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Memo

Noted by D.M.K.

December 2, 1969

WJ. (12)

Representatives of the Ministry of Finance of Japan and of the United States Treasury Department have held conversations concerning the principles to be followed by both sides during the detailed negotiations concerning certain economic and financial aspects of the reversion to Japan of administrative rights in Okinawa. As a result of these discussions, the representatives have reached the understanding outlined below.

1. Purchase of Civil and Joint Use Assets -- \$175 million

- A. Power Corporation
- B. R D L C
- C. Water Corporation
- D. Administrative Structures
- E. Road System Outside Bases
- F. Such Navigation and Communications Aids As May Be Agreed Upon

(Notes to Paragraph 1)

- (1) Each side may choose to attribute and ascribe different values to the components of the civil and joint use assets.
- (2) The total would include any increments through the date of reversion.
- (3) Payments to be made in cash over five years from the date of reversion; in equal annual installments. *(12)*
- (4) U.S. interest in Ryukyu Bank and P O L facilities to be disposed of. In the event of a sale, the United States Government will fix the asking price, which shall be a reasonable price and not an artificially high price which would, in effect, nullify the preemptive rights described below.

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- (A) Ryukyuan persons will have pre-emptive rights to buy some or all of Ryukyu Bank shares at asking price.
- (B) Any balance remaining after these assets may have been offered for sale to Ryukyuan will be sold by public auction if not fully taken up by Ryukyuan people.
- (C) Announcement of sale of above assets is not to be made until after substantial settlement of assets question is reached and can be announced publicly.
- (D) The specific method of disposition of the P O L facilities has not yet been decided upon.
- (5) Since the United States Government, after December, 1969, may be in need of funds to finance projects in the Ryukyuan economy, the United States Government and the Government of Japan will consult as to the effect of disposition of any of the civilian and joint use assets prior to reversion for such needs. Such disposition, if any, will be carried out after consultation; and proceeds of any sale will be deducted from the \$175 million agreed to by the Government of Japan.
2. Military relocation costs and other costs related to reversion -- \$200 million. (The Government of Japan shall make available the equivalent of \$200 million in agreed goods and services, all of which will have been obligated no later than 5 years after the date reversion is effected for the purpose of covering military relocation costs and all other U.S. budgetary costs incident to reversion and not otherwise

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specifically settled by this arrangement. Since it has been agreed to relocate certain military facilities outside Okinawa, the agreed amount under this category will remain at \$200 million, instead of being reduced to \$150 million. It is understood that such costs may arise from activities occurring either before or after reversion. The two governments will discuss the new facilities which would be comparable to the existing facilities, such as Naha Port and Airport. Payments will be included in Japanese budget over a number of years as found necessary. Nothing contained in this arrangement will prejudice the rights or obligations of either government under the Sofa.)

3. Immovable military facilities on Okinawa will be treated according to terms of the Sofa. (Residual assets)
4. Currency conversion -- The Bank of Japan will deposit \$60 million or the amount of currency actually converted, whichever is greater, in a non-interest-bearing account with the Federal Reserve Bank of New York acting as principal and agent of the U.S. Treasury. Funds shall remain on deposit for at least 25 years, but may be withdrawn temporarily within that period to meet Government of Japan balance of payments emergency needs (as determined by an objective standard to be agreed upon).
5. Social Security -- \$30 million. (The application of the Japanese Social Security System to Ryukyuan employees of the United States after reversion will be effected in such way so as not to discriminate against them. Whenever the Government of Japan may confer upon such employees full credit for the purpose of computing benefits under those programs for the entire time of their service with the U.S. prior to reversion, it shall be effected at no cost to the United States Government.)
6. Proposed understanding on business activity on Okinawa will be pursued between State and the Foreign Office of Japan.

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