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DEPARTMENT OF STATE

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Memorandum of Conversation

DATE: July 16, 1965

SUBJECT: U.S. Policy in the Ryukyu Islands

PARTICIPANTS: Stanley R. Resor, Secretary of the Army
 David McGifford, Under Secretary of the Army
 John M. Steadman, Deputy Under Secretary of the Army for International Affairs
 Lt. Col. William J. Spahr, Office of the Under Secretary of the Army for International Affairs

COPIES TO: Edwin O. Reischauer, American Ambassador to Japan
 Robert A. Fearey, Director for East Asian Affairs
 Richard W. Petree, Officer-in-Charge, Japanese Affairs

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Pre-Treaty Claims

Secretary Resor said committee hearings in the House of Representatives on the Department of the Army's Okinawan pre-Treaty claims bill were scheduled to be held July 28. General Watson has expressed his strong hope that legislative action authorizing payment of these claims can be taken before the opening of the Okinawan legislative election campaign this fall. The Department of the Army also has its appropriation bill coming up for consideration in the Senate, a fact that must be taken into consideration in approaching the Congress for legislation on the pre-Treaty claims. In response to a question, Secretary Resor and Mr. McGifford said they hoped to get some feel for Congressional attitudes toward the pre-Treaty claimsbill after July 20, when they expected to meet with Senator Sparkman. The key staff members of the pertinent Congressional committees have been sympathetic with the proposed legislation, but as yet there is no clear indication of the attitudes of the Congressmen and Senators.

Prime Minister Sato's Visit to Okinawa

Ambassador Reischauer said he felt that it was essential to amend the Price Act to raise the limit on U.S. aid to the Ryukyus. Secretary Resor agreed that this should be done. He said the Department of the Army was drafting a memorandum requesting authorization from the Department of Defense and Bureau of the Budget to go ahead with a legislative request for this purpose. He recalled that the House originally passed a \$25 million a year

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ceiling on U.S. aid, but the Senate cut it back to the \$12 million that is currently in effect. The Department of the Army does not have to ask Congress for authorization to spend this amount on aid each year, but it does have to fight for appropriations to fund it. Secretary Resor said Congressman Passman is the real problem in obtaining funds. He recalled that when General Watson testified before Congress this spring, Mr. Passman asked the General if the Army would be coming in for a higher level of funds for Okinawa. General Watson limited his reply to saying that he could not predict what might be required, but it was possible.

Secretary Resor said General Watson would like to have an open-ended authorization for aid, with no specified limit set in the law. The Secretary said he and his staff felt, however, that General Watson's hope was unrealistic and that they should endeavor to obtain authorization for a \$25 million ceiling. He believed \$25 million would be sufficient in the short run.

Ambassador Reischauer agreed that approximately \$25 million in U.S. aid funds for Okinawa should be enough in the short run. He said we should aim at providing a total of about \$50 million in external assistance each year, combining the Japanese contribution with our own. The \$50 million figure was derived by comparing the Ryukyus with prefectures like Saga in the main islands of Japan, which have about the same population and economic level as the Ryukyus. Saga receives funds of various kinds from the central government, over and above local revenues, that amount to about \$50 million a year. We should try to assist the Ryukyus at approximately the same level, concentrating primarily on the education and social security systems. He said it was not realistic for us to attempt to effect a substantial raise in the standard of living of the Ryukyans, but we could contribute funds at the same level that the Japanese Government does for its prefectures. The Ambassador said he felt, nonetheless, that General Watson's proposal to make a public statement defining some broad goals for improvement of the living standards of the Ryukyans was fine.

Secretary Resor said he had had doubts about the wisdom of setting up such high goals since they probably could not be achieved. Ambassador Reischauer agreed that achievement of such goals would be unlikely, but he felt that a statement containing such grand objectives would be politically useful. Secretary Resor felt that it would be better to set our sights on achievable goals. Ambassador Reischauer agreed that it might be better to pitch our effort toward concrete, measurable goals, such as improvement of public education and establishment of social security benefits at the same levels as Japan's. He felt, however, that there would be no harm in making a public statement about grand objectives for political purposes. Secretary Resor said the kind of living standard goals suggested for public statement

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by General Watson were unattainable in the short run, so he felt that it was not wise to play them up in a public statement.

