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REVIEW

POLICY ON RYUKYUAN LAND ACQUISITION

BACKGROUND:

1. On 30 April 1953 the Joint Chiefs of Staff reaffirmed the strategic importance of Okinawa. They restated the essentiality of our bases in the Ryukyus and stressed the great advantage which the United States derives from the fact we can act there independently of the political disposition of any foreign sovereign power. It is for these strategic bases that the United States requires Ryukyuan land.

2. Since the issuance of the JCS Directive on Administration of the Ryukyu Islands, 4 October 1950, the United States has compensated private owners for land required for our military bases. This compensation was paid in the form of annual rentals until 1957 when the United States adopted the policy of making a single or "lump sum" payment to each owner for the long term use of his land, continuing rental payment for the use of land which is not required on a long term basis. In return for the single payment the United States acquires an estate wherein title and ownership remain vested in the landowner and the United States receives full, exclusive use, possession and enjoyment above, below, and upon the surface of the land concerned until such time as the United States determines it has no further need of the land.

3. This method of land acquisition was adopted by agreement of the concerned Executive agencies and conforms closely to the recommendations of a special subcommittee of the House Armed Services Committee which made an intensive study of the subject. This subcommittee, headed by Congressman Melvin Price, recommended in June 1956, "That the interest to be acquired in those properties known to be required for the indefinite future be the fee title or such maximum interest as can be acquired under existing law or under such modification as may be made to existing law. Where fee title or an interest closely approximating fee title is acquired, full fair value of the property, in accordance with valuation procedures set out elsewhere in this report, should be paid." Current United States policy differs from the recommendation of the Congressional Subcommittee in that the United States does not acquire fee title to any Ryukyuan land. This decision was reached after careful consideration by the Department of Defense and the Commander in Chief, Far East, then General Lemnitzer, of the peoples' deep seated attachment to their land, and of the political inferences which would be drawn by the Japanese government. The Department of State strongly supported the change also.

4. United States policy of acquiring long term interest in privately owned Ryukyuan land and making single payment therefor has been inflated into a major political issue in the Ryukyu Islands. Moreover, this United States policy was considered by the Departments of

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Defense and State to have such political significance in Okinawa and Japan that the High Commissioner of the Ryukyu Islands was instructed by the Department of Defense to announce to the Ryukyuan Legislature on 11 April 1958 that "the Departments of Defense and State are currently reviewing the single payment land policy." This action was intended to quiet discussion of the matter in the Ryukyus and to soft-pedal it as an issue to be exploited in general elections in Japan, scheduled for 22 May.

5. The Ryukyuan Legislature, the Japanese Government and the Department of State contend that the United States policy on Ryukyuan land acquisition should be revised. The Department of Defense has agreed to review the current policy but is not committed to any revision. Because of the intimate participation of the House Armed Services Committee in the development and adoption of the basic United States land policy, that Committee should be consulted should any important change in current policy be contemplated.

6. Although various aspects of United States land policy have been criticized, principal objection has been raised to the United States making single payment for long term interest in land. However, there are two distinct aspects of this policy which can be distinguished from one another since either one can be modified without necessarily affecting the other. For reasons of clarity these aspects of the policy should be considered distinctly.

SINGLE OR LUMP SUM PAYMENT POLICY

Current United States Policy

It is United States policy to pay lump sum compensation equivalent to full fee value of Ryukyuan land and/or properties in which the United States acquires a long term interest.

Revisionists' Position

a. Outright abandonment of this policy in favor of periodic rental payments is advocated by the Ryukyuan Legislature and various Ryukyuan organizations as well as by the Japanese Government.

b. Compromise of this policy is favored by the Chief Executive of the Government of the Ryukyu Islands and by spokesmen of the United States Department of State, under the proposition that landowners should be given an option between periodic rentals and lump sum payments.

Recommended United States Position

That the United States maintain the current national policy of making a single, full payment of current fee value for long term interest in Ryukyuan land.

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Discussion

1. Opponents of the single payment policy adduce no reasonable, substantive argument against it. Opposition is based, in large part, on the misconception that by accepting single payment the owner actually sells his land. Although he can under present United States policy challenge the compensation offered, acceptance of single payment deprives the landowner of the opportunity to demand periodically that the United States reassess his property and pay him additional compensation on an annual or other term basis.

2. Ryukyuan representatives and the Japanese Government advocate periodic payments based on the same standards used by the Japanese Government for rental of land temporarily required by United States Forces in Japan. The United States Ambassador, Tokyo reported on 13 May that he was informed by the Vice Foreign Minister that the Government of Japan "does not believe abandonment lump sums will yield desired results unless assessment basis of rentals is improved and brought into line with standards used by Japanese Special Procurement Agency. Foreign Office considers this should involve increase in rentals by 1.5 to 2.0 times over formula presently employed." This method of assessment was examined most carefully by the Price Subcommittee and vigorously rejected as a proposal which "transcends any socialistic theory of compensation with which the members of this Subcommittee are familiar. Nothing could be more degenerating to the landowner or less fair to the American taxpayer." It has been estimated variously that such a method would involve an initial cost to the United States of from 1.5 to 7 times the present estimated \$51.1 million required for land acquisition, exclusive of \$6.6 million for resettlement.

3. United States experience in Ryukyuan land rental to date has proven that it is not possible to buy - even at increasing prices - the acceptance of our use of Ryukyuan land. In 1955 land values were increased by 135 percent over the values established in 1952; again, in 1956 and 1957 the United States Land Acquisition Commission granted further increases of 300 percent over 1952. While renewable leases may have the semblance of assured availability of the required land, the United States must face ever increasing costs as well as protests against the United States land program before and following renewal time for the leases.

4. The current United States policy of making single payment is more advantageous to the individual landowner than the former policy of yearly rentals. It was precisely because of this that the Governor of the Ryukyu Islands recommended in December 1953 that the United States make lump sum payments for the land required. He stated that "Due to extreme smallness of plots, averaging less than .9 acres per owner, money received in rent annually is so slight (6 percent of appraised fee value) that it will not enable the owner to re-establish himself." As reported on 21 April 1958 by the United States Consul General, Naha, the Chief Executive of the Ryukyus "stated that if the individual landowner received all at once the considerably larger sum represented by a single payment he could bank

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or invest his money, make use of the interest, and still have a sizeable principal in his possession." In the words of the Price Subcommittee, "This . . . represents the only way in which a landowner can receive an amount of money truly adequate to make him whole, and sufficient for him to move to another area - perhaps another Ryukyuan Island - to support himself while adjusting to another method of earning his livelihood, or to emigrate to other countries . . ."

5. As Chief Executive Thoma has stated, there are at the present time investment opportunities in the Ryukyus which can provide the landowner with a return equivalent or close to the amount he would receive as annual rental on the basis of the current policy of paying rent at the rate of 6 percent of fee value. Moreover, the United States Civil Administration has under consideration and discussion with the Government of the Ryukyu Islands the establishment of an investment trust fund, along the lines suggested by the Price Subcommittee, for land payees, who seek assurance of a safe and fair return on their investment. Such fund would absorb and use for the benefit of the Ryukyuan economy the large input of capital expected under the single payment plan and thereby decrease the requirement for United States grant assistance.

The Civil Administration has concluded, however, that such an investment fund can succeed only if it can offer a guaranteed return of 6 percent to the land payee who chooses to invest his single payment in this manner. On the basis of traditional Ryukyuan interest rates and investment potentialities, guarantee of such a return probably would necessitate only limited subsidization. However, the Government of the Ryukyu Islands should not be expected or even allowed to underwrite such an investment fund without assured financial support from the United States, should such support become necessary for this purpose. Proposed financial legislation for the Ryukyus which has been submitted to the Bureau of the Budget by the Department of the Army would in all probability enable the Army to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting a net 6 percent return on investment in such fund by recipients of single payments.

6. The single payment policy can be of benefit not only to the landowner but to the entire economy of the Ryukyu Islands. Again, it is pertinent to quote the United States Consul General's report of the 15 April interview with Chief Executive Thoma. "Mr. Thoma pointed out that the lump sum system of payment would be extremely beneficial to the Ryukyuan economy. He cited an estimate to the effect that implementation of the lump sum program would make some 5 billion yen (\$41.7 million) immediately available to the Ryukyuan economy. Of this some 2 billion (\$16.7 million) could be absorbed right away by various local economic development programs. If the other 3 billion (\$25 million) were banked at a 6 percent interest rate to the depositor and then re-invested in Japan by the Bank of the Ryukyus at the prevailing 8 to 10 percent rate over there, there would in addition be a continuing financial benefit to

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the Ryukyuan economy. Moreover, the principal would also always be available to finance any further economic programs that might come up."

7. Rather than see these funds attracted to Japan, steps will be taken, as indicated above, to induce their investment at home so that they can be used for much needed Ryukyuan development. In this way the land acquisition program can be employed effectively to enable the Secretary of Defense to discharge the responsibility imposed upon him by Executive Order 10713 to "make every effort to improve the welfare and well-being of the inhabitants of the Ryukyu Islands and . . . to promote the economic and cultural advancement of the inhabitants."

8. Finally, and most importantly, the single payment program carried rapidly to completion will remove what the Price Committee has called "a ready political issue for a small and vociferous minority . . . , an unusually well-adapted vehicle for demagogic confusion." Any periodic rental system on the other hand would merely perpetuate the issue "since it is inevitable that there would be an attempt to obtain even more rental as the time approached for periodic re-evaluation." Again, to quote the Price Report, "Payment of an annual rental, would, among other things, merely continue unrest and dissension by reason of inability to agree as to the rental to be paid each time the property was valued."

9. These consequences of the abandonment of the single payment policy in favor of periodic rentals would follow equally from offering the Ryukyuan landowner an option between the two. Moreover, the landowner's freedom of choice would be more nominal than real. The prevailing emotional, politically-inspired attitude toward single payment would make him the object of strong social pressure to "move with the herd." Even if the landowner could exercise an option objectively and free from emotion, conflict would inevitably result -- and the United States would be the target. Those who chose to accept rental payments would most certainly agitate periodically for higher rentals; those who had chosen single payment would naturally add their clamor for additional, equalizing compensation. The United States would be in the middle.

DETERMINABLE ESTATE ACQUISITION POLICY

Current United States Policy

a. The Executive Branch adopted as United States policy the Price Committee recommendation "that the interest to be acquired in those properties known to be required for the indefinite future be the fee title or such maximum interest as can be acquired under existing law or under such modification as may be made to existing law." The then Commander in Chief, Far East, General Lemnitzer, considered it inadvisable to obtain fee title in any case, even where voluntarily offered. The Departments of Defense and State both agreed that in all cases the United States take a "determinable estate" interest in such property. This gives the

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United States full, exclusive use, possession and enjoyment above, below, and upon the surface of the land concerned until such time as the United States determines it has no further need of the land; ownership or title to the land remains in possession of the landowners.

b. It is also United States policy that whenever in the opinion of the United States the land is no longer required it will be returned to the original owners or their heirs.

Revisionists' Position

As reported by the United States Ambassador, Tokyo, on 13 May 1958, the Japanese Government considers that "Okinawan opposition to determinable estate formula stems from fear that legalistic concept conceals desire to alienate their land permanently." This interpretation of determinable estate as meaning outright sale is evidenced in Resolution No. 7 passed by the Government of the Ryukyu Islands Legislature, 26 September 1957: "Since receipt of lump sum payment means to the landowner that they have actually sold out their land, almost all of them are against the lump sum payment, considering it apart from monetary calculation." (Underlining supplied.)

Recommended United States Position

a. That the United States continue the policy of acquiring determinable estate interest in land required for the indefinite future.

b. That, in addition, the United States offer to purchase fee title to such land for a further consideration of 10 percent of fee value.

Discussion

1. The United States requirement for bases in the Ryukyu Islands cannot be defined as short range. As pointed out by the President in the Eisenhower - Kishi Joint Communique of 21 June 1957 "so long as the conditions of threat and tension exist in the Far East the United States will find it necessary to continue the present status." Because our bases must be retained for the indefinite future our land requirement is of equal duration. In these circumstances it is proper that the United States acquire "the fee title or such maximum interest as can be acquired" in the land which is needed.

