$19 million in projects for support from Japan. USCAR then screened the list carefully to choose those projects with relatively little political appeal, and forwarded a \$2.6 million request to Japan. The Japanese naturally suggested a higher figure -- \$8.6 million. This was intended both to show their continued concern for the Ryukyus and to give them more choice in selecting projects they preferred. The net effect was to reduce the probable amount of Japanese aid to \$2.6 million, with the U.S. bearing the brunt of public criticism from both sides.

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The Task Force believes that a Japanese-U.S. aid agreement would serve another important purpose in promoting U.S. interest in the Ryukyus. Under present circumstances, Ryukyuans who cooperate closely with the U.S. fear that they will have to pay for this association after the Islands revert to Japan. Furthermore, social pressures in the Islands oppose cooperation with USCAR because it is interpreted as an acceptance of the status quo. Although Japanese conservative leaders have informally told the Ryukyuan business community and ruling party political leaders that they should work with the U.S., there is nonetheless a problem of divided loyalty.

U.S.-Japanese postwar relations have been marked by a gradual transforming of the occupation into a mutually beneficial partnership. We have firmly established a pattern of mutual forbearance for common benefit in all areas except on the Ryukyus issue. Because we have not defined the constraints nor set forth appropriate fields of action for each party, there is a tendency for the present situation to emphasize competitive rather than cooperative aspects.

The greatest difficulty in reaching an agreement with Japan will probably derive from the pressures of public opinion generated by the negotiation of the agreement itself. The agreement will in effect mean formal Japanese Government reaffirmation of an indefinite U.S. rule in the Ryukyus, and could thereby intensify irredentist and anti-militarist sentiments in Japan. Great care must be taken in the formulation of the agreement to develop language which will enable the Japanese Government to keep these sentiments under control. However, Ambassador Reischauer believes that such an agreement is feasible and that the advantages would be well worth the risks.

The Task Force recommends that the U.S.-Japanese agreement be drawn up according to the following outline:

A. Objectives

The agreement should commit both countries to a cooperative relationship in the Ryukyus by defining precisely the fields in which Japan can offer aid to the Ryukyus. The agreement's phrasing and content should help create a situation that will allow the Government of Japan to serve as a buffer between the U.S. and anti-American feeling in Japan and the Ryukyus. It should also help the U.S. to grant greater autonomy to the GRI, at the same time defining the channels, nature and extent of permissible Japanese-Ryukyuan relations. Care must be taken in establishing this agreement to achieve these objectives without compromising exclusive U.S. jurisdiction and effective control.

The agreement should be a means whereby the Japanese Government is given an opportunity to cooperate with the United States in funding and executing the economic and technical assistance program established by the High Commissioner and the Government of the Ryukyuan Islands for the development of the Ryukyus. Furthermore, it would establish the program of, and the specified channels through which, Japanese assistance could and would be forthcoming.

1. Joint Declaration

The first section would affirm the interest of both nations in the Ryukyus and declare their intention to cooperate for an indefinite period in promoting the welfare of the people of the Ryukyus. The declaration would also point out the responsibility assumed by the United States in defense of the free world and the relationship of this responsibility

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to continued U.S. administration of the Islands. It would also recognize Japan's residual sovereignty, the Japanese nationality of the Ryukyans, and their cultural ties with Japan. Eventual reversion to Japan might if necessary, be specifically mentioned.

2. Organization for the Joint Economic Program

This section of the agreement would establish machinery for carrying out the program. It would include a policy committee consisting of the U.S. Ambassador to Japan and the Japanese Foreign Minister; and a tripartite technical committee consisting of representatives of the Civil Administrator and the Chief Executive of the Ryukyus, and such officials as the Government of Japan shall designate. This group could, in turn, establish additional subcommittees as necessary.

3. The Economic Aid Program

The third section would set forth a specific understanding for an initial five years of the agreement to establish the forms and amounts of aid to be given by the Government of Japan to the Ryukyus; and will also define fields for Japanese action, with all unspecified activities reserved for the United States.

Joint activities could include: (a) social security, welfare programs and teacher and government employee compensation; (b) projects to encourage long-range economic development, specifically aid to the RMLC and the Central Bank for Cooperatives (See Chapter III). If properly administered, neither of these functions should compromise the U.S. position in the Islands. We should be willing, but only if necessary, to allow a Japanese member on the Boards of Directors of the two credit institutions. This does not seem too high a price to pay for obtaining Japanese aid without detailed administrative control.

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In some fields, particularly those in which technical and economic assistance are closely related and effective, technical aid requires communication in Japanese and familiarity with Japanese standards. Japan could be assigned major responsibility. Such areas should be precisely defined and should probably include medicine and certain areas of education. This would undoubtedly increase Japanese influence in the Islands, but our interests would probably benefit substantially, thanks to probable Ryukyuan satisfaction with these efforts.

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III. ECONOMIC POLICY AND LEVELS OF AID TO THE RYUKYUS

1. The Ryukyuan Economy

The economic policy to be adopted and the amount of aid we should offer will naturally reflect the current situation and prospects of the Ryukyuan economy. In general, the Ryukyus today are at a relatively low stage of economic development as measured by the usual indicators: per capita income is low; agriculture -- both subsistence farming and a precarious cash crop production of pineapples and sugar -- is the dominant economic activity; productivity is low; most of the population is badly housed and many are without adequate medical care. In addition, there are some special unfavorable circumstances. The Islands have no important natural resources. Their relatively youthful population is currently increasing twice as fast as Japan's. Furthermore, the Islands are in the heart of the East China Sea typhoon belt. These typhoons cause an estimated average damage of \$10 million annually, equivalent to more than five percent of the present national income.

For a long time the Islands have been unable to support their population. Before the war, living standards in the Ryukyus were among the lowest of the Japanese Prefectures, despite substantial subsidies received from the Central Government. Today, only the presence of U.S. military forces and continued external aid from the U.S. and Japan allow the Islanders to enjoy their current living standards and economic growth rates, both well above pre-war levels. The U.S. forces employ directly and indirectly 48,000 persons, 28 percent of the nonfarm labor force. Earnings from this source account for about 40 percent of the national income.

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Withdrawal of the U.S. bases would completely disrupt the economy. It is only thanks to U.S. expenditures that the Islanders are able to maintain imports in FY 1961 at a rate of \$160 million annually, with merchandise exports at a level of \$45 million. In short run, U.S. military expenditures will probably be maintained at close enough to present levels, and Okinawa can rely for a while on this as a source of income. However, in the long run, the logic of development calls for establishing an economy with a smaller trade deficit and a greater orientation toward Japan and Asia.