Ambassador Reischauer said he looked on the effort to get the Price Act amended, improve the Ryukyuan public education system, and other measures as only stop-gap measures. He felt strongly that we had only relatively little time remaining to us in the Ryukyus. The fundamental nationalistic reaction of the Japanese and Ryukyuan has been exacerbated by developments in Viet-Nam. Two years ago he was relaxed about the Okinawan problem, and had no worry about possible termination dates for our tenure in the islands. Since the last few months' events in Viet-Nam, however, he has revised his thinking completely. The mood in Japan and the Ryukyus has changed, and we have only a short period left in the Ryukyus. For this reason he did not feel concerned about the possible repercussions of making public statements containing grand promises. He said he considers action on the Price Act aid ceiling essential regardless of the period of time left to us in the Ryukyus. It is particularly important to us this fall because of the Ryukyuan elections scheduled for November. If we lose those elections, the play-back in the Japanese political scene will make it harder for the Japanese Government to hold its present position of cooperative acquiescence in our continued presence in the Ryukyus.

Secretary Resor said he was somewhat concerned about the requests for legislative action on the Price Act and the pre-Treaty claims piling up together in Congress. He said the Department of the Army intended to press for action on the pre-Treaty claims first and then turn to the Price Act. Ambassador Reischauer said we needed to make up our minds on whether to seek amendment of the Price Act in time to inform Prime Minister Sato of our intention prior to his visit to Okinawa in August. This would permit him to make a public announcement of the Japanese Government's consideration of large-scale aid to the Ryukyus.

Secretary Resor said the Department of the Army had reached a decision to go ahead with an effort to get the Price Act amended. Mr. McGifford said they had had a difficult time in getting Congress to approve the \$12 million aid limit. He recalled that Senator Russell had been opposed. It probably would be wise to discuss the further amendment of the Price Act with Congressional leaders before launching a formal legislative proposal. He said the tactics in Congress would require careful study.

Ambassador Reischauer said the Senate side in Congress constituted the most serious problem. General Watson wants a firm decision on this

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matter by early August so he can clear his handling of the proposed Japanese statement on large-scale aid at the time of Prime Minister Sato's visit to Okinawa. General Watson also wishes to discuss this matter in advance with Chief Executive Matsuoka. Secretary Resor was assured by Mr. McGifford and Colonel Spahr that a paper requesting DOD authorization to go ahead with the Price Act amendment was being prepared.

Ambassador Reischauer asked if the Japanese proposal that Sato make an announcement about long-term, low interest financial assistance to the Ryukyus would be acceptable to the Department of the Army. Secretary Resor said that would not pose any problems from Army's point of view.

Ambassador Reischauer went on to say that the Japanese request that restrictions on the flying of the Japanese flag in the Ryukyus be lifted was just as important to them as the large-scale economic aid proposal, according to a Foreign Office spokesman. Secretary Resor said our experience with a similar flag problem in Panama was extremely difficult. About five years ago we decided to permit the U.S. and Panamanian flags to be flown jointly in the Canal Zone. He said they felt now that this decision had only accelerated the emergence of nationalistic feelings in Panama. The U.S. and Japanese flags are therefore not flown jointly in the Ryukyus except at the USCAR headquarters, which also happens to house the Government of the Ryukyu Islands (GRI). He said the time remaining to us in the Ryukyus would make a difference in judgment on this question: if Ambassador Reischauer's assessment that we have only a short tenure left is correct, then the flag issue in connection with Sato's visit is not a significant question from our point of view; if we can hope for a longer tenure in the islands, however, the flag issue might be very significant.