2. In pursuing a policy whereby the United States acquires a right to the use but not ownership of the land and yet pays a sum equal to the full and fair value of the entire property this Government is acting in an unusually liberal manner -- but one which has been too little publicized and too greatly obscured. On 4 January 1957, General Lemnitzer, then Governor of the Ryukyu Islands, told the Ryukyuan people, "Whenever the need for the use of the land ceases to exist, the land will be promptly released to the owner, without any repayment by owners." This intention of the United States to return the land taken under determinable estate to the full use and possession of the owners has been restated a number of times since the first public announcement. However, articulate,

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unfriendly spokesmen have found it easy to persuade many Ryukyuan landowners that the title which the United States leaves them is a fiction, that they retain, in fact, nothing. Explanations or declarations by the Governor of the Ryukyu Islands and his High Commissioner successors find strong competition for credibility with the Japanese Government informs Ryukyuan that the United States does not intend to return some land to the owners. That the Japanese Government has done so is reported in a cablegram of 13 May 1950 from the U.S. Ambassador, Tokyo. In reporting the Japanese Government views as to what the United States should do to return land in the condition in which it existed prior to the United States taking, the following is reported without comment: "Japanese Government would suggest that we indicate to Okinawans that when we no longer require permanent installations they will be transferred not to owners but to Japanese Government. . . For, as Foreign Office has already indicated to visiting Okinawan representatives, there will certainly be some land that will not be returned to owners even if United States were to withdraw from Islands." (Underlining supplied.) This is ample evidence that the type of long term interest which the United States acquires and the liberality of its compensation therefor is misunderstood and obscured.

3. So long as the Ryukyuan landowner believes that the United States is deceiving him regarding the alienation of his land there will be no open acceptance of any United States long term land acquisition policy, or any other United States policy. The Ryukyuan landowners must be made to know that the United States determinable estate policy does not conceal a "desire to alienate their land permanently." It must be objectively demonstrated by positive action, not merely stated, that the United States is not deceiving them, has been and continues to act in good faith, and that the land title which it offers to leave with them has real value.

4. To convince the Ryukyuan landowners of this, the United States should offer to purchase the land title itself, in addition to determinable estate or easement interest, if the landowner chooses voluntarily to transfer fee title to the United States for a consideration. The United States offer of full fee value for determinable estate should stand; in addition, the United States should offer to purchase the fee title to land indefinitely required for a further consideration of, say, 10 percent of full fee value.

5. All title purchase contracts should convey to the seller or his heirs an option to repurchase, for the further consideration of 10 percent of fee value, fee title to his original holdings at such time as the United States determines that it has no further need for the land. Consideration should be given to providing further that should such option not be exercised, fee title can be acquired at such time by the Government of the Ryukyu Islands for payment of the same consideration.

6. The statement of the Japanese Government quoted above from the

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May cablegram from the United States Ambassador, Tokyo appears to establish clearly that the political considerations which have heretofore dictated that the United States should not obtain fee title to Ryukyuan land can be completely discounted.

CONCLUSIONS:

1. That the United States should maintain the current national policy of making a single, full payment of current fee value for long term interest in Ryukyuan land.

2. That the United States should continue the policy of acquiring determinable estate interest in land required for the indefinite future.

3. That, in addition, the United States should offer to purchase fee title to such land for a further consideration of 10 percent of fee value.

4. That the United States should sponsor the establishment of a Government of the Ryukyu Islands Investment Trust Fund in which land payees may invest their land payments and receive a guaranteed annual return of 6 percent; the United States Civil Administration should be authorized to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting such guaranteed return on landowners' investment.

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OCAMG/E
22 May 1958

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Authority **NND 957418**
By **AB** NARA Date **7/27/05**

NUMBER	FROM	DATE RECEIVED	CLERK	FILE	SUSPENSE DATE
CAMG-O-3246	OCofS	12 Aug 58	Rowley		None
SUMMARY (Type, file number, source, date and subject or short title)					
Summary Sheet dtd 28 Jun 58 Subj: U.S. Policy on Ryukyuan Land Acquisition (U) 2 Incls: Tab A and Tab B					
ROUTING	TO	TO	TO	TO	TO
	Deputy	<i>John Komin</i>			
	DATE	DATE	DATE	DATE	DATE
	12 Aug 58	<i>22 Aug 58</i>			
RECEIPT	RECEIPT	RECEIPT	RECEIPT	RECEIPT	RECEIPT
ACTION TAKEN			REMARKS		

DA FORM 1203 (6-PART)

EDITION OF 1 NOV 54 WILL BE USED UNTIL EXHAUSTED.

CLASSIFIED DOCUMENT MAIL CONTROL RECORD AND RECEIPT (AR 380-5)

2

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Authority **NND 957418**
By **AB** NARA Date **7/27/05**

DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF STAFF

REFERRAL SLIP

(Will remain with correspondence)

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US 093 Ryukyu Islands
(28 Jun 58)

DATE

12 August

OSA	ACSRC	CINFO	COFORD
CLL	TJAG	TPMG	TSG
DCSPER	TIG	CSPWAR	CSIGO
DCSOPS	CNGB	CCAMG	CCMLO
DCSLOG	CRROTC	CMH	COFT
COA	TAG	TQMG	COFF
CRD	COFCH	COFENGR	CGMDW
ACSI			

ATTENTION

NECESSARY ACTION

DIRECT REPLY. COPY
OF REPLY TO

PREPARE (DRAFT) (FINAL) REPLY FOR SIGNATURE

PREPARE SUMMARY SHEET
REPLY TO

NOTE AND (FORWARD) (RETURN)

INFORMATION AND/OR FILE

INFORMATION ON WHICH TO BASE REPLY

TRANSLATION AND RETURN

REPORT ESTIMATED COMPLETION DATE BY

REPORT OF ACTION TAKEN

COORDINATE WITH

Regraded UNCLASSIFIED
when separated from
classified enclosures

XX SEE REVERSE SIDE

SUSPENSE DATE

CASE NUMBER

BY DIRECTION OF THE CHIEF OF STAFF:

J. G. KALERGIS
Lt. Col. GS
Asst Secy of the
General Staff

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SECRET**SUMMARY SHEET**

(DA Memo 340-15)

TO				FOR		FROM	
DCSLOG	COA	CLL		1,2,3	APPROVAL	AGENCY	
1 DCSOPS	ACSI	2 V	CHIEF OF STAFF	4	SIGNATURE	CAMG	
DCSPER	ACSRC	3	Asst. S of A (FM)		COORDINATION	GRADE & NAME OF CONTACT OFFICER	TELEPHONE
CRD	TAG	4	SECRETARY OF THE ARMY			Mr. Nestel	73263

FILE REFERENCE

CAMG-E

SUBJECT

U. S. Policy on Ryukyuan Land Acquisition (U)

DATE

28 June 1958

IMPLICATIONS: (This action involves the implication(s) checked below, detailed discussion of which follows or is attached as separate inclosure(s). These have been considered in the final recommendation.)

☐ PRIMARY PROGRAM☐ MANPOWER☒ BUDGET☐ LEGAL☐ CONGRESSIONAL☐ PUBLIC RELATIONS☐ MORALE☐ SECURITY**DISCUSSION**

1. The purpose of this action is to propose dispatch of a memorandum from the Secretary of the Army to the Secretary of Defense, together with a supporting study, in amplification of the U. S. policy on Ryukyuan land acquisition presented to the Secretary of Defense on 19 June.

2. A comprehensive review of the U. S. land acquisition program (Tab A) concluded that the United States:

a. Continue acquisition of determinable estate interest for land required for the indefinite future through the single payment program;

b. Offer to purchase fee title to such land for a further consideration of 10 percent of fee value; and

c. Sponsor and assure budgetary support for the establishment of a Government of the Ryukyu Islands Investment Trust Fund in which land payees may invest their land payments and receive a guaranteed annual return of 6 percent.

3. On 19 June the Secretary of the Army recommended certain conclusions to the Secretary of Defense. During the course of a meeting, on the same day, the Secretary of Defense stated that he thought the present policy of acquiring long-term interest in Ryukyuan land was sound. He suggested that the Army consider various compensation methods for U. S. acquisition of long-term interest in the land, mentioning the possibility of some acceptable system of paying part of the fee value initially and the balance over a period of years.

4. A number of illustrative modifications of the present method of compensation have been developed (Inclosure 1 to Tab B). The benefits are demonstrated which accrue to a Ryukyuan landowner who elects to avail himself of the opportunity to deposit all or part of his fee value compensation in an Investment Trust Fund so that a guaranteed return of 6 percent, compounded semi-annually, may be generated. Under three different situations presented, the landowner would receive over a 15-year period (chosen for basis of illustration) respectively, \$1,243.60, \$1,913.50 and \$2,427.28. In contrast thereto, were only the annual rental paid over the same period, the landowner would realize only \$900.00

5. Adoption of the plan which the Department of the Army recommended on 19 June, incorporating the refinements as developed in the various plans whereunder the

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GPO O-57-418120

CAMG-0-3246

SECRETCAMG-E SUBJECT: U. S. Policy on Ryukyuan Land Acquisition (U)
TO: DCSOPS, VCS, ASA (FM), SA.

28 June 1958

landowner may withdraw all or part of the principal and return over a period of years, would go a long way toward meeting many of the desires of the Ryukyuan landowners.

6. A memorandum has been prepared for signature of the Secretary of the Army recommending adoption of the Army plan of 19 June with modifications as stated above. (Tab B).

RECOMMENDATION

That the Secretary of the Army dispatch the attached memorandum to the Secretary of Defense.

COORDINATION

COA -

DCSLOG -

LJ (Col. Lee J. Davis) x 53691

- Maj Gen Barney by Col J. E. Pickett 56590

2 Incl

1. Tab A - Review of Land Policy
2. Tab B - Memorandum to Secretary of Defense w/incl

C. K. GAILEY
Major General, USA
Chief

RECOMMEND APPROVAL DCS Ops

JOHN C. OAKES
Major General, GS (AM)
Assistant DCSOPS for
OPERATIONS & PROGRAMS

8961 0 8 NOR

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Authority NND 957418

By AB NARA Date 7/27/05

Tab A - Review of Land
Policy

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REVIEW

POLYGRAPHIC LAND ACQUISITION

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6. Although various aspects of United States land policy have been criticized, principal objection has been raised to the United States making single payment for long term interest in land. However, there are two distinct aspects of this policy which can be distinguished from one another since either one can be modified without necessarily affecting the other. For reasons of clarity these aspects of the policy should be considered distinctly.

SINGLE OR LUMP SUM PAYMENT POLICY

Current United States Policy

It is United States policy to pay lump sum compensation equivalent to full fee value of Ryukyuan land and/or properties in which the United States acquires a long term interest.

Revisionists' Position

a. Outright abandonment of this policy in favor of periodic rental payments is advocated by the Ryukyuan Legislature and various Ryukyuan organizations as well as by the Japanese Government.

b. Compromise of this policy is favored by the Chief Executive of the Government of the Ryukyu Islands and by spokesmen of the United States Department of State, under the proposition that landowners should be given an option between periodic rentals and lump sum payments.

Recommended United States Position

That the United States maintain the current national policy of making a single, full payment of current fee value for long term interest in Ryukyuan land.

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Discussion

1. Opponents of the single payment policy adduce no reasonable, substantive argument against it. Opposition is based, in large part, on the misconception that by accepting single payment the owner actually sells his land. Although he can under present United States policy challenge the compensation offered, acceptance of single payment deprives the landowner of the opportunity to demand periodically that the United States reassess his property and pay him additional compensation on an annual or other term basis.

2. Ryukyuan representatives and the Japanese Government advocate periodic payments based on the same standards used by the Japanese Government for rental of land temporarily required by United States Forces in Japan. The United States Ambassador, Tokyo reported on 13 May that he was informed by the Vice Foreign Minister that the Government of Japan "does not believe abandonment lump sums will yield desired results unless assessment basis of rentals is improved and brought into line with standards used by Japanese Special Procurement Agency. Foreign Office considers this should involve increase in rentals by 1.5 to 2.0 times over formula presently employed." This method of assessment was examined most carefully by the Price Subcommittee and vigorously rejected as a proposal which "transcends any socialistic theory of compensation with which the members of this Subcommittee are familiar. Nothing could be more degenerating to the landowner or less fair to the American taxpayer." It has been estimated variously that such a method would involve an initial cost to the United States of from 1.5 to 7 times the present estimated \$51.1 million required for land acquisition, exclusive of \$6.6 million for resettlement.

3. United States experience in Ryukyuan land rental to date has proven that it is not possible to buy - even at increasing prices - the acceptance of our use of Ryukyuan land. In 1955 land values were increased by 135 percent over the values established in 1952; again, in 1956 and 1957 the United States Land Acquisition Commission granted further increases of 300 percent over 1952. While renewable leases may have the semblance of assured availability of the required land, the United States must face ever increasing costs as well as protests against the United States land program before and following renewal time for the leases.