A second source of vulnerability in the economy is the relatively high production cost of the Islands' two chief exports, sugar and canned pineapple, which now account for about half of the total export value. They can be exported profitably now only because they receive preference in the Japanese market.

Nonetheless, the economy has grown rapidly in recent years; GNP has increased at an 8.7 percent average annually over the last five years, or 6 percent per capita in terms of constant prices. This impressive growth rate was, however, below that of Japan, and is therefore one source of the Ryukyuans' desire for more external aid.

Most of the recent economic growth has resulted from the progress of private business. One of the most hopeful elements is the emergence of a Ryukyuan entrepreneurial class that shows both energy and initiative. The Task Force believes that this group should be encouraged, specifically by providing it easier access to investment capital.

Despite the progress the economy is making and its tendency to become less dependent on servicing U.S. forces, we should encourage investments in fields where the Ryukyus have natural advantages. These include

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fisheries, development of a livestock industry and introduction of industries which could profitably employ the Islands' low cost, adaptable labor force.

2. Criteria for Economic Aid

After considering the economic situation and problems of the Islands, the Task Force concluded that it was most useful to consider our aid program under two aspects: (1) a short-term effort aimed at a quick increase in levels of income, and standards of social security, health and education; (2) a longer-term effort that will contribute to the Islands' economic development toward greater self-sufficiency along the lines outlined above.

In determining criteria for aid, we have considered the Ryukyans proposal that U.S. assistance be specifically aimed at providing the Islands with a living standard comparable to that which would prevail if the Ryukyus were a Prefecture of Japan.

We believe that the U.S. should not make such a commitment, although Japanese standards are certainly relevant in many respects. We make this recommendation because: (1) national income comparisons between the countries are difficult to make and their significance is uncertain for basic conceptual reasons; (2) even if such comparisons were possible, we do not find the argument for relating to Japanese living standards to be a persuasive one because the Ryukyus have always been among the poorest Japanese Prefectures and because it would be impractical to try to match the current rapid rate of Japanese growth in such a poor region; (3) to accept such a formula would involve extremely difficult technical issues because the Japanese system of tax rebates and equalization between the Central Government and the Prefectures would be very difficult to relate to the Ryukyus, particularly in view of the national functions now performed by GRI and the costs it incurs because of the presence of U.S. forces.

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Thus while we should not establish as targets either Japanese income levels or Japanese growth rates in determining the amounts of external aid to the Ryukyus, we do have a moral responsibility to make certain that the Ryukyuans are not being penalized economically by the U.S. Forces' presence and the U.S. administration. Ryukyuan per capita income today, as before the World War II, is significantly lower than the Japanese average, but quite comparable to the per capita income levels of some of the poorest Japanese prefectures. However, GRI now bears certain extra expenditures because of its separation from Japan. For example, the GRI must operate certain national government functions and furthermore is forced to do so at a small and costly scale. In addition, and more important, if the Ryukyus were a prefecture of Japan they would, as a relatively poor region, receive transfer payments from the wealthier sections of the country; that is, taxes paid in Tokyo would in part be diverted to subsidize local government costs and to help pay the various social welfare benefits that Japanese citizens receive. The Ryukyuans insist, furthermore, that their real income levels are lower than the comparative data indicated because price levels are higher in the Ryukyus than in Japan; and because the absence of Japanese social security benefits means that real income is lower than money income figures show.

Hence, we conclude that external aid to the Ryukyus ought to be responsive, at least in part, to these facts and attitudes. Short term assistance objectives should be directed to reducing those pressures, more political than economic, toward social welfare goals, in areas where we have failed to match clearly measurable Japanese standards and where our present levels or lack of programs are significant irritants.

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In addition, we believe external aid to the Ryukyus must be sufficient both to allow and encourage the Islands to use their resources as effectively as possible to prevent bottlenecks to development from occurring. Hence, we have recommended directions for aid to long term development as well. As described below it concentrates primarily on providing capital for development of the private sector, yet attempts to assure that shortages of public utilities, primarily of water and power at reasonable rates, do not create obstacles to economic growth.

In discussing the criteria for aid, we have rejected overall statistical comparisons with Japan and we similarly reject the formula advanced in the Price Act (PL 86-629). This law authorizes an annual appropriation of \$6 million, arrived at by calculations which are wholly unrelated to the needs of the Islands. This sum has become both a maximum annual expenditure limit and a minimum annual programming goal, although it does not consider the cost of meeting U.S. objectives in the Islands. The level and types of aid should be aimed at the Islands' major economic and social problems, with the objective of improving the situation described in Chapter I. In the two following sections of this Chapter we outline the elements and the estimated costs of a program that could, we believe, achieve these goals.

3. Short-Term Objectives

As a matter of first priority, the U.S. should ameliorate certain economic and social welfare problems in areas where the Ryukyuans are clearly worse off than they would be if they were Japanese. These issues serve as a constant irritant, aggravating revisionist sentiments. Increased aid should go to the following projects:

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1. Retirement system for Teachers and GRI employees.
2. Increased pay for Teachers and GRI employees.
3. Health insurance, medical facilities, doctors and nurses.
4. Public assistance.
5. U.S. Forces employees pay, fringe benefits and retirement.
6. Budgetary support for some infrastructure improvements and disaster relief.

The Ryukyuan people share the Japanese feeling that everyone is entitled to a "guaranteed minimum livelihood", and they look enviously at the social security and welfare programs which the GQJ has set up since World War II. Therefore, expenditures for such purposes offer us an excellent opportunity to reduce Ryukyuan discontent. Furthermore, it should be noted that the projects listed above all benefit the average man directly.

a. Retirement System for Teachers and GRI Employees

The GRI plans to establish a retirement annuity system for its employees, as well as for teachers employed by local Boards of Education. The system, which will become effective in January 1964, will be financed by an employers' payroll tax of 5.4 percent and a 4.4 percent tax on employees' salaries. These plans can only be carried out if the annual increased cost of approximately \$700,000 is met. Furthermore, if the system is to be made retroactive, an additional \$7 million will be required to carry the system back to 1946, as the GRI proposes, or \$4 million to \$5 million, if it is made retroactive to 1952. The Task Force recommends that we support this program, and grant the GRI a lump sum to make the fund retroactive to 1952.

b. Increased Pay for Teachers and GRI Employees

By any standard, teachers and other GRI employees are badly paid. Until recently teachers' salaries were about 40 percent less than

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those in Japan. This undoubtedly promoted the energy and sincerity of the Okinawan Teachers' Association demands for immediate revision. Their current pay levels act as a continual aggravation to one of the most respected and influential groups in Okinawan society. Most members of the legislature are former teachers.