Ambassador Reischauer said there was no doubt in his mind that the situation had changed in recent months, so we now have only a fairly short period of assured tenure in the islands. We should start moving toward an arrangement with the Japanese Government on a different basis. We are on the edge of a distinct change in the whole U.S.-Japan relationship. The year 1970 looms as a major "waterfall". A few months ago he felt that although 1970 was only 5 years away, the relationship with Japan seemed to be going well and the potential crisis in the relationship seemed likely to smooth itself out before we even reached 1970. Now, however, things are not going well for us in Japan, and this past spring we even moved backward in our relationship. Since May we seem to have halted the backward motion and are now holding our own, and if the Viet-Nam problem achieves some kind of solution we could recoup our losses and go on as before without changing our policies. The chances of a solution in Viet-Nam in the near future appear slim, however, and time is running out on us.

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There has been a rise in nationalism in both Japan and the Ryukyus, accelerated by reactions to Viet-Nam. For these reasons, Ambassador Reischauer believed that the Okinawan problem would come to the explosion point before 1970.

Ambassador Reischauer said our safest strategy, in view of these trends, is not to continue to drift along in our relationship with Japan. We must start to do some paddling. He is convinced we can successfully influence these developments. The conservatives in Japan have always dodged such issues as defense, but more of them are now coming to believe that they will have to take a positive stand, and that they will be able to face the Japanese public on the need for defense. The thorniest problem the conservatives face is Okinawa, but if we can help the Liberal Democratic Party (LDP) solve the Okinawan problem it will be a great asset for us, as well as for them. Ambassador Reischauer said he wanted to talk privately with key conservative leaders about the solution proposed by former Finance Minister Tanaka (now Secretary General of the LDP), who created quite a furor in Japan at the time of the visit to Japan of former Attorney General Robert F. Kennedy by stating that the best solution to the Okinawan problem would be for the Japanese people to permit the stationing of nuclear weapons on Japanese soil. If Japan would accept nuclear weapons on Japanese soil, including Okinawa, and if it would provide us with assurances guaranteeing our military commanders effective control of the islands in time of military crisis, then we would be able to keep our bases in the islands, even though administrative control or "full sovereignty" reverted to Japan. Ambassador Reischauer said we must achieve this new arrangement before the blow-up comes in Okinawa.

Secretary Resor asked if Ambassador Reischauer envisaged a new treaty with Japan in effect placing Okinawa outside the limitations of the Japanese Constitution. Ambassador Reischauer said something like that would be necessary, although there was no explicit prohibition against nuclear weapons in the Constitution. We have a relatively short time to work these arrangements out, but unless we do we will again run into a Panama situation. If the U.S. were forced by military developments to bomb populated centers in North Viet-Nam, bringing the Chinese Communists into direct participation in the war, we might need to bolster our defenses along the DMZ in Korea with some actions from our bases in Japan. Under the present circumstances, the Japanese Government could not give us permission to use our bases in Japan for these purposes.

Mr. Steadman asked how soon a blow-up in the Ryukyus might come, whether it might be in 1970. Ambassador Reischauer said even 1970 was more worrisome to him than before. Okinawa, however, cannot be held on present terms

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for more than two years.

Secretary Resor, referring to Ambassador Reischauer's suggestion that we take the initiative to work out new arrangements involving Japanese administrative control of the islands, said he did not clearly understand what we would get from the Japanese conservatives in exchange for our acquiescence in such a solution. Ambassador Reischauer said that if the LDP achieved agreement with the U.S. on the reversion of the islands to full Japanese sovereignty, it would be a major political coup strengthening the party's position in the face of opposition pressure and in the eyes of the Japanese public. With this problem solved and out of the way, the LDP would be able to talk directly on defense questions and Southeast Asian development. The important benefit to the U.S. would be that we would have a much more stable base for our relationship with Japan, and for a longer period of time. It would eliminate the most serious threat to U.S.-Japan relations, and would enlist Japan as an ally more deeply committed to our vitally important goals in Southeast Asia. At present we have nothing but strike forces based in Japan, other than various support elements. Perhaps we should have defensive forces stationed there, perhaps at Japanese expense. We should be moving much more into joint strategic consultations with the Japanese. In short, the Okinawan solution proposed by Ambassador Reischauer would convert Japan "from a cool but pleasant partner to a true ally".

Mr. McGifford asked the period of agreement Ambassador Reischauer was thinking of. Ambassador Reischauer said the agreement would be without termination date. He said developments in the wake of our military actions in Viet-Nam had changed his time-sense. He reiterated his belief that we should go to the Japanese in an effort to work a package arrangement which would include Okinawa.