4. The current United States policy of making single payment is more advantageous to the individual landowner than the former policy of yearly rentals. It was precisely because of this that the Governor of the Ryukyu Islands recommended in December 1953 that the United States make lump sum payments for the land required. He stated that "Due to extreme smallness of plots, averaging less than .9 acres per owner, money received in rent annually is so slight (6 percent of appraised fee value) that it will not enable the owner to re-establish himself." As reported on 21 April 1958 by the United States Consul General, Naha, the Chief Executive of the Ryukyus "stated that if the individual landowner received all at once the considerably larger sum represented by a single payment he could bank

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or invest his money, make use of the interest, and still have a sizeable principal in his possession." In the words of the Price Subcommittee, "This . . . represents the only way in which a landowner can receive an amount of money truly adequate to make him whole, and sufficient for him to move to another area - perhaps another Ryukyuan Island - to support himself while adjusting to another method of earning his livelihood, or to emigrate to other countries . . ."

5. As Chief Executive Thoma has stated, there are at the present time investment opportunities in the Ryukyus which can provide the landowner with a return equivalent or close to the amount he would receive as annual rental on the basis of the current policy of paying rent at the rate of 6 percent of fee value. Moreover, the United States Civil Administration has under consideration and discussion with the Government of the Ryukyu Islands the establishment of an investment trust fund, along the lines suggested by the Price Subcommittee, for land payees, who seek assurance of a safe and fair return on their investment. Such fund would absorb and use for the benefit of the Ryukyuan economy the large input of capital expected under the single payment plan and thereby decrease the requirement for United States grant assistance.

The Civil Administration has concluded, however, that such an investment fund can succeed only if it can offer a guaranteed return of 6 percent to the land payee who chooses to invest his single payment in this manner. On the basis of traditional Ryukyuan interest rates and investment potentialities, guarantee of such a return probably would necessitate only limited subsidization. However, the Government of the Ryukyu Islands should not be expected or even allowed to underwrite such an investment fund without assured financial support from the United States, should such support become necessary for this purpose. Proposed financial legislation for the Ryukyus which has been submitted to the Bureau of the Budget by the Department of the Army would in all probability enable the Army to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting a net 6 percent return on investment in such fund by recipients of single payments.

6. The single payment policy can be of benefit not only to the landowner but to the entire economy of the Ryukyu Islands. Again, it is pertinent to quote the United States Consul General's report of the 15 April interview with Chief Executive Thoma. "Mr. Thoma pointed out that the lump sum system of payment would be extremely beneficial to the Ryukyuan economy. He cited an estimate to the effect that implementation of the lump sum program would make some 5 billion yen (\$41.7 million) immediately available to the Ryukyuan economy. Of this some 2 billion (\$16.7 million) could be absorbed right away by various local economic development programs. If the other 3 billion (\$25 million) were banked at a 6 percent interest rate to the depositor and then re-invested in Japan by the Bank of the Ryukyus at the prevailing 8 to 10 percent rate over there, there would in addition be a continuing financial benefit to

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the Ryukyuan economy. Moreover, the principal would also always be available to finance any further economic programs that might come up."

7. Rather than see these funds attracted to Japan, steps will be taken, as indicated above, to induce their investment at home so that they can be used for much needed Ryukyuan development. In this way the land acquisition program can be employed effectively to enable the Secretary of Defense to discharge the responsibility imposed upon him by Executive Order 10713 to "make every effort to improve the welfare and well-being of the inhabitants of the Ryukyu Islands and . . . to promote the economic and cultural advancement of the inhabitants."

8. Finally, and most importantly, the single payment program carried rapidly to completion will remove what the Price Committee has called "a ready political issue for a small and vociferous minority . . . , an unusually well-adapted vehicle for demagogic confusion." Any periodic rental system on the other hand would merely perpetuate the issue "since it is inevitable that there would be an attempt to obtain even more rental as the time approached for periodic re-evaluation." Again, to quote the Price Report, "Payment of an annual rental, would, among other things, merely continue unrest and dissension by reason of inability to agree as to the rental to be paid each time the property was valued."

9. These consequences of the abandonment of the single payment policy in favor of periodic rentals would follow equally from offering the Ryukyuan landowner an option between the two. Moreover, the landowner's freedom of choice would be more nominal than real. The prevailing emotional, politically-inspired attitude toward single payment would make him the object of strong social pressure to "move with the herd." Even if the landowner could exercise an option objectively and free from emotion, conflict would inevitably result -- and the United States would be the target. Those who chose to accept rental payments would most certainly agitate periodically for higher rentals; those who had chosen single payment would naturally add their clamor for additional, equalizing compensation. The United States would be in the middle.

DETERMINABLE ESTATE ACQUISITION POLICY

Current United States Policy

a. The Executive Branch adopted as United States policy the Price Committee recommendation "that the interest to be acquired in those properties known to be required for the indefinite future be the fee title or such maximum interest as can be acquired under existing law or under such modification as may be made to existing law." The then Commander in Chief, Far East, General Lemnitzer, considered it inadvisable to obtain fee title in any case, even where voluntarily offered. The Departments of Defense and State both agreed that in all cases the United States take a "determinable estate" interest in such property. This gives the

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United States full, exclusive use, possession and enjoyment above, below, and upon the surface of the land concerned until such time as the United States determines it has no further need of the land; ownership or title to the land remains in possession of the landowners.

b. It is also United States policy that whenever in the opinion of the United States the land is no longer required it will be returned to the original owners or their heirs.

Revisionists' Position

As reported by the United States Ambassador, Tokyo, on 13 May 1958, the Japanese Government considers that "Okinawan opposition to determinable estate formula stems from fear that legalistic concept conceals desire to alienate their land permanently." This interpretation of determinable estate as meaning outright sale is evidenced in Resolution No. 7 passed by the Government of the Ryukyu Islands Legislature, 26 September 1957: "Since receipt of lump sum payment means to the landowner that they have actually sold out their land, almost all of them are against the lump sum payment, considering it apart from monetary calculation." (Underlining supplied.)

Recommended United States Position

a. That the United States continue the policy of acquiring determinable estate interest in land required for the indefinite future.

b. That, in addition, the United States offer to purchase fee title to such land for a further consideration of 10 percent of fee value.

Discussion

1. The United States requirement for bases in the Ryukyu Islands cannot be defined as short range. As pointed out by the President in the Eisenhower - Kishi Joint Communique of 21 June 1957 "so long as the conditions of threat and tension exist in the Far East the United States will find it necessary to continue the present status." Because our bases must be retained for the indefinite future our land requirement is of equal duration. In these circumstances it is proper that the United States acquire "the fee title or such maximum interest as can be acquired" in the land which is needed.

2. In pursuing a policy whereby the United States acquires a right to the use but not ownership of the land and yet pays a sum equal to the full and fair value of the entire property this Government is acting in an unusually liberal manner -- but one which has been too little publicized and too greatly obscured. On 4 January 1957, General Lemnitzer, then Governor of the Ryukyu Islands, told the Ryukyuan people, "Whenever the need for the use of the land ceases to exist, the land will be promptly released to the owner, without any repayment by owners." This intention of the United States to return the land taken under determinable estate to the full use and possession of the owners has been restated a number of times since the first public announcement. However, articulate,

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unfriendly spokesmen have found it easy to persuade many Ryukyuan landowners that the title which the United States leaves them is a fiction, that they retain, in fact, nothing. Explanations or declarations by the Governor of the Ryukyu Islands and his first Commissioner successors find strong competition for credibility when the Japanese Government informs Ryukyuans that the United States does not intend to return some land to the owners. That the Japanese Government has done so is reported in a cablegram of 13 May 1953 from the U. S. Ambassador, Tokyo. In reporting the Japanese Government views as to what the United States should do to return land in the condition in which it existed prior to the United States taking, the following is reported without comment: "Japanese Government would suggest that we indicate to Okinawans that when we no longer require permanent installations they will be transferred not to owners but to Japanese Government. . . . For, as Foreign Office has already indicated to visiting Okinawan representatives, there will certainly be some land that will not be returned to owners even if United States were to withdraw from Islands." (Underlining supplied.) This is ample evidence that the type of long term interest which the United States acquires and the liberality of its compensation therefor is misunderstood and obscured.

3. So long as the Ryukyuan landowner believes that the United States is deceiving him regarding the alienation of his land there will be no open acceptance of any United States long term land acquisition policy, or any other United States policy. The Ryukyuan landowners must be made to know that the United States determinable estate policy does not conceal a "desire to alienate their land permanently." It must be objectively demonstrated by positive action, not merely stated, that the United States is not deceiving them, has been and continues to act in good faith, and that the land title which it offers to leave with them has real value.

4. To convince the Ryukyuan landowners of this, the United States should offer to purchase the land title itself, in addition to determinable estate or easement interest, if the landowner chooses voluntarily to transfer fee title to the United States for a consideration. The United States offer of full fee value for determinable estate should stand; in addition, the United States should offer to purchase the fee title to land indefinitely required for a further consideration of, say, 10 percent of full fee value.

5. All title purchase contracts should convey to the seller or his heirs an option to repurchase, for the further consideration of 10 percent of fee value, fee title to his original holdings at such time as the United States determines that it has no further need for the land. Consideration should be given to providing further that should such option not be exercised, fee title can be acquired at such time by the Government of the Ryukyu Islands for payment of the same consideration.

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13 May cablegram from the United States Ambassador, Tokyo appears to establish clearly that the political considerations which have heretofore dictated that the United States should not obtain fee title to Ryukyuan land can be completely discounted.

CONCLUSIONS:

1. That the United States should maintain the current national policy of making a single, full payment of current fee value for long term interest in Ryukyuan land.

2. That the United States should continue the policy of acquiring determinable estate interest in land required for the indefinite future.

3. That, in addition, the United States should offer to purchase fee title to such land for a further consideration of 10 percent of fee value.

4. That the United States should sponsor the establishment of a Government of the Ryukyu Islands Investment Trust Fund in which land payees may invest their land payments and receive a guaranteed annual return of 6 percent; the United States Civil Administration should be authorized to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting such guaranteed return on landowners' investment.

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OCAMG/E
22 May 1958

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Authority NND 957418

By AB NARA Date 7/27/05

Tab B - Memorandum to
Secretary of Defense
w/incl



IN REPLY REFER TO:

SECRETDEPARTMENT OF THE ARMY
WASHINGTON 25, D. C.

MEMORANDUM FOR: SECRETARY OF DEFENSE

SUBJECT: United States Policy on Ryukyuan Land Acquisition (U)

1. In pursuance of the suggestion which you made at our meeting on 19 June I have had the Army Staff develop some refinements of the Army's basic proposal on this subject so that Ryukyuan landowners could elect to receive all of the fee value of their land at one time or accept part of it as a down payment and take the balance in installments over a period of years.
2. I am inclosing a brief study which sets forth the considerations involved, together with tables which illustrate the very considerable financial benefit which would accrue to the landowners who availed themselves of the opportunity to obtain a guaranteed annual compensation.
3. I believe that adoption of the plan which the Department of the Army recommended on 19 June incorporating the refinements of the proposal developed as a result of your suggestion would go a long way toward meeting many of the desires of the Ryukyuan landowners. These refinements as outlined in the conclusion of our study visualize that the Ryukyuan landowner who deposits all or any part of his fee value compensation in a Government of the Ryukyu Islands Investment Trust Fund in order to receive a guaranteed annual compensation will be given the option to withdraw his principal (with reasonable notice) and interest at any time he desires.
4. I suggest that, after we have heard what the members of Chief Executive Thoma's party have to say about the land problem and develop an understanding of their ideas, we keep these approaches in mind in arriving at a conclusion on the land policy review.

1 Incl
StudyWilber M. Brucker
Secretary of the Army**SECRET**

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Authority NND 957418

By AB NARA Date 7/27/05

Inclosure 1 to
Tab B

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CONSIDERATION OF VARIOUS COMPENSATION METHODS FOR U. S.
ACQUISITION OF LONG-TERM INTERESTS IN RYUKYUAN LANDBACKGROUND:

1. In connection with review of the current U. S. policy regarding land acquisition in the Ryukyus, on 19 June 1958 the Secretary of the Army made the following recommendations to the Secretary of Defense:

a. That the United States should maintain the current national policy of making a single, full payment of current fee value for long-term interests in Ryukyuan land.

b. That the United States should continue the policy of acquiring determinable estate interests in land required for the indefinite future.

c. That, in addition, the United States should offer to purchase fee title to such land for a further consideration of 10% of fee value.

d. That the United States should sponsor the establishment of a Government of the Ryukyu Islands Investment Trust Fund in which land payees may invest their land payments and receive a guaranteed annual return of 6%; the United States Civil Administration should be authorized to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting such guaranteed return on landowners' investment.