Congress has recognized this problem by appropriating \$1 million in FY 1962 for increasing teachers' salaries by 15 percent. We estimate that in order to raise the salaries of teachers and other GRI employees to current Japanese levels by FY 1967, the GRI will have to receive an additional \$2 million of outside help in 1963, rising to \$5 million by 1967. The Task Force recommends that the U.S. carry out this program, and points out that the initiation of the retirement system and employee tax deductions should be coordinated with pay increases so as not to cause even a temporary reduction in take-home pay.

c. Health Insurance and Health and Medical Facilities

Health conditions and standards in the Ryukyus are poor, and the problems are both obvious and well known. The GRI has accorded high priority to health insurance, more medical personnel and improved facilities to meet the major medical problems, which include tuberculosis, leprosy and filariasis. Japan has had a health insurance system for forty years, and the GRI is naturally anxious to introduce one despite the numerous difficulties involved, including lack of facilities and personnel. The program should include training more doctors and dentists, bringing in Japanese doctors for hospital staffing, and continued expansion of hospital facilities.

The medical insurance plan would require a government

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contribution of \$150,000 in FY 1964, rising annually to a level of \$1.2 million in FY 1967. The rest of the costs would be financed by payroll taxes and a head tax on non-salaried people. Additional costs, primarily for developing medical facilities, training and services will require outside support of approximately \$1.9 million annually.

d. Public Assistance

Public assistance payments in Okinawa are well below those in Japan. This has been a target for reversionist attack particularly in the city of Naha. The GRI has recommended that payments be brought to Japanese standards. This would cost an additional \$3.5 million over the next five years, for which we propose external aid of \$700,000 per year.

e. U.S. Forces Employees Pay, Fringe Benefits and Retirement

The U.S. Forces now employ 25,300 Ryukyuan (15,300 under appropriated funds, and 10,000 under non-appropriated funds). An additional 23,000 are employed indirectly as employees of contractors, domestic servants, etc. The combined total represents 28 percent of the non-agricultural labor force. It is therefore clear that U.S. wage policy has a great effect on general Ryukyuan pay standards, as well as on the income, attitudes and loyalties of those working on the base. The Task Force was concerned to find that earnings were significantly lower than those in Japan, and considered it particularly unfortunate that no provisions have yet been made for separation or retirement pay for U.S. employees. It is difficult to make exact comparisons between U.S. and Japanese earnings, but it appears that U.S. appropriated fund employees earn an average of \$800 per year while comparable labor under the Master Labor Contract in Japan works for the U.S. Forces there at total earnings of about \$1110 (\$760 basic wage, and \$350 in allowances and fringe benefits).

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The Task Force recommends that the U.S. Forces increase the pay and allowances of its Ryukyuan employees, with primary emphasis on fringe benefits.

The present wage policy is based on a "prevailing wage system," which is of doubtful validity in Okinawa, because the present prevailing wages on the Island reflect the levels previously established by U.S. Wage Board decisions. This system, applied slavishly, would result in a wage freeze. We therefore recommend that allowances of the order of 10 percent above prevailing wages be specifically recommended for Wage Board determinations in the Ryukyus. This would still permit primary emphasis on fringe benefits as a method of raising earnings toward Japanese levels.

We recommend adoption of the following fringe benefits:

(i) reducing the standard work week to 44 hours, with a 40 hour goal in mind; (ii) raising overtime pay from 125 percent of the standard wage to 150 percent, which U.S. employees now receive; (iii) granting eight U.S. holidays and Obon; and (iv) revising policy on English language differential pay to allow for additional wage increases for improved language proficiency.

The major change in wage policy, however, should be to establish a system of retirement annuities and separation pay. The Ryukyans favor a lump sum separation pay rather than a joint employer employee financed retirement system. We suggest that a satisfactory solution might be to provide for lump sum separation allowances to persons who are not yet eligible for retirement; and thereafter a combination of retirement annuity and lump sum settlement with an option. We recommend that the system be made retroactive to 1952, as in the case of the GRI retirement program.

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After the initial fringe benefit increase, it will still be necessary, in order to bring Ryukyuan earnings up toward Japanese standards, to grant an increase which would amount to an estimated 20 percent increase in base pay, or additional fringe benefits. We recommend that this be granted over the next five years. This will cost \$1.2 million a year initially, rising to \$2.5 million in five years.

The Working Group's detailed paper on civilian employees' pay discusses some of the technical questions in more detail. In summary, we suggest that a separate system, not related to the U.S. Civil Service Retirement Program, be established for both appropriated and non-appropriated fund employees. We recommend that the system go into effect as soon as the actuarial study, for which funds were appropriated in FY 1962, has been completed and the funds for the retirement system appropriated. We estimate that the system will require an employers' contribution of about \$1.2 million annually for the appropriated fund employees, plus a \$6 million contribution for making the system retroactive to 1952. The non-appropriated employees fund would require no annual contribution by the U.S. Government. However, in order to make the system retroactive to 1952, the non-appropriated employees fund should be advanced a long-term, low interest loan of \$3 million repayable over ten years, either from the HICOM General Fund or from the U.S. Treasury.

The following table gives our estimate of the additional cost of carrying out the short-term action programs proposed in this section. A more detailed discussion of costs will be found in Section 5 of this Chapter.

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TABLE I

ADDITIONAL EXPENDITURES REQUIRED TO FINANCE WELFARE PROGRAMS

	Annual Cost (1st Year) - (5th Year) Average			One-Time Funding	Five-Year Cost Total
	(millions of dollars)				
1. Retirement for Teachers & GRI	(0.7)	0.7	(0.7)	5.0	8.5
2. Increase Teachers & GRI Wages	(2.0)	3.5	(5.0)	---	17.5
3. Health Insurance	(0)	0.5	(1.2)	---	2.5
4. Health Projects	(1.9)	1.9	(1.9)	---	9.5
5. Public Assistance	<u>(0.7)</u>	<u>0.7</u>	<u>(0.7)</u>	<u>---</u>	<u>3.5</u>
Total	(5.3)	7.3	(9.5)	5.0	41.5

In addition to these sums, an average of \$3.8 million will be required annually to pay for increases in U.S. Forces' employees pay, benefits and allowances, plus a \$6.0 million lump-sum payment for funding the retirement program retroactively. The total of \$3.8 million is composed of (a) \$800,000 for increased language differential, overtime pay, etc., (b) \$1.2 million for separation/retirement contribution, and (c) \$1.8 million for wage increases or additional fringe benefits.