Mr. Steadman said there were several theoretically possible alternatives and asked the Ambassador whether he felt some kind of shared administration arrangement might work with the Japanese in Okinawa. Ambassador Reischauer said he thought it would be better to make a clean break, rather than trying to work out the many complicated problems that would arise in a shared administration situation.

Mr. Fearey wondered whether the LDP would consent to an agreement that gave them no rights to "consult" with the U.S. on the utilization of the military bases in Okinawa. He found it hard to visualize the LDP not requiring the kind of consultative rights they have in relation to U.S. bases in Japan. Ambassador Reischauer said the Japanese would achieve reversion, which would overshadow any question about consultative rights. Mr. Fearey agreed that reversion would be a big political plus for the LDP but lack of any Japanese say over our use of the Ryukyus bases would considerably reduce this. He doubted whether we

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could give Japan any real say in the use of our bases in Okinawa. Ambassador Reischauer said we would be giving them all of the politically important symbols, which would be enough.

Mr. Steadman wondered if the Ambassador's suggestion would buy two or three years. If the situation has deteriorated as far as Ambassador Reischauer indicated, we should be considering contingency plans and plans for coping with riots and unrest in the Ryukyus. Ambassador Reischauer said that if we lose the elections in November there will be a certain amount of trouble. The important thing, however, is not disturbances in Okinawa but the play-back in Japan, where the repercussions could affect Japanese Government willingness to cooperate with us on Okinawa. Mr. Fearey said the effects might show up in Japanese Government inability to cooperate with us in matters completely unrelated to the Ryukyus, e.g., SEA economic development.

Ambassador Reischauer said that the Joint Economic Committee meeting July 12-14 made him feel that we could talk about such things discreetly with Japanese leaders. The Japanese moved forward during the recent talks. Minister of International Trade and Industry Miki and Finance Minister Fukuda in particular, two key leaders in the present government, seemed responsive on the Southeast Asian development proposals. They seemed to feel that they could make political profit from a positive economic role in Southeast Asia.

Mr. Steadman asked the Ambassador when he thought we could approach the Japanese on these sensitive matters. Ambassador Reischauer said he thought he could sound them out, tentatively at first, on his return to Japan. He said he wanted to sound out Prime Minister Sato first. He had already dropped a casual suggestion with Sato that he consider dropping by Washington for talks with President Johnson and Secretary Rusk after he attended the UN General Assembly meeting in New York. Sato seemed to react favorably to that idea.

Mr. Steadman asked Ambassador Reischauer if he had met with the Joint Chiefs of Staff during his current visit to Washington. He recalled that when the Ambassador met with the Joint Chiefs in January 1965 he had spoken of a different time span for our tenure in the Ryukyus. Ambassador Reischauer said his thinking had changed since then. His calculation of time then depended primarily upon an assessment of the rising nationalism in Japan and the Ryukyus. Since then, however, the Viet-Nam situation has generated other strong reactions that must be taken into account.

Secretary Resor asked whether Ambassador Reischauer had discussed his ideas with Secretary McNamara. The Ambassador said he had, and at Secretary McNamara's suggestion had written a memorandum on the subject to him and to Secretary Rusk.

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Mr. Steadman said the business of day-to-day government in the Ryukyus would still have to go on with careful handling. Ambassador Reischauer said that General Watson had been doing an extraordinary job in the Ryukyus. He did not feel that in the daily government of the islands General Watson had left anything undone that should be done. General Watson's personality and wisdom have made a great contribution there. He said the large scale increase of aid to the Ryukyus is essential, with particular focus on concrete achievements in the educational and social security systems. As compared with these goals, the flag issue is not so important.

Mr. Steadman said that if Ambassador Reischauer's thesis were accepted, the flag issue was only a tactical problem — when and how to handle it for the greatest benefit in our immediate position in the islands. Mr. Fearey said that although with the passage of time we tend to forget it, it is somewhat anomolous for one ally and partner to administer nearly a million people of the other, essentially against their will. Ambassador Reischauer said he felt we had been lucky to hold our position this long. Secretary Resor said there was a great deal of missionary work to be done in Congress in connection with the expanded aid authorization, pre-Treaty claims, and other matters.