2. At a meeting held on 19 June 1958 in connection with this problem, the Secretary of Defense stated that he thought the present system of acquiring long-term interests in Ryukyuan land was sound, and that possibly some acceptable system of paying part of the fee value initially and the balance in installments over a period of years could be developed. The Secretary of the Army stated that some suggestions along this line would be developed for presentation to the Secretary of Defense.

DISCUSSION:

1. At present, the only method employed by the United States in acquiring long-term interests in Ryukyuan land is that, subsequent to a declaration of taking, the current fee value is deposited in the Bank of the Ryukyus in the name of the landowner. The landowner may withdraw the full amount, thus indicating his satisfaction with the fee value as determined by the United States. As an alternative, he may withdraw 75% of the amount deposited to his credit and institute an appeal to the United States Civil Administration of the Ryukyu Islands (USCAR) Land Court for the award of a higher amount. Annual rental payments (which are at the rate of 6% of the fee value) cease with the deposit of the current fee value to the landowner's credit.

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2. The presently employed method of compensation is advantageous to the United States in that acquisition is completed and liability for further compensation is terminated upon the deposit of the current fee value. However, the bulk of the Ryukyuan landowners have expressed strong dissatisfaction with the receipt of a single full payment in the amount of current fee value. Instead, they have expressed a desire to remain on an annual rental payment basis. In part, this attitude stems from the fear which has been engendered in the landowners (despite U. S. assurances to the contrary) that their land will never be returned to them if they accept a payment of current full fee value. If this fear is allayed, it must be assumed that the landowner who insists on receiving only an annual rental hopes thus to receive, over an extended period of years, an amount in excess of the fee value. The modifications of the present method of compensation which are proposed would be helpful both in allaying the landowner's fears concerning his ultimate recovery of his land and in providing a mechanism whereby a guaranteed annual compensation (in lieu of his presently received annual rental which is computed at the rate of 6% of fee value of the land) could be afforded to the landowners so desiring.

3. The attached Tables I, II and III illustrate, on varying bases, the benefits which would accrue to a Ryukyuan landowner who elected to avail himself of the opportunity to deposit all or part of his compensation in an Investment Trust Fund so that a guaranteed interest of 6%, compounded semi-annually, may be generated. For purposes of comparability, a fee value of \$1,000 and a period of 15 years is considered in each case. For purposes of further comparison, the attached Table IV shows the annual amount which the landowner would receive if his current level of rental were continued over a 15-year period.

4. Table I illustrates the situation wherein the landowner elects to receive one-half the fee value in hand initially with the balance deposited to his credit in the Investment Trust Fund, to be paid to him in 15 annual equal installments together with the accrued 6% interest, compounded semi-annually. At the end of the 15-year period he will have received his full \$1,000 fee value plus \$243.60 in accrued interest. Under this illustration, his equity in the Investment Trust Fund will terminate at the end of the 15-year period and he will receive no further income from this source. He will of course recover his land when the U. S. no longer requires it.

5. Table II illustrates the situation wherein the landowner elects to have the full amount of his fee value compensation deposited to his credit in the Investment Trust Fund and retained there for a 15-year period. Each year he withdraws the accrued 6% interest, compounded semi-annually. At the end of the 15-year period this landowner has his \$1,000 fee value still in hand and he has received each year the accrued interest totalling \$913.50 (slightly higher than his present rental receipts as shown in Table IV). If he desired he could, of course, retain his principal in the Investment Trust Fund beyond the 15-year period with a guaranteed 6% annual interest for so long as the United States continued to use his land. He will recover his land when the United States no longer requires it.

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6. Table III illustrates the situation wherein the landowner elects to retain the full fee value compensation and all accrued interest within the Trust Fund. It will be noted that, on this basis, his principal will have doubled in 12 years and his equity after a 15-year period will have risen from \$1,000 to \$2,427.28.

7. For purposes of comparison Table IV illustrates the situation wherein the landowner continues to receive only an annual rental at the present rate of payment. In 15 years he will have received \$900.

8. Rental currently paid in the Ryukyus by the United States for agricultural land is computed on a net productivity basis. For this purpose, the gross yield is monetized and the out-of-pocket expenses and 70% of family labor expense is deducted to obtain the net yield, which is the rental paid. Ryukyuan owners of agricultural land have protested inclusion of any part of their family labor expense in this calculation. For purposes of further comparison Table V is attached to show the agricultural rental which would be received over a 15-year period if nothing were deducted for family labor expense. The amount thus received would be \$1,992.75. Reference to Tables II and III indicates that benefits equaling or exceeding even this extreme form of Ryukyuan request could accrue to the landowner through retention of the full amount of his fee value compensation in the Investment Trust Fund.

9. It is evident from the foregoing that the desire of some Ryukyuan landowners to continue to receive an annual income at least as high as the level of their present rentals can be met if an Investment Trust Fund guaranteeing a 6% annual return is created and utilized as proposed. Ryukyuan landowners could be accorded the opportunity of depositing any part of their fee value compensations in the Investment Trust Fund to be retained therein for any period of years they might elect (such as 5, 12 or 58 years) to generate a guaranteed 6% annual interest. Retention of interest accruals within the Fund or periodic withdrawals could also be at the option of the landowner. At his option, the landowner could retain his fee value compensation in the Investment Trust Fund with a guaranteed 6% annual return for so long as the United States continued to use his land.

10. A landowner depositing all or any part of his fee value compensation in a Government of the Ryukyu Islands Investment Trust Fund in order to receive a guaranteed annual compensation of 6% should be given the option to withdraw his principal (with reasonable notice) and interest at any time he desires.

11. The accomplishment of the foregoing will require approval of the Budget Bureau and the Congress so that the United States Civil Administration can be authorized to guarantee such returns on the landowners' investments.

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~~SECRET~~CONCLUSION:

That adoption of the plan which the Department of the Army recommended on 19 June, incorporating the following refinements as developed above, is the most practical and equitable solution of the land problem and will go a long way toward meeting many of the desires of the Ryukyuan landowners:

Each Ryukyuan landowner to be accorded the opportunity of:

- a. Receiving any part of his fee value compensation he desires, depositing the remainder in a Government of the Ryukyu Islands Investment Trust Fund to be returned to him in yearly installments over a specified number of years he might elect (such as 5, 12, or 58 years), the amount remaining in the Trust Fund to generate a guaranteed 6% annual interest. The return of the land by the United States to the landowner would terminate the arrangement, the landowner collecting the entire amount of his compensation remaining in the Trust Fund.
- b. Same as a, except that the amount of compensation he has deposited in the Trust Fund will remain therein for the set period of years he elects and will accumulate and generate a guaranteed rate of 6% interest.
- c. Depositing his full compensation in the Investment Trust Fund with the guaranteed 6% annual return for so long as the United States continues to use the land.
- d. Retaining interest accruals within the fund or periodic withdrawal of same at his option.
- e. Withdrawing his principal and/or accrued interest (with reasonable notice) at any time.

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By AB NARA Date 7/27/05

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TABLE I

FEE VALUE \$1,000. ONE-HALF PAID INITIALLY. BALANCE DEPOSITED IN TRUST FUND AND PAID ANNUALLY OVER 15 YEAR PERIOD WITH 6% INTEREST ON TRUST FUND BALANCE, COMPOUNDED SEMI-ANNUALLY

YEAR	INITIAL PAYMENT	TRUST FUND BALANCE	ANNUAL PAYMENTS		TOTAL
			PRINCIPAL	INTEREST	
1	\$ 500.00	\$ 500.00	\$ 33.33	\$ 30.45	\$ 63.78
2		466.67	33.33	28.42	61.75
3		433.34	33.33	26.39	59.72
4		400.01	33.33	24.36	57.69
5		366.68	33.33	22.33	55.66
6		333.35	33.33	20.30	53.63
7		300.02	33.33	18.27	51.60
8		266.69	33.33	16.24	49.57
9		233.36	33.33	14.21	47.54
10		200.03	33.33	12.18	45.51
11		166.67	33.33	10.15	43.48
12		133.37	33.33	8.12	41.45
13		100.04	33.33	6.09	39.42
14		66.71	33.33	4.06	37.39
15		33.38	33.38	2.03	35.41
<hr/>					
TOTAL	\$ 500.00	0.00	\$500.00	\$243.60	\$743.60

TOTAL RECEIVED OVER 15 YEAR PERIOD - \$1,243.60

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TABLE II

FEE VALUE \$1,000. PAID INTO TRUST FUND AND RETAINED FOR 15 YEAR PERIOD. 6% INTEREST, COMPOUNDED SEMI-ANNUALLY, WITH-DRAWN EACH YEAR.

<u>YEAR</u>	<u>TRUST FUND BALANCE</u>	<u>INTEREST</u>
1	\$ 1,000.00	\$ 60.90
2		60.90
3		60.90
4		60.90
5		60.90
6		60.90
7		60.90
8		60.90
9		60.90
10		60.90
11		60.90
12		60.90
13		60.90
14		60.90
15		60.90
TOTAL	\$ 1,000.00	\$913.50

TOTAL RECEIVED OVER 15 YEAR PERIOD - \$1,913.50

SECRET

SECRET

TABLE III

FEE VALUE \$1,000. PAID INTO TRUST FUND AND PRINCIPAL AND INTEREST AT 6%, COMPOUNDED SEMI-ANNUALLY, RETAINED FOR 15 YEAR PERIOD.

<u>YEAR</u>	<u>TRUST FUND BALANCE</u>	<u>INTEREST</u>
1	\$ 1,060.90	\$ 60.90
2	1,125.51	64.61
3	1,194.06	68.55
4	1,266.78	72.72
5	1,343.92	77.14
6	1,425.77	81.85
7	1,512.60	86.83
8	1,604.72	92.12
9	1,702.45	97.73
10	1,806.13	103.68
11	1,916.12	109.99
12	2,032.81	116.69
13	2,156.60	123.79
14	2,287.94	131.34
15	2,427.28	139.34
TOTAL		\$1,427.28

TOTAL EQUITY AFTER 15 YEARS - \$ 2,427.28

SECRET

SECRET

TABLE IV

FEE VALUE \$1,000. ANNUAL RENTAL PAID FOR 15 YEAR PERIOD.

<u>YEAR</u>	<u>RENTAL</u>
1	\$ 60.00
2	60.00
3	60.00
4	60.00
5	60.00
6	60.00
7	60.00
8	60.00
9	60.00
10	60.00
11	60.00
12	60.00
13	60.00
14	60.00
15	60.00
TOTAL RECEIVED OVER 15 YEAR PERIOD	<u>\$900.00</u>

SECRET

SECRET

TABLE V

FEE VALUE \$1,000. ANNUAL RENTAL PAID FOR 15 YEAR PERIOD
(NO DEDUCTION MADE FOR FAMILY LABOR EXPENSE)

<u>YEAR</u>	<u>RENTAL</u>
1	\$ 132.85
2	132.85
3	132.85
4	132.85
5	132.85
6	132.85
7	132.85
8	132.85
9	132.85
10	132.85
11	132.85
12	132.85
13	132.85
14	132.85
15	132.85

TOTAL RECEIVED
OVER 15 YEAR PERIOD

\$ 1,992.75

SECRET

Mr. O'Flaherty _____
Colonel Hogan _____
Mr. Wohl _____
Mr. Nestel _____

1,2,3 APPROPRIAL
4 SIGNATURE

1 DODOPS

2 V CHIEF OF STAFF
3 Asst SA (FM)

4 SECRETARY OF THE ARMY

CAME

Mr. Nestel

73263

CAND-E

U. S. Policy on Ryukyuan Land Acquisition (U)

28 June 1958

X BUDGET

DISCUSSION

1. The purpose of this action is to propose dispatch of a memorandum from the Secretary of the Army to the Secretary of Defense, together with a supporting study, in amplification of the U. S. policy on Ryukyuan land acquisition presented to the Secretary of Defense on 19 June.

2. A comprehensive review of the U. S. land acquisition program (Tab A) concluded that the United States:

a. Continue acquisition of determinable estate interest for land required for the indefinite future through the single payment program;

b. Offer to purchase fee title to such land for a further consideration of 10 percent of fee value; and

c. Sponsor and assure budgetary support for the establishment of a Government of the Ryukyu Islands Investment Trust Fund in which land payees may invest their land payments and receive a guaranteed annual return of 6 percent.