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4. Long-Term Development

The short-term aid and assistance programs are designed to make an immediate impact on Ryukyuan living standards, particularly in areas where they suffer from comparison with Japan. The recommendations for promoting long-run growth are aimed at encouraging the Ryukyuans to make use of their own abilities and natural resources rather than to compensate for inequities arising from their separation from Japan.

The Task Force Working Group made no effort to develop a detailed economic plan. Our job was to recommend certain policies to be followed and point out a proposed direction and order of magnitude for aid and development programs. Therefore, we are making no detailed comments either on the GRI "Livelihood Improvement Five-Year Plan" or on the proposed budget programs presented for FY 1962 through FY 1967 as presented by USCAR. On the whole, our recommendations are more consonant with the GRI proposals than with those of USCAR, both in size and in their relatively greater emphasis on wages and social reform rather than public works and infrastructure development.

We do recommend that GRI be encouraged to continue to increase its efforts in economic analysis and planning, with technical assistance from USCAR. While currently the GRI appear to have some capable officials to carry out this function they will require and should be afforded technical assistance by the Office of the Assistant Civil Administrator for Technical and Economic Development. (See Chapter 4.)

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The Task Force was impressed with the fact that the lack of capital at reasonable rates of interest appeared to be a major factor in retarding economic growth in the Ryukyus. In 1961, even at current relatively high interest rate levels, the Ryukyuan Development Loan Corporation (RDLC) was forced, because of lack of capital, to deny some \$9 million worth of otherwise bankable loans. In addition, the Task Force was impressed with the efficient operations of the RDLC, and believes that it is a useful vehicle for providing funds to the private sector of the economy. Hence, we believe that the RDLC can undoubtedly make effective use of \$6 million of additional capital annually over the next five years, as suggested by both the USCAR and the RDLC itself, with use of the funds subject to annual scrutiny. We also believe that much of the additional capital should be loaned at more favorable terms for development purposes. The 6 to 10 year maturity schedule and the requirement for 30 percent equity for borrowers seemed excessive. We, therefore, recommend that RDLC funds be furnished on a 25-year loan at low interest. The Task Force was told that proposals for low interest rates which would net a return of less than 5% for the RDLC (as well as the other USCAR corporations) would require a revision of current Bureau of the Budget policy.

Loanable funds are urgently needed in the agricultural and fisheries

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sectors as well as the industrial, trade and manufacturing sectors. Although 90,000 Ryukyuan families are dependent on agriculture for a livelihood, credit facilities to meet their needs are inadequate and interest charges were found to be high. The Task Force reviewed estimates indicating that increments of from \$2 to over \$10 million annually were needed to augment capital in this sector. The Task Force recommends that \$4 million per annum for five years be provided the Central Bank of the Cooperatives to add to its capital resources. Funds must be provided under conditions that will allow low interest loans, and under conditions that will encourage the development of investments. Local Cooperatives should be required to pass on these advantageous rates and conditions to farmers and fishermen who receive the loans.

The only specific immediate long-term economic development expenditures that the Task Force recommends now are the \$4 million annual loan to the CBC and the \$6 million annual contribution to the ROLC. However, in addition to direct expenditures for promoting economic development, we wish to stress several points which in our opinion will promote the Islands' long-run development.

The U.S. now contributes about \$6 million annually to the Ryukyuan economic development and GRI expenses, of which \$1 million represents reimbursement for public safety, health and sanitation services that GRI provides the U.S. We recommend that this grant be maintained at current levels, with a portion of the funds used for the projects discussed below.

a. In the long run, the economic problem caused by population growth may best be met by increased industrialization. To work in this direction the Ryukyuans would benefit from the advice of foreign economists and industrial experts, both to strengthen the staff of the ROLC, and to develop an aggressive

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industrial promotion program.

b. The GRI should call upon qualified experts to help improve agriculture and fishery production, particularly in pineapple and sugar growing. We suggest that Japanese-speaking experts be recruited from Hawaii and California.

c. Current policy should be amended to allow GRI to borrow for certain restricted self-liquidating purposes. This borrowing authority is particularly desirable to provide an investment outlet for the Islands' social security system when it is established, as well as to provide an investment source for land settlement payments which Okinawans will be receiving within the next two years. It will also be useful in dealing with the power and water problems discussed below. Another potential use of this authority would be to finance a housing program on a long-term, low interest basis. Particular attention should be paid to the City of Naha.

d. Inadequate and high-priced power and water supplies appear to be an obstacle to economic growth in Okinawa. Not only should the supplies of power and water be increased, but the rates at which they are delivered to the consumer are too high. If the government were to take over the power distribution system, now operated by five private companies, it might be possible to cut power rates sharply. Such a take over could be financed by the sale of GRI bonds.

e. The U.S. should not urge the Japanese to liberalize trade restrictions on pineapple imports. The elimination of Japanese quotas and tariff and tax preferences on Ryukyuan pineapple at this time would wreck the Ryukyuan pineapple industry.

f. We are losing an opportunity to enhance the U.S. position because we are not making a sufficiently concerted and organized effort

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to promote the English language among the Ryukyuans. Knowledge of English enables Ryukyuans to command higher wages not only in Okinawa but in fields of international commerce where it has become the language of common use. Improving the Ryukyuans' English language ability obviously will help us to communicate better both in public and private business. Hence we recommend that greater efforts and funds be devoted to the teaching of English both inside and outside of the school system.

g. The building programs of the public school systems and of the University of the Ryukyus have served and continue to serve a very important role in assisting the people of the Ryukyus in fulfilling their strong desire to improve their educational facilities. We recommend that active support of these programs be continued.

h. We realize that it is necessary to continue licensing proposed foreign investments in the Ryukyus. However, we believe that present restrictions, particularly on Japanese investment, are too severe and are unnecessarily hampering industrial development. We think that the Ryukyuans would benefit from the increased competition that would be offered by Japanese businessmen. We recommend that the High Commissioner review his current policies on restricting Japanese investment with a view to relaxing them where appropriate.

i. We recommend that U.S. purchases on the Islands be directed, where possible, to stimulate local agriculture, industry, and commerce in such a way as to have a beneficial long-term effect on the economic development of the Ryukyus. An example of this might be greater purchases of foods and meats to stimulate local livestock development and food processing.

j. Finally, we recommend that the High Commissioner's General Fund be used to finance infrastructure projects that will promote economic development, including projects now found in the Five-Year Livelihood Improvement Plan. Section 5 below discusses this proposal in more detail.