Secret Action Plan

Ambassador Reischauer raised the subject of the proposed plan for U.S. action to influence the elections in the Ryukyus. Mr. Steadman said he had been informed that the 303 Committee was scheduled to consider this plan at a meeting on Thursday, July 22.

Ambassador Reischauer asked Secretary Resor whether he had read the letter on this subject from former Deputy Assistant Secretary of State for Far Eastern Affairs Marshall Green. Secretary Resor indicated that he had read it. The Ambassador said he thought the letter was a very good statement of the problem and represented his views. He said he felt strongly that we should not incur a double liability, a double danger of exposure of our action by channeling funds into the Okinawan election through two routes. It would be much safer to use only the Japanese route, permitting the Japanese LDP to handle the money in the most effective way. Okinawa is a small place, like a small town in the U.S. Okinawa is also like a small country prefecture in Japan, where political maneuvers — particularly involving money — are well known. It would be risky to try to take clandestine political action in Okinawa using direct U.S.-Ryukyuan channels. The Japanese conservatives are going to be involved with funds and other activities in the Ryukyuan elections anyway, and it would be a perfect cover to simply add to their resources rather than trying to carry it out directly in the Ryukyus.

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Mr. Steadman said he had been informed that the risks of the two routes for these funds were about equal. That being so, he had felt it would be just as well to use at least part of the funds directly in the Ryukyus. Ambassador Reischauer did not feel that the risks were equal. The Okinawan situation is weak. General Watson has an understandable desire to maintain close and effective control on the use of these funds, but the money ought to go through the Japanese conservatives. If the U.S. is caught with its hand in the cookie jar there will be a serious blow-up in Japan.

Mr. Fearey asked whether Ambassador Reischauer had discussed this matter with General Watson in these terms. The Ambassador said he had expressed his views to General Watson at the outset of planning, but he had not talked personally with him about it recently. Secretary Resor asked if money given into Japanese hands would be likely to reach its targets in the Ryukyus. Ambassador Reischauer said it would be perfectly safe, because the Japanese conservatives have a vital stake in an election victory just as we do. Mr. Steadman asked whether there was any doubt about the comparative risks in the two alternative routes. Ambassador Reischauer said he thought there was no doubt that the Japanese LDP provided the safer route, although there is no absolute guarantee of safety either way.

Mr. Steadman said he thought they should send Ambassador Reischauer's views to General Watson for his comments. He explained that their thinking had been based in part on a desire to carry out the action plan as much as possible without deepening Japanese political involvement in the islands. Ambassador Reischauer expressed understanding but said he was not concerned on this score in the overall situation presented.

Secretary Resor, in summing up the consensus of the meeting, said they would go ahead with work on the memorandum to DOD requesting authorization for an effort to obtain legislative action amending the Price Act. He noted the short deadline created by the Sato visit to Okinawa in August.

Concerning the flag issue, Mr. Fearey said he had discussed the matter with Mr. Yasukawa of the Foreign Office and had gotten the impression that Yasukawa understood why a change in current regulations governing the flying of the Japanese flag in the Ryukyus might be difficult for us to accept. Yasukawa did not seem inclined to press the issue. Mr. Fearey said he had some doubt of the wisdom of a change in flag regulations during Sato's visit, which could lead to the impression that as a result of Sato's talks in the Ryukyus, the U.S. had accorded Japan a role in Ryukyus administration. Certainly the press might so picture it. Another occasion might be better if we decide to move in this direction.

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Ambassador Reischauer said a concession on the flag issue was not absolutely essential to a successful Sato visit. Sato's visit itself will help to strengthen the Okinawan Democratic Party position in the fall elections. The Japanese can probably live without a concession on the flag issue. Ambassador Reischauer said that we started the train of developments leading to the present nationalistic focus on the flag issue when we issued Japanese textbooks in Okinawa some years ago. The books all start out with references to "our country" and remind Okinawans that they are Japanese.

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