3. On 19 June the Secretary of the Army recommended certain conclusions to the Secretary of Defense. During the course of a meeting, on the same day, the Secretary of Defense stated that he thought the present policy of acquiring long-term interest in Ryukyuan land was sound. He suggested that the Army consider various compensation methods for U. S. acquisition of long-term interest in the land, mentioning the possibility of some acceptable system of paying part of the fee value initially and the balance over a period of years.

4. A number of illustrative modifications of the present method of compensation have been developed (Inclosure 1 to Tab B). The benefits are demonstrated which accrue to a Ryukyuan landowner who elects to avail himself of the opportunity to deposit all or part of his fee value compensation in an Investment Trust Fund so that a guaranteed return of 6 percent, compounded semi-annually, may be generated. Under three different situations presented, the landowner would receive over a 15-year period (chosen for basis of illustration) respectively, \$1,243.60, \$1,913.50 and \$2,427.28. In contrast thereto, were only the annual rental paid over the same period, the landowner would realize only \$900.00

5. Adoption of the plan which the Department of the Army recommended on 19 June, incorporating the refinements as developed in the various plans whereunder the

Permitted Date Control to Problem

92M8-0-3246

Authority **NND 957418**By **AB** NARA Date **7/27/05****SECRET**

CAMG-E SUBJECT: U. S. Policy on Ryukyuan Land Acquisition (U)
 TO: DCSOPS, VCS, ASA (FM), SA.

27 June 1958

landowner may withdraw all or part of the principal and return over a period of years, would go a long way toward meeting many of the desires of the Ryukyuan landowners.

6. A memorandum has been prepared for signature of the Secretary of the Army recommending adoption of the Army plan of 19 June with modifications as stated above. (Tab B).

RECOMMENDATION

That the Secretary of the Army dispatch the attached memorandum to the Secretary of Defense.

COORDINATION

COA -

DCSLOG -

2 Incl

1. Tab A - Review of Land Policy
2. Tab B - Memorandum to Secretary of Defense w/incl

C. K. GALEY
 Major General, USA
 Chief

RECOMMEND APPROVAL DCS Ops

APPROVED
 [Signature]
 [Stamp]

[Stamp]

DECLASSIFIED

Authority NND 957418

By AB NARA Date 7/27/05

The Following Document(s) is/are
Illegible.



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lw

The Okinawa Prefectural Archives

CAGB, Bq DA

Mr. E. W. O'Flaherty/mla/cbt
Ext 73260 28 Jun 58

MEMORANDUM FOR: SECRETARY OF DEFENSE

SUBJECT: United States Policy on Ryukyuan Land Acquisition (C)

1. In pursuance of the suggestion which you made at our meeting on 19 June I have had the Army Staff develop some refinements of the Army's basic proposal on this subject so that Ryukyuan landowners could elect to receive all of the fee value of their land at one time or accept part of it as a down payment and take the balance in installments over a period of years.

2. I am enclosing a brief study which sets forth the considerations involved, together with tables which illustrate the very considerable financial benefit which would accrue to the landowners who availed themselves of the opportunity to obtain a guaranteed annual compensation.

3. I believe that adoption of the plan which the Department of the Army recommended on 19 June incorporating the refinements of the proposal developed as a result of your suggestion would go a long way toward meeting many of the desires of the Ryukyuan landowners. These refinements as outlined in the conclusion of our study visualize that the Ryukyuan landowner who deposits all or any part of his fee value compensation in a Government of the Ryukyu Islands Investment Trust Fund in order to receive a guaranteed annual compensation will be given the option to withdraw his principal (with reasonable notice) and interest at any time he desires.

4. I suggest that, after we have heard what the members of Chief Executive Tanaka's party have to say about the land problem and develop an understanding of their ideas, we keep these approaches in mind in arriving at a conclusion on the land policy review.

I Incl
Study

Walter B. Grueber
Secretary of the Army

Approved for Release by NSA on 09-10-2013 pursuant to E.O. 13526

SECRET

CAGS, Bq DA

Mr. E. W. O'Flaherty/min/cbt

Ext 73260 26 Jun 58

MEMORANDUM FOR: SECRETARY OF DEFENSE**SUBJECT: United States Policy on Ryukyuan Land Acquisition (C)**

1. In pursuance of the suggestion which you made at our meeting on 19 June I have had the Army Staff develop some refinements of the Army's basic proposal on this subject so that Ryukyuan landowners could elect to receive all of the fee value of their land at one time or accept part of it as a down payment and take the balance in installments over a period of years.

2. I am enclosing a brief study which sets forth the considerations involved, together with tables which illustrate the very considerable financial benefit which would accrue to the landowners who availed themselves of the opportunity to obtain a guaranteed annual compensation.

3. I believe that adoption of the plan which the Department or the Army recommended on 19 June incorporating the refinements of the proposal developed as a result of your suggestion would go a long way toward meeting many of the desires of the Ryukyuan landowners. These refinements as outlined in the conclusion of our study visualize that the Ryukyuan landowner who deposits all or any part of his fee value compensation in a Government of the Ryukyu Islands Investment Trust Fund in order to receive a guaranteed annual compensation will be given the option to withdraw his principal (with reasonable notice) and interest at any time he desires.

4. I suggest that, after we have heard what the members of Chief Executive Tamm's party have to say about the land problem and develop an understanding of their ideas, we keep these approaches in mind in arriving at a conclusion on the land policy review.

I Incl
Study

Wilbur L. Brucker
Secretary of the Army

SECRET

Regarding Data Cannot Be Reconstructed

CONSIDERATION OF VARIOUS COMPENSATION METHODS FOR U. S.
ACQUISITION OF LONG-TERM INTERESTS IN RYUKYUAN LAND

BACKGROUND:

1. In connection with review of the current U. S. policy regarding land acquisition in the Ryukyus, on 19 June 1958 the Secretary of the Army made the following recommendations to the Secretary of Defense:

a. That the United States should maintain the current national policy of making a single, full payment of current fee value for long-term interests in Ryukyuan land.

b. That the United States should continue the policy of acquiring determinable estate interests in land required for the indefinite future.

c. That, in addition, the United States should offer to purchase fee title to such land for a further consideration of 10% of fee value.

d. That the United States should sponsor the establishment of a Government of the Ryukyu Islands Investment Trust Fund in which land payees may invest their land payments and receive a guaranteed annual return of 6%; the United States Civil Administration should be authorized to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting such guaranteed return on landowner's investment.

2. At a meeting held on 19 June 1958 in connection with this problem, the Secretary of Defense stated that he thought the present system of acquiring long-term interests in Ryukyuan land was sound, and that possibly some acceptable system of paying part of the fee value initially and the balance in installments over a period of years could be developed. The Secretary of the Army stated that some suggestions along this line would be developed for presentation to the Secretary of Defense.

DISCUSSION:

1. At present, the only method employed by the United States in acquiring long-term interests in Ryukyuan land is that, subsequent to a declaration of taking, the current fee value is deposited in the Bank of the Ryukyus in the name of the landowner. The landowner may withdraw the full amount, thus indicating his satisfaction with the fee value as determined by the United States. As an alternative, he may withdraw 75% of the amount deposited to his credit and institute an appeal to the United States Civil Administration of the Ryukyu Islands (USCAR) Land Court for the award of a higher amount. Annual rental payments (which are at the rate of 6% of the fee value) cease with the deposit of the current fee value to the landowner's credit.

2. The presently employed method of compensation is advantageous to the United States in that acquisition is completed and liability for further compensation is terminated upon the deposit of the current fee value. However, the bulk of the Ryukyuan landowners have expressed strong dissatisfaction with the receipt of a single full payment in the amount of current fee value. Instead, they have expressed a desire to remain on an annual rental payment basis. In part, this attitude stems from the fear which has been engendered in the landowners (despite U. S. assurances to the contrary) that their land will never be returned to them if they accept a payment of current full fee value. If this fear is allayed, it must be assumed that the landowner who insists on receiving only an annual rental hopes thus to receive, over an extended period of years, an amount in excess of the fee value. The modifications of the present method of compensation which are proposed would be helpful both in allaying the landowner's fears concerning his ultimate recovery of his land and in providing a mechanism whereby a guaranteed annual compensation (in lieu of his presently received annual rental which is computed at the rate of 6% of fee value of the land) could be afforded to the landowners so desiring.

3. The attached Tables I, II and III illustrate, on varying bases, the benefits which would accrue to a Ryukyuan landowner who elected to avail himself of the opportunity to deposit all or part of his compensation in an Investment Trust Fund so that a guaranteed interest of 6%, compounded semi-annually, may be generated. For purposes of comparability, a fee value of \$1,000 and a period of 15 years is considered in each case. For purposes of further comparison, the attached Table IV shows the annual amount which the landowner would receive if his current level of rental were continued over a 15-year period.

4. Table I illustrates the situation wherein the landowner elects to receive one-half the fee value in hand initially with the balance deposited to his credit in the Investment Trust Fund, to be paid to him in 15 annual equal installments together with the accrued 6% interest, compounded semi-annually. At the end of the 15-year period he will have received his full \$1,000 fee value plus \$243.60 in accrued interest. Under this illustration, his equity in the Investment Trust Fund will terminate at the end of the 15-year period and he will receive no further income from this source. He will of course recover his land when the U. S. no longer requires it.

5. Table II illustrates the situation wherein the landowner elects to have the full amount of his fee value compensation deposited to his credit in the Investment Trust Fund and retained there for a 15-year period. Each year he withdraws the accrued 6% interest, compounded semi-annually. At the end of the 15-year period this landowner has his \$1,000 fee value still in hand and he has received each year the accrued interest totalling \$913.50 (slightly higher than his present rental receipts as shown in Table IV). If he desired he could, of course, retain his principal in the Investment Trust Fund beyond the 15-year period with a guaranteed 6% annual interest for so long as the United States continued to use his land. He will recover his land when the United States no longer requires it.

6. Table III illustrates the situation wherein the landowner elects to retain the full fee value compensation and all accrued interest within the Trust Fund. It will be noted that, on this basis, his principal will have doubled in 12 years and his equity after a 15-year period will have risen from \$1,000 to \$2,427.26.

7. For purposes of comparison Table IV illustrates the situation wherein the landowner continues to receive only an annual rental at the present rate of payment. In 15 years he will have received \$900.

8. Rental currently paid in the Ryukyus by the United States for agricultural land is computed on a net productivity basis. For this purpose, the gross yield is ascertained and the out-of-pocket expenses and 70% of family labor expense is deducted to obtain the net yield, which is the rental paid. Ryukyuan owners of agricultural land have protested inclusion of any part of their family labor expense in this calculation. For purposes of further comparison Table V is attached to show the agricultural rental which would be received over a 15-year period if nothing were deducted for family labor expense. The amount thus received would be \$1,992.75. Reference to Tables II and III indicates that benefits equaling or exceeding even this extreme form of Ryukyuan request could accrue to the landowner through retention of the full amount of his fee value compensation in the Investment Trust Fund.

9. It is evident from the foregoing that the desire of some Ryukyuan landowners to continue to receive an annual income at least as high as the level of their present rentals can be met if an Investment Trust Fund guaranteeing a 6% annual return is created and utilized as proposed. Ryukyuan landowners could be accorded the opportunity of depositing any part of their fee value compensations in the Investment Trust Fund to be retained therein for any period of years they might elect (such as 5, 12 or 30 years) to generate a guaranteed 6% annual interest. Retention of interest accruals within the Fund or periodic withdrawals could also be at the option of the landowner. At his option, the landowner could retain his fee value compensation in the Investment Trust Fund with a guaranteed 6% annual return for so long as the United States continued to use his land.

10. A landowner depositing all or any part of his fee value compensation in a Government of the Ryukyu Islands Investment Trust Fund in order to receive a guaranteed annual compensation of 6% should be given the option to withdraw his principal (with reasonable notice) and interest at any time he desires.

11. The accomplishment of the foregoing will require approval of the Budget Bureau and the Congress so that the United States Civil Administration can be authorized to guarantee such returns on the landowners' investments.

CONCLUSION:

That adoption of the plan which the Department of the Army recommended on 19 June, incorporating the following refinements as developed above, is the most practical and equitable solution of the land problem and will go a long way toward meeting many of the desires of the Ryukyuan landowners:

Each Ryukyuan landowner to be accorded the opportunity of:

- a. Receiving any part of his fee value compensation he desires, depositing the remainder in a Government of the Ryukyu Islands Investment Trust Fund to be returned to him in yearly installments over a specified number of years he might elect (such as 5, 12, or 50 years), the amount remaining in the Trust Fund to generate a guaranteed 6% annual interest. The return of the land by the United States to the landowner would terminate the arrangement, the landowner collecting the entire amount of his compensation remaining in the Trust Fund.
- b. Same as a, except that the amount of compensation he has deposited in the Trust Fund will remain therein for the set period of years he elects and will accumulate and generate a guaranteed rate of 6% interest.
- c. Depositing his full compensation in the Investment Trust Fund with the guaranteed 6% annual return for so long as the United States continues to use the land.
- d. Retaining interest accruals within the fund or periodic withdrawal of same at his option.
- e. Withdrawing his principal and/or accrued interest (with reasonable notice) at any time.