5. Financing the Development Program

The programs proposed above are estimated to cost the U.S. and Japan initially about \$20 million a year rising to \$25 million annually, at the end of five years, plus a one-time expense of \$14.0 million for the retirement funds.

We suggest, for reasons outlined in Chapter II, that Japan share the costs of this effort and propose an annual Japanese contribution of about one-third of the levels proposed here (or approximately \$7 to \$8 million). This sum would allow an important Japanese role in the Ryukyus, but not so large as to impinge on our control. We believe this ratio is consistent with the relationship with Japan which we wish to maintain, but we do not believe the ratio need, or can, be slavishly applied.

The following table, comparing the annual costs of the current GRI program with five-year budgets proposed by the GRI and USCAR, also shows the relative importance of the proposed Japanese contribution.

TABLE 2.

APPROXIMATE PRESENT AND SUGGESTED FUTURE SOURCES OF
FINANCE OF PROPOSED GRI PROGRAMS

Contributed by:	(\$ million) Current ^{1/}	GRI 5-yr Plan	USCAR 5-yr Plan	Task ^{2/} Force
GRI	26.9	32.1	36.3	32.0
United States	4.5	16.1	33.2	14.8
Japan	0.5	11.5	6.2	7.4
Total	31.9	59.7	75.7	54.2

1/ GRI budget for FY 1962 plus present level of Japanese technical assistance.

2/ Total includes: (a) anticipated GRI tax receipts of \$32.0 million;
(b) combined U.S. and Japanese contribution of \$22.3 million

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The table does not include the one-time financing costs recommended by the Task Force, as shown in Table 3. Japan might also contribute to the GRI employees retirement fund. This would imply a total Japanese contribution of \$45-50 million over the next five years. On the basis of informal discussions with the HICOM, the Government of Japan, and Ambassador Reischauer, it appears that this level of Japanese contribution would be negotiable.

The \$54 million GRI annual program proposed by the Task Force seems reasonable to us in light of present GRI capabilities. Outside aid, which formerly provided 20 percent of GRI revenues would rise to 40 percent. Table 3 shows the additional annual and one-time costs to the U.S., assuming a 2:1 division with the Japanese on the increased annual program.

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TABLE 31/

ESTIMATES OF U.S. COSTS FOR FINANCING TASK FORCE RECOMMENDATIONS

	<u>Current</u>	<u>Increase</u> (millions of dollars)	<u>Total</u>
A. <u>Annual Costs</u>			
1. GRI Program and Support			
Program and Budget Support	6.0	8.8	14.8
Administration	<u>1.7</u>	<u>1.0</u>	<u>2.7</u>
Sub-Total	7.7	9.8	17.5
2. Military Budget employees			
U.S. Forces' wages	12.2	2.6	14.8
U.S. Forces' employees retirement	<u>0.0</u>	<u>1.2</u>	<u>1.2</u>
Sub-Total	12.2	3.8	16.0
Total Annual	19.9	13.6	33.5
B. <u>One-Time Costs</u>			
Retroactive funding of retirement system:			
Appropriated fund employees			6.0 ^{a/}
Non-appropriated fund employees			3.0 ^{b/}
Retroactive Fund for Teachers and GRI employee's retirement system			<u>5.0^{c/}</u> 14.0

1/ This table does not include certain expenditures now being made from PL 480, the High Commissioner's General Fund, and certain other appropriations; nor the anticipated \$30 million in pre-treaty land payments. For detail on these expenditures, see Working Group Paper on "Levels of Aid."

a/ A grant from U.S.

b/ Recommended to be a loan from U.S.

c/ Maximum from U.S. if Japan makes no contribution.

The above summary does not include use of the profits of the General Fund. This fund represents the profits on investment of various enterprises that have been bought or built by the U.S. Government and controlled by USCAR. They include power plants and transmission lines, bulk petroleum distribution facilities, water systems, etc. They are worth more than \$50 million and return an average annual net profit of \$4.7 million to the General Fund. The

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Comptroller General has ruled that the assets of the General Fund are a trust for the benefit of the Ryukyuan people and the profits must be utilized for their benefit. This money is now used, with Budget Bureau approval, for development projects.

Assuming a level of profits at current levels, we recommend that about \$3.5 million of the General Funds' annual profits (equivalent to the sum currently devoted to support of RDIAC) be used for financing projects that will promote the long-run economic development of the Ryukyus, particularly for helping to modernize and expand the Islands' infrastructure. For example, we anticipate that improvement of Okinawa's water supply system will require a substantial investment, part of which could appropriately be financed from the General Fund.

The General Fund could also continue to finance, at somewhat above the current \$200,000 annual level, the program of grants-in-aid to municipalities for self-help public works projects. The recently initiated Ryukyuan-American community relations program could probably make effective use of a larger allocation of funds. However, this program should not be expanded so far as to allow it to interfere either with military duties or with normal GRI and local government budget processes.

6. Budgetary Procedures and Disaster Relief

Although the annual and quarterly apportionment procedures of the Bureau of the Budget are not on the face of it related to the long-term development of the Ryukyus, the Task Force believes it relevant to point out here that certain circumstances in the Ryukyus make it advisable to adopt special Bureau of the Budget procedures to allow greater flexibility than now exists. This is so for two reasons; (1) the very remoteness of Okinawa from Washington tends to slow down the speed with

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which the requests from the High Commissioner can be acted upon, and (2) the annual typhoon damage requires immediate availability of disaster relief funds; present procedures sometimes involve long delay, making it impossible for the High Commissioner to meet urgent needs. We recommend that budgetary procedures for the General Fund be revised to permit greater flexibility for the High Commissioner, subject to continuing requirements for strict accountability and auditing, but allowing expenditures within stated limits for stated purposes without prior approval. We also recommend that in future Congressional authorization or appropriation authority be sought to allow a substantial contingency fund for disaster relief on a basis which will allow a carry-over of amounts until expended.

7. Relation to Previous Aid Levels

While we believe that aid to Okinawa should be based on the Island's needs and the probable effect of the aid, we nevertheless think it useful to compare the level proposed here with current and prior assistance.

U.S. assistance to the Ryukyus from appropriated funds has varied widely over the past fifteen years. After the war it rose to a level of more than \$50 million in 1950. By 1956, it had fallen to \$2 or \$3 million, and has since risen to \$6 to \$9 million annually. These variations reflect abrupt changes in the political and military situation. Significantly, they seem to have had little relation to any consistent long-run objective.

After World War II CARIOA investments restored much of the infrastructure damage caused by the war. However, during the 1950's, as economic development appropriations fell to a level of about \$2 million, our stated objectives for the Islands became more ambitious. In 1954 USCAR

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stated that its policy was to create a viable economy, and raise Ryukyuan living standards to the Japanese level. In 1957, Executive Order 10713 stated more modestly that the objective was to make "every effort to improve the welfare and well-being of the inhabitants and continue to promote the economic and cultural advancement of the inhabitants." However, PL 86-629 appropriations for 1960 in effect set a clearly inadequate \$6 million maximum to this effort. This sum, has, however, been supplemented intermittently by other forms of U.S. aid as noted in the Working Group "Levels of Aid" paper.

There have also been direct pension and annuity payments from the Japanese Government to Okinawan war veterans, averaging about \$9 million annually. In recent years the Japanese have begun providing technical assistance to the Islands at an annual level of about \$500,000. Finally, Nampo Dobo Engokai, the semi-official Japanese welfare organization for the Ryukyus has made small welfare contributions.

The current combined external Japanese and U.S. assistance for economic development now totals about \$7.5 million annually. The Task Force recommends that the joint economic assistance be raised initially to about \$19 million annually rising to \$25 million ^{2/} per year at the end of five years. Assuming that Japan bears one-third of the costs, this would require the U.S. to increase its appropriations for economic development by about \$10 million annually. In addition this recommended program would increase the military budget for wage expenditures by from \$3.2 million to \$4.5 million in five years. Lastly, a one-time funding for the

1/ Includes \$7.3 million for "short-term programs" table 1 (\$5.3 to \$10.8); \$10 million "long-term development" and \$5 million continual budget support.

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retroactive features of the retirement system proposed would also entail an \$11 million grant and a \$3 million loan. The Japanese might make some contribution to the \$11 million grant.

It should be noted that these programs and recommendations alone imply that the current limitation of PL 86 629 for economic development of \$6 million would need to be increased to at least \$16 million. In addition, this is assuming that the Japanese contribute as indicated above and that neither the one-time funding or the military pay increase need to come from this source.

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IV. A POLICY FOR U.S.-GRI RELATIONS

The Task Force has recommended more aid to the Ryukyus and greater cooperation with Japan in order to improve our position on Okinawa. A third step of equal importance is to improve the terms on which U.S. administration of the Ryukyus is now conducted. Unless this can be accomplished, the first two measures will be only temporary palliatives.

In the Ryukyus today the United States exercises complete authority over a people who consider us alien. There is nothing we can do -- short of renouncing our power -- to eliminate this completely or to assuage the Ryukyans' natural resentment at being deprived of union with Japan. Although the problem cannot be **completely** resolved, we believe the United States can and must take measures to improve our relations with the Ryukyans, and that these measures will at the same time enhance the security of the base.

Under existing regulations (Executive Order 10713) the Secretary of Defense must "encourage the development of an effective and responsible Ryukyuan Government based on democratic principles." The order establishes a Government of the Ryukyu Islands (GRI), with executive, legislative, and judicial branches. However, the High Commissioner appoints the Chief Executive of the GRI, and the High Commissioner is empowered to veto any bill, annul any law, or remove any public official, if he finds it necessary in order to safeguard "the security, property or interests of the United States." Most Ryukyans, except for the relatively small left wing element, realize that this paradox is necessary as long as the U.S. base remains. However, they uniformly feel that the veto power and rule by ordinance should be exercised only for matters which directly affect the

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security of the bases. In general, the petitions we received from Ryukyans and the GRI emphasized their discontent with restriction on "public freedoms", primarily the GRI's lack of autonomy. These issues are discussed in Section 2 below, "Political and Administrative Reforms."

In the field of civil rights the principal emphasis was on greater freedom for the press, the right to organize labor unions, and freedom of travel. These points are discussed in Section 3, "Civil Reforms."

In examining all these requests for greater freedom, and especially those having to do with greater autonomy for the GRI, the central problem in each case is to strike a balance between improving relations between Ryukyans and the United States and creating possible dangers to the security of the bases. It is a difficult judgment to make. We believe that the vast majority of Ryukyans are more pro-Japanese than they are anti-American, and are willing to accept their situation if we can give them a sense of political dignity as well as better economic conditions. Accordingly, we recommend that the United States shift as much authority to the GRI as it can effectively administer within those spheres which do not directly impinge on the security and operation of the base. At the same time, we must retain the veto power, as well as defining the areas of Ryukyuan responsibility as sharply as possible. We have carefully considered the risks involved in this course of action, measuring the benefits it promises against our assessment of both the capacity and responsibility of the Ryukyuan government, and we have concluded that such a transfer is in the best interests of the United States, and will enhance rather than diminish the security of the base.

We realize that there is legitimate concern that shifts of authority from the High Commissioner to the GRI are likely to be irreversible

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But specification of the areas of new GRI authority, plus specification of standards under which it should be exercised, can hedge against unfavorable repercussions. Finally, the High Commissioner's veto power, and his willingness to use it must remain as ultimate safeguards. It is our judgment that the GRI is responsible enough to learn the limits within which it can safely use its powers, consistent with our basic security interests. On the other side, by retaining our authority in every sphere, we run the risk that the High Commissioner holds on to duties which he cannot hope to carry out effectively, or in the alternative, he maintains the shadow rather than the substance of control. The first situation is exemplified by the problem of controlling the banking system. The maintenance of bank solvency is important to the stability of the Islands, yet the present control by USCAR suffers from the lack of Japanese-speaking specialists to perform the task. Transfer of this responsibility under appropriate standards might not only give the GRI an opportunity to develop its capabilities, but actually increase the security of the Banking system. The second alternative is represented by the nominal restrictions on publications, which, since they do not require the presentation of translated copy for clearance, have no real substance.

1. Organization of U.S. Civil Administration

We do not recommend in this report either the specific content or the timetable of this transfer of authority. We recommend instead that this process be determined by a reorganized USCAR with a civilian civil administrator. The new administrator should be appointed at the end of the tour of the present administrator. In the meantime, the High

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Commissioner should take some preliminary action to give GRI greater autonomy.

We recommend no change in the present powers of the High Commissioner or in his manner of appointment. We recommend that the Civil Administrator be a civilian, appointed by the Secretary of Defense, after consultation with the Secretary of State and approval by the President. It would be best to recruit a man with considerable political and administrative experience in national, state or local government, preferably one who has previously worked overseas. He should be offered suitable pay and allowances (we suggest a minimum salary of \$20,000 per year plus suitable living quarters in the Ryukyus). His appointment should be for a renewable term of three years.