TABLE I

FEE VALUE \$1,000. ONE-HALF PAID INITIALLY. BALANCE DEPOSITED IN TRUST FUND AND PAID ANNUALLY OVER 15 YEAR PERIOD WITH 6% INTEREST ON TRUST FUND BALANCE, COMPOUNDED SEMI-ANNUALLY

YEAR	INITIAL PAYMENT	TRUST FUND BALANCE	ANNUAL PAYMENTS		TOTAL
			PRINCIPAL	INTEREST	
1	\$ 500.00	\$ 500.00	\$ 33.33	\$ 30.45	\$ 63.78
2		466.67	33.33	28.42	61.75
3		433.34	33.33	26.39	59.72
4		400.01	33.33	24.36	57.69
5		366.68	33.33	22.33	55.66
6		333.35	33.33	20.30	53.63
7		300.02	33.33	18.27	51.60
8		266.69	33.33	16.24	49.57
9		233.36	33.33	14.21	47.54
10		200.03	33.33	12.18	45.51
11		166.70	33.33	10.15	43.48
12		133.37	33.33	8.12	41.45
13		100.04	33.33	6.09	39.42
14		66.71	33.33	4.06	37.39
15		33.38	33.33	2.03	35.41
<hr/>					
TOTAL	\$ 500.00	0.00	\$500.00	\$243.60	\$743.60

TOTAL RECEIVED OVER 15 YEAR PERIOD - \$1,243.60

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TABLE II

FEE VALUE \$1,000. PAID INTO TRUST FUND AND RETAINED FOR 15 YEAR PERIOD. 6% INTEREST, COMPOUNDED SEMI-ANNUALLY, WITH-DRAWN EACH YEAR.

<u>YEAR</u>	<u>TRUST FUND BALANCE</u>	<u>INTEREST</u>
1	\$ 1,000.00	\$ 60.90
2		60.90
3		60.90
4		60.90
5		60.90
6		60.90
7		60.90
8		60.90
9		60.90
10		60.90
11		60.90
12		60.90
13		60.90
14		60.90
15		60.90
TOTAL	\$ 1,000.00	\$913.50

TOTAL RECEIVED OVER 15 YEAR PERIOD - \$1,913.50

SECRET

TABLE III

FEE VALUE \$1,000. PAID INTO TRUST FUND AND PRINCIPAL AND INTEREST AT 6%, COMPOUNDED SEMI-ANNUALLY, RETAINED FOR 15 YEAR PERIOD.

<u>YEAR</u>	<u>TRUST FUND BALANCE</u>	<u>INTEREST</u>
1	\$ 1,060.90	\$ 60.90
2	1,125.51	64.61
3	1,194.06	68.35
4	1,266.78	72.72
5	1,343.92	77.14
6	1,425.77	81.65
7	1,512.60	86.33
8	1,604.72	92.12
9	1,702.45	97.73
10	1,806.13	103.68
11	1,916.12	109.95
12	2,032.61	116.50
13	2,156.60	123.79
14	2,287.94	131.34
15	2,427.28	139.34
TOTAL		\$1,427.28

TOTAL EQUITY AFTER 15 YEARS - \$ 2,427.28

SECRET

TABLE IV

FEE VALUE \$1,000. ANNUAL RENTAL PAID FOR 15 YEAR PERIOD.

<u>YEAR</u>	<u>RENTAL</u>
1	\$ 60.00
2	60.00
3	60.00
4	60.00
5	60.00
6	60.00
7	60.00
8	60.00
9	60.00
10	60.00
11	60.00
12	60.00
13	60.00
14	60.00
15	60.00

TOTAL RECEIVED
OVER 15 YEAR PERIOD

\$900.00

SECRET

SECRET**TABLE V**

**FEE VALUE \$1,000. ANNUAL RENTAL PAID FOR 15 YEAR PERIOD
(NO DEDUCTION MADE FOR FAMILY LABOR EXPENSE)**

<u>YEAR</u>	<u>RENTAL</u>
1	\$ 132.85
2	132.85
3	132.85
4	132.85
5	132.85
6	132.85
7	132.85
8	132.85
9	132.85
10	132.85
11	132.85
12	132.85
13	132.85
14	132.85
15	132.85

**TOTAL RECEIVED
OVER 15 YEAR PERIOD**

\$ 1,992.75

SECRET

SECRET**SUMMARY SHEET**

(DA Memo 340-15)

TO				FOR		FROM	
DCSLOG	COA	CLL		1, 2	APPROVAL	AGENCY	
DCSOPS	ACSI	2-4	CHIEF OF STAFF		SIGNATURE	CAMG	
DCSPER	ACSRC		S OF A		COORDINATION	GRADE & NAME OF CONTACT	TELEPHONE
CRD	TAG		SECRETARY OF THE ARMY			Mr. A. Nestel	73263

FILE REFERENCE	SUBJECT	DATE
CAMG-E	Land Acquisition in the Ryukyu Islands (U)	26 Jun 58

IMPLICATIONS: (This action involves the implication(s) checked below, detailed discussion of which follows or is attached as separate inclosure(s). These have been considered in the final recommendation.) **No Implications**

☐ PRIMARY PROGRAM☐ MANPOWER☐ BUDGET☐ LEGAL☐ CONGRESSIONAL☐ PUBLIC RELATIONS☐ MORALE☐ SECURITY**DISCUSSION**

1. The purpose of this action is to obtain approval of a proposed cablegram to the High Commissioner of the Ryukyu Islands (HICOMRY), (a) expressing appreciation for his observations, (b) assuring him that the Government of the Ryukyu Islands (GRI) Chief Executive will not be confronted with a United States decision on the land policy and (c) informing him that every effort will be made to have him make the announcement of the final decision.

2. A copy of the Department of the Army's review of the policy on the Ryukyuan land acquisition program (Tab A) was forwarded to HICOMRY on 11 June 1958. His comment submitted to the Department of the Army on 21 June 1958 (Tab B) includes the recommendation that the Thoma group not be confronted with an established U.S. position.

3. A cablegram to HICOMRY (Tab C) has been prepared:

a. Expressing appreciation for the valuable observations and recommendations he had furnished to the Department of the Army;

b. Advising him that it is not the intention to confront Mr. Thoma (GRI Chief Executive) and party with any pre-determined U.S. position but rather afford them every opportunity to present their views, endeavor to elicit a statement of what they really want and then weigh carefully all that has been gathered in discussions before coming to any definite U.S. position.

c. Informing him that every effort will be made to have the announcement of the final decision made by the High Commissioner.

RECOMMENDATION

That the attached proposed cablegram be approved. *Sec DA 144190 - 1 Jul 58*

COORDINATION

None required.

**SUMMARY OF ACTION
NOT REQUIRED**

3 Incl

1. Tab A - Review of land policy.
2. Tab B - HICOMRY comments of 21 Jun 58
3. Tab C - Proposed cablegram to HICOMRY

C. K. Gailley
C. K. GAILLEY
Major General, USA
Chief

Approved:
For the Chief of Staff by

John C. Oakes
JOHN C. OAKES
Major General, GS
Assistant DCSOPS for
OPERATIONS & PROGRAMS

SECRET

2807566

JUL 1 1958

DA FORM 520
1 FEB 57

PREVIOUS EDITIONS OF THIS FORM ARE OBSOLETE

GPO O - 57 - 418120

CAMG-0-3744

DECLASSIFIED

Authority NND 957418
By AB NARA Date 7/27/05

TAB A - DA Review of
Land Policy

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REVIEW

POLICY ON RYUKYUAN LAND ACQUISITION

BACKGROUND:

1. On 30 April 1953 the Joint Chiefs of Staff reaffirmed the strategic importance of Okinawa. They restated the essentiality of our bases in the Ryukyus and stressed the great advantage which the United States derives from the fact we can act there independently of the political disposition of any foreign sovereign power. It is for these strategic bases that the United States requires Ryukyuan land.

2. Since the issuance of the JCS Directive on Administration of the Ryukyu Islands, 4 October 1950, the United States has compensated private owners for land required for our military bases. This compensation was paid in the form of annual rentals until 1957 when the United States adopted the policy of making a single or "lump sum" payment to each owner for the long term use of his land, continuing rental payment for the use of land which is not required on a long term basis. In return for the single payment the United States acquires an estate wherein title and ownership remain vested in the landowner and the United States receives full, exclusive use, possession and enjoyment above, below, and upon the surface of the land concerned until such time as the United States determines it has no further need of the land.

3. This method of land acquisition was adopted by agreement of the concerned Executive agencies and conforms closely to the recommendations of a special subcommittee of the House Armed Services Committee which made an intensive study of the subject. This subcommittee, headed by Congressman Melvin Price, recommended in June 1956, "That the interest to be acquired in those properties known to be required for the indefinite future be the fee title or such maximum interest as can be acquired under existing law or under such modification as may be made to existing law. Where fee title or an interest closely approximating fee title is acquired, full fair value of the property, in accordance with valuation procedures set out elsewhere in this report, should be paid." Current United States policy differs from the recommendation of the Congressional Subcommittee in that the United States does not acquire fee title to any Ryukyuan land. This decision was reached after careful consideration by the Department of Defense and the Commander in Chief, Far East, then General Lemnitzer, of the peoples' deep seated attachment to their land, and of the political inferences which would be drawn by the Japanese government. The Department of State strongly supported the change also.

4. United States policy of acquiring long term interest in privately owned Ryukyuan land and making single payment therefor has been inflated into a major political issue in the Ryukyu Islands. Moreover, this United States policy was considered by the Departments of

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Defense and State to have such political significance in Okinawa and Japan that the High Commissioner of the Ryukyu Islands was instructed by the Department of Defense to announce to the Ryukyuan Legislature on 11 April 1958 that "the Departments of Defense and State are currently reviewing the single payment land policy." This action was intended to quiet discussion of the matter in the Ryukyus and to soft-pedal it as an issue to be exploited in general elections in Japan, scheduled for 22 May.

5. The Ryukyuan Legislature, the Japanese Government and the Department of State contend that the United States policy on Ryukyuan land acquisition should be revised. The Department of Defense has agreed to review the current policy but is not committed to any revision. Because of the intimate participation of the House Armed Services Committee in the development and adoption of the basic United States land policy, that Committee should be consulted should any important change in current policy be contemplated.

6. Although various aspects of United States land policy have been criticized, principal objection has been raised to the United States making single payment for long term interest in land. However, there are two distinct aspects of this policy which can be distinguished from one another since either one can be modified without necessarily affecting the other. For reasons of clarity these aspects of the policy should be considered distinctly.

SINGLE OR LUMP SUM PAYMENT POLICY

Current United States Policy

It is United States policy to pay lump sum compensation equivalent to full fee value of Ryukyuan land and/or properties in which the United States acquires a long term interest.

Revisionists' Position

a. Outright abandonment of this policy in favor of periodic rental payments is advocated by the Ryukyuan Legislature and various Ryukyuan organizations as well as by the Japanese Government.

b. Compromise of this policy is favored by the Chief Executive of the Government of the Ryukyu Islands and by spokesmen of the United States Department of State, under the proposition that landowners should be given an option between periodic rentals and lump sum payments.

Recommended United States Position

That the United States maintain the current national policy of making a single, full payment of current fee value for long term interest in Ryukyuan land.

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Discussion

1. Opponents of the single payment policy adduce no reasonable, substantive argument against it. Opposition is based, in large part, on the misconception that by accepting single payment the owner actually sells his land. Although he can under present United States policy challenge the compensation offered, acceptance of single payment deprives the landowner of the opportunity to demand periodically that the United States reassess his property and pay him additional compensation on an annual or other term basis.