We recommend that HICOM and USCAR staffs be reorganized to reflect the three principal functions of U.S. administration in the Islands:

(1) The Office of the High Commissioner has certain basic functions which cannot be delegated. These include the use of the veto power, the promulgation of basic ordinances, and relations with Japan through the U.S. Ambassador in Tokyo.

(2) The Civil Administrator's office under the supervision of the High Commissioner, has two functions, including (a) supervision and control over GRI and negotiation with the Chief Executive and other branches of GRI on all matters not relating to technical or economic development; and (b) providing technical assistance to the GRI both to the regular government departments and to the economic development effort. These two functions should be carried out under the Civil Administrator -- the first by the Deputy Civil Administrator's office and the second by the office of an Assistant Civil Administrator for Technical

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and Economic Development. It might even be desirable if these two offices could be located in different buildings to emphasize the separation of functions. It is suggested that in the selection of the Assistant Administrator for Technical and Economic Development the advice of the AID Administrator be obtained and that in the performance of his functions, he make maximum use of AID technical advice.

To carry out functions 1 and 2a a small specialized staff is needed to advise HICOM and the Civil Administrator on policy and facilitate liaison with Japan, the GRI, the business community, labor organizations, etc. To carry out function 2b a much larger staff is required.

The proposed reorganization must be worked out in detail in Okinawa; the foregoing recommendations are viewed as policy guidelines. They stem from the Task Force's concern about the inconsistency between the various functions that USCAR, as now organized, is called on to perform. It is being asked on the one hand to promote GRI's ability to carry out its functions, and on the other hand to exercise an essentially negative veto and control function. Ryukyuan officials have emphasized this inconsistency to us, and we believe that it is impossible for one group to carry out both functions successfully.

Another issue in USCAR administration is the difficulty of hiring and retaining well qualified civil servants. Partly as a result, about 20 percent of the U.S. staff of HICOM and USCAR are military personnel. Members of the Armed Forces can, after all, be carefully chosen and ordered to go to Okinawa, while civilians can only be encouraged to come there. We believe that a greater effort should be made to attract civilians to replace military personnel. This will require a number of measures to make Okinawa a more attractive place to work, primarily building and

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allocating enough houses to civilians so that they can bring their families. Another appropriate incentive would be a 15 percent hardship post salary differential.

These measures alone will probably not attract enough people of the caliber desired and we recommend that the Civil Administrator be empowered either to arrange with other U.S. Government agencies for transfer of technicians on reimbursable loan, or to hire such technicians by contract directly or through consulting firms.

2. Policy Toward Political and Administrative Reforms

As noted at the beginning of this chapter, the Task Force received a number of petitions requesting reforms. In general we are making no specific comment on these requests, and are transmitting them to the Department of the Army for the benefit of the High Commissioner and Civil Administrator. However, some of the more significant requests seem to us to merit comment in order to indicate the types of reforms that we consider justified. So as to keep this sensitive problem under continual surveillance, we recommend that the High Commissioner make an annual confidential report to the Secretaries of Defense and State indicating his evaluation of the current situation, the actions taken during the year and those prospective actions he anticipates which would help to develop the Government of the Ryukyu Islands and to transfer to it responsibilities commensurate with its ability as well as with the security of the military bases.

a. Selection of Chief Executive. The GRI has suggested that if

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direct election is unacceptable, the Chief Executive be nominated by the Legislature subject to the High Commissioner's approval. This is quite close to the present system under which the High Commissioner appoints the Chief Executive after consulting with representatives of the Legislature. We think that this change would be a step in helping the Ryukyuans develop political maturity. While there is a slight risk that the Legislature would nominate an unacceptable candidate, the High Commissioner's veto power will be a safeguard in such a contingency.

b. Legislative Terms of Office and Election Districts. The GRI requested that the Executive Order be amended to extend the Legislators' terms of office from two to three years, and that the provision regarding the number of members and election districts be stricken from the Executive Order and be provided in an appropriate law to be established by the legislature. There appears to be no dissent from this recommendation and we concur.

c. Prior Coordination of Legislation. The GRI objects to the requirement that legislation be approved by USCAR before being considered by the legislature. They complain of translation difficulties, and other delays. They point out that this does not encourage development of an effective and responsible government. The GRI suggests that only legislation which directly or indirectly affects the security of the Ryukyu Islands be cleared with USCAR in advance. This would give the majority party more responsibility. We agree with the GRI proposal, provided that it is clear that the determination of procedures and the specific types of legislation which will require prior coordination will rest with the High Commissioner.

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d. Criminal Jurisdiction of GRI Court. The Ryukyans want all Ryukyuan defendants in court cases to be tried in GRI courts, except when USCAR specifically asks for jurisdiction. The Ryukyans believe that the administration of justice requires an understanding of the language and culture. USCAR's major objection is that sentences imposed may be too light. As in other matters, we believe that it is best to assume that the Ryukyans can do the job unless there is good evidence to the contrary.

e. Transfer of USCAR Corporations to GRI Control. GRI would like to have the RDLIC, the Ryukyuan Electric Power Corporation, the Ryukyuan Domestic Water Corporation, and the Okinawa Housing Corporation transferred to its control. The Boards of Directors of these corporations all now have a substantial minority of Ryukyuan directors. We see no reason why the Okinawa Housing Corporation should not be transferred to GRI as long as this move would not allow or cause rents to rise. The functions of the other corporations are closely related to the security of the bases. In other cases, the Ryukyans have not shown that they have enough technical ability to operate these concerns. However, we do suggest that Okinawans be given increasingly responsible jobs in these organizations, as merited, in anticipation of possible eventual transfer.

3. Civil Rights Policy

The three principal irritants to the Okinawans in this field are prior approval of publications, limitations on freedom of travel abroad and the Civil Administrator's labor ordinances. It is the opinion of the Task Force that none of these restrictions is worth the annoyance it creates and the propaganda use that anti-American groups make of it.

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Prior approval of all publications is not useful because there is no restriction on import of publications from Japan. We suggest that the regulation be abolished and that the GRI Legislature enact a law requiring registration of all publications.