2. Ryukyuan representatives and the Japanese Government advocate periodic payments based on the same standards used by the Japanese Government for rental of land temporarily required by United States Forces in Japan. The United States Ambassador, Tokyo reported on 13 May that he was informed by the Vice Foreign Minister that the Government of Japan "does not believe abandonment lump sums will yield desired results unless assessment basis of rentals is improved and brought into line with standards used by Japanese Special Procurement Agency. Foreign Office considers this should involve increase in rentals by 1.5 to 2.0 times over formula presently employed." This method of assessment was examined most carefully by the Price Subcommittee and vigorously rejected as a proposal which "transcends any socialistic theory of compensation with which the members of this Subcommittee are familiar. Nothing could be more degenerating to the landowner or less fair to the American taxpayer." It has been estimated variously that such a method would involve an initial cost to the United States of from 1.5 to 7 times the present estimated \$51.1 million required for land acquisition, exclusive of \$6.6 million for resettlement.

3. United States experience in Ryukyuan land rental to date has proven that it is not possible to buy - even at increasing prices - the acceptance of our use of Ryukyuan land. In 1955 land values were increased by 135 percent over the values established in 1952; again, in 1956 and 1957 the United States Land Acquisition Commission granted further increases of 300 percent over 1952. While renewable leases may have the semblance of assured availability of the required land, the United States must face ever increasing costs as well as protests against the United States land program before and following renewal time for the leases.

4. The current United States policy of making single payment is more advantageous to the individual landowner than the former policy of yearly rentals. It was precisely because of this that the Governor of the Ryukyu Islands recommended in December 1953 that the United States make lump sum payments for the land required. He stated that "Due to extreme smallness of plots, averaging less than .9 acres per owner, money received in rent annually is so slight (6 percent of appraised fee value) that it will not enable the owner to re-establish himself." As reported on 21 April 1958 by the United States Consul General, Naha, the Chief Executive of the Ryukyus "stated that if the individual landowner received all at once the considerably larger sum represented by a single payment he could bank

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or invest his money, make use of the interest, and still have a sizeable principal in his possession." In the words of the Price Subcommittee, "This . . . represents the only way in which a landowner can receive an amount of money truly adequate to make him whole, and sufficient for him to move to another area - perhaps another Ryukyuan Island - to support himself while adjusting to another method of earning his livelihood, or to emigrate to other countries . . ."

5. As Chief Executive Thoma has stated, there are at the present time investment opportunities in the Ryukyus which can provide the landowner with a return equivalent or close to the amount he would receive as annual rental on the basis of the current policy of paying rent at the rate of 6 percent of fee value. Moreover, the United States Civil Administration has under consideration and discussion with the Government of the Ryukyu Islands the establishment of an investment trust fund, along the lines suggested by the Price Subcommittee, for land payees, who seek assurance of a safe and fair return on their investment. Such fund would absorb and use for the benefit of the Ryukyuan economy the large input of capital expected under the single payment plan and thereby decrease the requirement for United States grant assistance.

The Civil Administration has concluded, however, that such an investment fund can succeed only if it can offer a guaranteed return of 6 percent to the land payee who chooses to invest his single payment in this manner. On the basis of traditional Ryukyuan interest rates and investment potentialities, guarantee of such a return probably would necessitate only limited subsidization. However, the Government of the Ryukyu Islands should not be expected or even allowed to underwrite such an investment fund without assured financial support from the United States, should such support become necessary for this purpose. Proposed financial legislation for the Ryukyus which has been submitted to the Bureau of the Budget by the Department of the Army would in all probability enable the Army to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting a net 6 percent return on investment in such fund by recipients of single payments.

6. The single payment policy can be of benefit not only to the landowner but to the entire economy of the Ryukyu Islands. Again, it is pertinent to quote the United States Consul General's report of the 15 April interview with Chief Executive Thoma. "Mr. Thoma pointed out that the lump sum system of payment would be extremely beneficial to the Ryukyuan economy. He cited an estimate to the effect that implementation of the lump sum program would make some 5 billion yen (\$41.7 million) immediately available to the Ryukyuan economy. Of this some 2 billion (\$16.7 million) could be absorbed right away by various local economic development programs. If the other 3 billion (\$25 million) were banked at a 6 percent interest rate to the depositor and then re-invested in Japan by the Bank of the Ryukyus at the prevailing 8 to 10 percent rate over there, there would in addition be a continuing financial benefit to

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the Ryukyuan economy. Moreover, the principal would also always be available to finance any further economic programs that might come up."

7. Rather than see these funds attracted to Japan, steps will be taken, as indicated above, to induce their investment at home so that they can be used for much needed Ryukyuan development. In this way the land acquisition program can be employed effectively to enable the Secretary of Defense to discharge the responsibility imposed upon him by Executive Order 10713 to "make every effort to improve the welfare and well-being of the inhabitants of the Ryukyu Islands and . . . to promote the economic and cultural advancement of the inhabitants."

8. Finally, and most importantly, the single payment program carried rapidly to completion will remove what the Price Committee has called "a ready political issue for a small and vociferous minority . . . , an unusually well-adapted vehicle for demagogic confusion." Any periodic rental system on the other hand would merely perpetuate the issue "since it is inevitable that there would be an attempt to obtain even more rental as the time approached for periodic re-evaluation." Again, to quote the Price Report, "Payment of an annual rental, would, among other things, merely continue unrest and dissension by reason of inability to agree as to the rental to be paid each time the property was valued."

9. These consequences of the abandonment of the single payment policy in favor of periodic rentals would follow equally from offering the Ryukyuan landowner an option between the two. Moreover, the landowner's freedom of choice would be more nominal than real. The prevailing emotional, politically-inspired attitude toward single payment would make him the object of strong social pressure to "move with the herd." Even if the landowner could exercise an option objectively and free from emotion, conflict would inevitably result -- and the United States would be the target. Those who chose to accept rental payments would most certainly agitate periodically for higher rentals; those who had chosen single payment would naturally add their clamor for additional, equalizing compensation. The United States would be in the middle.

DETERMINABLE ESTATE ACQUISITION POLICY

Current United States Policy

a. The Executive Branch adopted as United States policy the Price Committee recommendation "that the interest to be acquired in those properties known to be required for the indefinite future be the fee title or such maximum interest as can be acquired under existing law or under such modification as may be made to existing law." The then Commander in Chief, Far East, General Lemnitzer, considered it inadvisable to obtain fee title in any case, even where voluntarily offered. The Departments of Defense and State both agreed that in all cases the United States take a "determinable estate" interest in such property. This gives the

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United States full, exclusive use, possession and enjoyment above, below, and upon the surface of the land concerned until such time as the United States determines it has no further need of the land; ownership or title to the land remains in possession of the landowners.

b. It is also United States policy that whenever in the opinion of the United States the land is no longer required it will be returned to the original owners or their heirs.

Revisionists' Position

As reported by the United States Ambassador, Tokyo, on 13 May 1958, the Japanese Government considers that "Okinawan opposition to determinable estate formula stems from fear that legalistic concept conceals desire to alienate their land permanently." This interpretation of determinable estate as meaning outright sale is evidenced in Resolution No. 7 passed by the Government of the Ryukyu Islands Legislature, 26 September 1957: "Since receipt of lump sum payment means to the landowner that they have actually sold out their land, almost all of them are against the lump sum payment, considering it apart from monetary calculation." (Underlining supplied.)

Recommended United States Position

a. That the United States continue the policy of acquiring determinable estate interest in land required for the indefinite future.

b. That, in addition, the United States offer to purchase fee title to such land for a further consideration of 10 percent of fee value.

Discussion

1. The United States requirement for bases in the Ryukyu Islands cannot be defined as short range. As pointed out by the President in the Eisenhower - Kishi Joint Communique of 21 June 1957 "so long as the conditions of threat and tension exist in the Far East the United States will find it necessary to continue the present status." Because our bases must be retained for the indefinite future our land requirement is of equal duration. In these circumstances it is proper that the United States acquire "the fee title or such maximum interest as can be acquired" in the land which is needed.

2. In pursuing a policy whereby the United States acquires a right to the use but not ownership of the land and yet pays a sum equal to the full and fair value of the entire property this Government is acting in an unusually liberal manner -- but one which has been too little publicized and too greatly obscured. On 4 January 1957, General Lemnitzer, then Governor of the Ryukyu Islands, told the Ryukyuan people, "Whenever the need for the use of the land ceases to exist, the land will be promptly released to the owner, without any repayment by owners." This intention of the United States to return the land taken under determinable estate to the full use and possession of the owners has been restated a number of times since the first public announcement. However, articulate,

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unfriendly spokesmen have found it easy to persuade many Ryukyuan landowners that the title which the United States leaves them is a fiction, that they retain, in fact, nothing. Explanations or declarations by the Governor of the Ryukyu Islands and his High Commissioner successors find strong competition for credibility when the Japanese Government informs Ryukyuan that the United States does not intend to return some land to the owners. That the Japanese Government has done so is reported in a cablegram of 13 May 1953 from the U. S. Ambassador, Tokyo. In reporting the Japanese Government views as to what the United States should do to return land in the condition in which it existed prior to the United States taking, the following is reported without comment: "Japanese Government would suggest that we indicate to Okinawans that when we no longer require permanent installations they will be transferred not to owners but to Japanese Government. . . . For, as Foreign Office has already indicated to visiting Okinawan representatives, there will certainly be some land that will not be returned to owners even if United States were to withdraw from Islands." (Underlining supplied.) This is ample evidence that the type of long term interest which the United States acquires and the liberality of its compensation therefor is misunderstood and obscured.

3. So long as the Ryukyuan landowner believes that the United States is deceiving him regarding the alienation of his land there will be no open acceptance of any United States long term land acquisition policy, or any other United States policy. The Ryukyuan landowners must be made to know that the United States determinable estate policy does not conceal a "desire to alienate their land permanently." It must be objectively demonstrated by positive action, not merely stated, that the United States is not deceiving them, has been and continues to act in good faith, and that the land title which it offers to leave with them has real value.

4. To convince the Ryukyuan landowners of this, the United States should offer to purchase the land title itself, in addition to determinable estate or easement interest, if the landowner chooses voluntarily to transfer fee title to the United States for a consideration. The United States offer of full fee value for determinable estate should stand; in addition, the United States should offer to purchase the fee title to land indefinitely required for a further consideration of, say, 10 percent of full fee value.

5. All title purchase contracts should convey to the seller or his heirs an option to repurchase, for the further consideration of 10 percent of fee value, fee title to his original holdings at such time as the United States determines that it has no further need for the land. Consideration should be given to providing further that should such option not be exercised, fee title can be acquired at such time by the Government of the Ryukyu Islands for payment of the same consideration.

6. The statement of the Japanese Government quoted above from the

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13 May cablegram from the United States Ambassador, Tokyo appears to establish clearly that the political considerations which have heretofore dictated that the United States should not obtain fee title to Ryukyuan land can be completely discounted.

CONCLUSIONS:

1. That the United States should maintain the current national policy of making a single, full payment of current fee value for long term interest in Ryukyuan land.

2. That the United States should continue the policy of acquiring determinable estate interest in land required for the indefinite future.

3. That, in addition, the United States should offer to purchase fee title to such land for a further consideration of 10 percent of fee value.

4. That the United States should sponsor the establishment of a Government of the Ryukyu Islands Investment Trust Fund in which land payees may invest their land payments and receive a guaranteed annual return of 6 percent; the United States Civil Administration should be authorized to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting such guaranteed return on landowners' investment.

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OCAMG/E
22 May 1958

DECLASSIFIED

Authority NND 957418

By AB NARA Date 7/27/05

TAB B - HICOMRY com-
ments of 21 Jun 58

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STAFF COMMUNICATIONS OFFICESECRET
PRIORITYA PARAPHRASE NOT REQUIRED
Except prior to Category B encryption.
Physically remove all internal refs
by DTG prior to declassification

ACTION		CAMG	INFO
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FROM: HICOMRY OKINAWA RYIS
 TO: DEPTAR WASH DC
 INFO: CINCUSARPAC FT SHAFTER TH
 NR: HC 164

210410Z JUN 58

FOR CAMG SIGNED BOOTH.

References: A. DA 943050.
 B. RIHC Y09549.
 C. RIHC Y09530.

1. The complete review referred to in reference A has been received. In accordance with reference B, my comments follow:

(Note: As used in this message, expression "Ryukyuan" connotes the leadership - elected officials, politicians, officials of private organizations, newspaper editors, etc., which controls the popular masses.)