Ryukyuan feel keenly about the restrictions on travel abroad. HICOM controls this travel by requiring travelers to apply for permits. This is a method of preventing people who might be security risks from causing harm to the U.S. during their travels abroad. A similar method is also used in the HICOM Tokyo office to prevent undesirable Japanese visitors from entering Okinawa. In cases where there is some doubt about the advisability of issuing a permit, the applicant is asked to submit a special application, the "long form." Many Ryukyuan refuse to fill this out because the questions are considered to be too sweeping or too personal, and there is also a possibility that HICOM may interpret the applicant's statement as being incorrect, thereby leaving him open to criminal prosecution without appeal rights. This gives HICOM a method of limiting travel without directly raising security issues.

We believe that some travel restrictions are and will continue to be necessary. However, the present method exacts too high a political price. Therefore, we recommend that the long form be abolished; HICOM should approve or deny each application directly. However, in order to protect HICOM in the eyes of the public, we also recommend that GRI establish a review and approval procedure, thereby creating a buffer for the High Commissioner. (Ultimately, such a system might well eliminate the need for HICOM control).

In the field of labor relations, there has been constant and increasing

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dissatisfaction among Ryukyuan workers and liberal political groups. They feel that USCAR distrusts unions and union activity, and tries to over-regulate it.

We believe this sentiment is justified, and that the result is to create antagonism toward the United States. The Task Force believes that Okinawan labor is not basically anti-American, although it could become so if they continue to feel they are victims of unfair policies. We believe that there are great advantages to be gained from cooperating with Ryukyuan workers. This was one factor prompting our recommendation for higher salaries and fringe benefits. We should go beyond that and adopt general policies toward labor that will win their cooperation. This could be one of the most effective and least costly ways to diminish threats to base security.

The most controversial of the Civil Administrator's ordinances is No. 145. Under this ordinance, no labor relations board or commission may certify a union until the Administrator approves the officials. This ruling may be appealed to the High Commissioner. This ordinance has been the source of severe criticism not only in the Ryukyus but also from ICFTU which recommended in 1956 that the ordinance be abolished. The Task Force concurs in this recommendation. The regulation contributes very little directly to the security of the bases and even lessens it indirectly by disaffecting otherwise friendly workers and providing a rallying point for anti-American propagandists. Ultimately the ordinance is ineffective because the Administrator's refusal to certify a union does not prevent it either from dealing with employers or from striking.

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A number of objections have been raised to Ordinance No. 116, the basic USCAR labor code, which also sets wage standards for military employees. The only recommendation in this report that directly affects the ordinance is the increased pay and fringe benefits proposed in Chapter II. However, the ICFTU, the GRI, and the Ryukyuan labor unions have all objected to various aspects of the ordinance on the grounds that they are not suited to Ryukyuan conditions, and that certain of the regulations are needlessly repressive. We suggest that a labor adviser who is a specialist in labor law be assigned from Washington or from the Tokyo Embassy to assist the existing staff in formulating technical revisions required in order to make the labor code work better.

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APPENDIX

Selected Working Group Papers *

1. Background Factors in United States-Japanese Relations in the Ryukyu Islands, Kingdon W. Swayne.
2. Military Objective, Security of the Base and Degree of Ryukyuan Self-Rule, L. Albert Wilson.
3. Labor and Social Security, James D. Hoover.
4. Ryukyuan Economic Development, Henry Brodie.
5. Severance Pay and/or Retirement Program for Ryukyuan Employees of U.S. Forces and Agencies, John D. Sitterson.
6. Compensation and Related Benefits for Ryukyuan Employees of U.S. Agencies and Activities, John D. Sitterson.
7. Electric Power, Edward G. Allen.
8. Water, Edward G. Allen.
9. Utilization of U.S. Military Forces for Economic Development in the Ryukyu Islands, Benjamin Evans.
10. Levels of Aid, John H. Kaufmann.
11. Draft "Agreement for Cooperation by Japan with the United States of America in Rendering Assistance to the People of the Ryukyu Islands." Kingdon W. Swayne

*These papers are on file in the Office of Civil Affairs, Department of the Army, and the Far Eastern Bureau, Department of State. They are not agreed task force documents, but simply working papers representing the views of their authors.

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THE SECRETARY OF DEFENSE
WASHINGTON
21 AUG 1961

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MEMORANDUM FOR THE SPECIAL ASSISTANT TO THE PRESIDENT
FOR NATIONAL SECURITY AFFAIRS

SUBJECT: Task Force on the Ryukyus

✓ This is to acknowledge receipt of National Security Action Memorandum No. 68, subject as above. I have assigned specific responsibility for providing membership on the subject Task Force to the Secretary of the Army and have directed that other appropriate components of the Department be prepared to provide representation and staff support, upon request.

Roswell L. Gifford

DEPUTY

cc given to Mr. ^{C.}Johnson

DECLASSIFIED

Authority: DOD Directive 5200.30
By ly, NARA, Date 11-16-99

EXCLUDED FROM AUTOMATIC
REGRADING: DOD DIR 5200.10
DOES NOT APPLY

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SecDef Cont. No. 5-896

NSA.m

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August 11, 1961

NATIONAL SECURITY ACTION MEMORANDUM NO. 68

TO: The Secretary of State
The Secretary of Defense
The Director, International Cooperation Administration

SUBJECT: Task Force on the Ryukyus

1. In his recent talks with Prime Minister Ikeda, the President indicated that the United States was determined to examine and recommend action on the sources of dissatisfaction which exist among the Ryukyuans. The United States Ambassador to Japan and the High Commissioner of the Ryukyus Islands welcome this initiative.

2. A Task Force will be established to examine the present situation and U.S. programs in the Ryukyus Islands. The Task Force will investigate the extent to which economic and social conditions contribute to the dissatisfaction of the Ryukyuans, what measures can we undertake to improve economic and social conditions, and what specific steps are needed to make such a program effective. In carrying out its task the group will bear in mind the importance to us of (a) Okinawa as a military base, (b) continued friendly relations with Japan, and (c) our responsibility to the people of the Ryukyus under the peace treaty with Japan.

3. The Task Force on the Ryukyus will be chaired by a representative of the White House and will be composed of representatives of the Department of State, the Department of Defense and the International Cooperation Administration.

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McGeorge Bundy

Information Copies to:

The Secretary of the Treasury
The Director, Bureau of the Budget
The Director of Central Intelligence
Secretary of the Army
Under Secretary of State George Ball
Under Secretary of Defense Nitze
Mr. Carl Kayser

cc:

Mrs. Lincoln
Mr. Smith
McG. Bundy's file ✓

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DISPATCHED
N.S.C.

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Authority NSC Web Posting
By 68 NARA, Date 11-16-95

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