2. Essentially the review concludes that there should be no change in the basic elements of the current land policy. My views on this point, which is the heart of the problem, are contained in reference C. Other messages from here during recent months also reflect thinking here on this fundamental issue, as well as on many of the related specific points discussed in the review. I am particularly convinced that the assessment outlined in para 3, ref C is of unquestionable validity and requires the most serious consideration. I would reemphasize the recommendation in ref B that the Thoma group not be confronted with the position described in the review as a firm DA solution. I urge that this position represent at most a preliminary one which DA conferees will have in mind as a philosophy but not present as a concrete stand, and which is subject to modification and adjustment in the light of the discussions and any other pertinent developments. I agree with the basic premise of the review (para 6 page 2) that the two preeminent points in controversy are the method of payment and the type and length of interest acquired. In comparison, other issues should be

DA IN 126821

(21 JUNE 58)

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STAFF COMMUNICATIONS OFFICE

NR: HC 164

PAGE 2

readily and amicably resolved once these two major hurdles are cleared. Of these, amount of payments would be the most troublesome; believe, however, a review appraisal board (para 4, ref C), a functioning appeal court and parallel interests of GOJ and GRI in keeping land values under control would make this problem manageable.

4. Para 4, page 1, clearly identifies the hard reality that is fundamental to the land problem, i.e., U.S. policy of long term interest and single payment "has been inflated into a major political issue in the Ryukyu Islands," and is of "such political significance in Okinawa and Japan" as to dictate the wisdom of its review at the Washington level. Once having recognized this fact, however, the review appears to eliminate it from further consideration and to base the bulk of its arguments in support of its conclusions on the single factor of dollar cost of land to the U.S. in terms of dollar costs and governmental land acquisition practices that are standard and accepted in the U.S., the present policy is unquestionably sound and economically fair to the point of liberality. As pointed out on numerous occasions from several sources, however, the problem unfortunately is now as much or more political and psychological than economic. Clearly the final decision cannot be made solely on the basis of budgetary costs of land. Concerning the stated purpose of the announcement of the review (para 4, page 2-- "to quiet discussion" and "to soft-pedal it as an issue"), it is equally self-evident that such gains would be temporary and would be immeasurably and tragically offset by the redoubled discussion and furor to be anticipated if the review results in a "no change in policy" announcement.

5. I am fully aware that the Thoma group will emphasize this "blackmail" angle of dire predictions in the event their proposals are not accepted. This aspect must be accorded proper weight--neither dismissed lightly or ignored nor permitted to override all other considerations. It is equally important, however, to recognize that the position now taken by the group with respect to a contractual basis and duration of U.S. use no longer includes a number of additional points upon which opposition to U.S. land acquisition has hitherto been based. This is a significant concession involving their accepting the justification and legality of U.S. use of land for the

DA IN 126821

(21 JUNE 58)

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STAFF COMMUNICATIONS OFFICE**MESSAGE**

NR: HC 164

PAGE 3

indefinite period in which world conditions require U.S. Forces to remain in the Ryukyus. (Ref para 3, page 3 of review). In terms of the future political climate, the significance is that the land association, GOJ as reported by MacArthur, and all political parties here except opp concur in this acceptance. This tends to isolate opp and contributes to the current political atmosphere of moderation and good relations. It eliminates a critical controversial issue (i.e., challenge of U.S. presence and rights to use land) which potentially could jeopardize the stability of the military base.

AYM additional specific comments on review as follows:

A. (Page 1, para 2, last sentence). Landowners either refuse to believe that "title and ownership remain vested in the landowner" or are easily persuaded to take the cynical attitude such title is meaningless and the whole question academic. This based on feeling that can be deprived of privileges of ownership permanently since U.S. will retain all such rights until it unilaterally "determines it has no further need of the land" and without any restrictions on what might constitute a valid need.

B. (Page 7, paragraphs 2 and 3). Agree that desirable landowners "be made to know that the U.S. determinable estate policy does not conceal a desire to alienate their land permanently" and that this "must be objectively demonstrated by positive action, not merely stated." In view of past refusal to take U.S. declarations at face value, as noted in review, and emotional basis of popular understanding of "determinable estate" as the basic policy can accomplish the desired result. 2

C. (Page 1, para 3, 2d sentence--"or such maximum interest as can be acquired under existing law"). This is the point which permits the opponents of U.S. land policy to inject the issue of residual sovereignty and return of administrative rights. It provides a basis for their keeping this more disquieting issue in the forefront by arguing that Okinawa is Japanese territory and, under either Japanese or International Law, a foreign country cannot acquire fee title or similar "maximum interest" in land. Regardless of the

DA IN 126821

(21 JUNE 58)

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STAFF COMMUNICATIONS OFFICE

NR: HC 164

PAGE 4

merits of their contention, it is in the interest of the U.S. to divorce the land problem of these reversion ramifications.

D. (Page 1, para 3, 3d sentence). "In accordance with valuation procedure set out elsewhere in this report" raises the point of provisions for consideration of factors peculiar to Okinawa which the price committee recognized and which the Ryukyans claim have not been effected. (See ref C).

E. (Page 3, para 4, 1st sentence). However obvious this may be to us, the extent and nature of opposition to single payment cited earlier in the review and experience factors demonstrate that Ryukyans consider this statement debatable or categorically deny it. Severity of criticism of Thoma whenever he has commented on advantages of single payment (from his first such statement to one attributed to him this week in Brazil) highlights this.

F. (Page 4, para 5B). As stated, "investment fund can succeed only if it can offer a guaranteed return of 6 percent." This guarantee would, of necessity, require U.S. backing. This, in turn, would require a more definite and assured financial program than is indicated by the provisions and qualifications in the description of the proposed financial legislation submitted to BOB by DA.

G. (Page 7, paras 4 and 5). See ref B for my observations on the 10 percent proposal. I interpret this proposal as recognition that distrust of U.S. long-term intentions is tap root of land problem and attempt to furnish clear and dramatic proof that determinable estate, by itself, does not involve transfer of title. I anticipate, however, popular reaction will be to claim that this device proves, contrary to all previous solemn protestations by General Lemnitzer and others, that U.S. is interested in acquiring title to land--to the extent that is willing to offer an additional 10 percent for that purpose. The rebuttal that the owner or his heirs can repurchase the fee title will be dismissed as meaningless since repurchase privilege limited to the vague and uncertain day when "the U.S. determines that it has no further need for the land" (para 7A above)--which Rykyans regard as "one day less than infinity." They are also fearful U.S. might

DA IN 126821

(21 JUNE 58)

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STAFF COMMUNICATIONS OFFICE

NR: HC 164

PAGE 5

transfer certain tracts, or improvements thereon, to other parties prior to determining U.S. has no further need, as a minimum. Therefore, any device being considered for appending to determinable estate policy to make latter more acceptable should include two features: (1) Assurance that U.S. will not transfer its interest (fee title) to anyone outside the U.S. government; (2) Original landowner has option to repurchase fee title at any time, not solely after U.S. determines it has no further need for the land.

NOTE: 09530 is DA IN 124501 (13 JUN 58) CAMG
09549 is DA IN 124744 (14 JUN 58) CAMG

ACTION: CAMG

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1, 2 approval

1. 1. 1. 1.

Mr. A. Hestel

73263

(AM) 1. 1.

Land acquisition in the
Ryukyu Islands (U)

26 Jun 58

No applications

DISCUSSION

1. The purpose of this action is to obtain approval of a proposed cablegram to the High Commissioner of the Ryukyu Islands (HICOMRI), (a) expressing appreciation for his observations, (b) assuring him that the Government of the Ryukyu Islands (GRI) Chief Executive will not be confronted with a United States decision on the land policy, and (c) informing him that every effort will be made to have him make the announcement of the final decision.

2. A copy of the Department of the Army's review of the policy on the Ryukyuan land acquisition program (Tab A) was forwarded to HICOMRI on 11 June 1958. His comment, submitted to the Department of the Army on 21 June 1958 (Tab B) includes the recommendation that the Thoma group not be confronted with an established U.S. position.

3. A cablegram to HICOMRI (Tab C) has been prepared:

a. Expressing appreciation for the valuable observations and recommendations he had furnished to the Department of the Army;

b. Advising him that it is not the intention to confront Mr. Thoma (GRI Chief Executive) and party with any pre-determined U.S. position but rather afford them every opportunity to present their views, endeavor to elicit a statement of what they really want and then weigh carefully all that has been gathered in discussions before coming to any definite U.S. position.

c. Informing him that every effort will be made to have the announcement of the final decision made by the High Commissioner.

RECOMMENDATION

That the attached proposed cablegram be approved.

COORDINATION

None required.

3 Incl

1. Tab A - Review of land policy.
2. Tab B - HICOMRI comments of 21 Jun 58
3. Tab C - Proposed cablegram to HICOMRI

C. E. GILLEY
Major General, USA
Chief

Approved:
For the Chief of Staff by

JOHN G. DAKES
Major General, USA
Assistant DCSOPS for
OPERATIONS & PROBLEMS

2807566
JUL 1 1958

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C4110-0-5244

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ROUTINE

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DA

TO: DA WASH DC

SUBJECT: OKINAWA REIS

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INFO: CINCASAF PAC FT SHAFTER HI

CINCASAF PAC OKINAWA REIS **DA 144150**MILITARY
SEC, COM,
ASST SEC, (ASST),
etc

From CASH. Ref: DA 144, 21 Jan

1. Appreciate valuable observations and recommendations transmitted re: final.

RECEIVED DA
CASH OF THE
MILITARY

2. In para 2, it is not our intention to contrast them and party with any pre-determined position or positions. Rather it is our intention to give them every opportunity to present their views and to make every endeavor to elicit statement of what they really want and then to weigh carefully all we have been able to glean during the discussions with all other elements of the matter before coming to any definite position. Also, we will make every effort to have the announcement of the final decision be made by you as High Commissioner.

3. Second sentence, par 2, of specific comments received pertained. Please re-transmit.

4. Will keep you informed of important developments.

1 Jul

1950

CASH-2

Mr. Hestel/10

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C. E. GILLEY
Major General, USA
Chief

tab C

SECRET**DA 144150**

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DA 144150

From: 1A 1000 1A

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1. Appreciate valuable observations and recommendations transmitted.

2. In part 2, it is not our intention to contrast them and party with any pre-determined position or positions. Rather it is our intention to give them every opportunity to present their views and to make every endeavor to elicit statement of what they really want and then to weigh carefully all we have been able to glean during the discussions with all other elements of the matter before coming to any definite position. Also, we will make every effort to have the announcement of the final decision be made by you as High Commissioner.

3. Second sentence, par 2, of specific comments received pertained. Please re-transmit.

4. Will keep you informed of important developments.

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Mr. Hestel/1A

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C. E. GILLEY
Major General, USA
Chief

1 Jul

1950

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1 DCSOPS

2 VCS

1, 2 Approval

CAMO

Mr. A. Nestel

73263

CAMO-E

Land Acquisition in the
Ryukyu Islands (U)

26 Jun 58

No Implications

DISCUSSION

1. The purpose of this action is to obtain approval of a proposed cablegram to the High Commissioner of the Ryukyu Islands (HICOMRY), (a) expressing appreciation for his observations, (b) assuring him that the Government of the Ryukyu Islands (GRI) Chief Executive will not be confronted with a United States decision on the land policy, and (c) informing him that every effort will be made to have him make the announcement of the final decision.

2. A copy of the Department of the Army's review of the policy on the Ryukyuan land acquisition program (Tab A) was forwarded to HICOMRY on 11 June 1958. His comment: submitted to the Department of the Army on 21 June 1958 (Tab B) includes the recommendation that the Thoma group not be confronted with an established U.S. position.

3. A cablegram to HICOMRY (Tab C) has been prepared:

a. Expressing appreciation for the valuable observations and recommendations he had furnished to the Department of the Army;

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c. Informing him that every effort will be made to have the announcement of the final decision made by the High Commissioner.

RECOMMENDATION

That the attached proposed cablegram be approved.

COORDINATION

None required.

Approved:
For the Chief of Staff by

Mr. O'Flaherty *OF*

3 Incl

JOHN C. OAKES
Major General, GS

C. K. GAILLEY
Major General, USA
Chief

Col. Hogan *Hogan*

Mr. Wohl *Wohl*

Mr. Nestel *Nestel*

1. Tab A - Review of land acquisition program
2. Tab B - HICOMRY comment on 21 Jun 58
3. Tab C - Proposed cablegram to HICOMRY

JUL 1 1958

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CAMO-0-3244

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REVIEW

POLICY ON RYUKYUAN LAND ACQUISITION

BACKGROUND:

1. On 30 April 1953 the Joint Chiefs of Staff reaffirmed the strategic importance of Okinawa. They restated the essentiality of our bases in the Ryukyus and stressed the great advantage which the United States derives from the fact we can act there independently of the political disposition of any foreign sovereign power. It is for these strategic bases that the United States requires Ryukyuan land.

2. Since the issuance of the JCS Directive on Administration of the Ryukyu Islands, 4 October 1950, the United States has compensated private owners for land required for our military bases. This compensation was paid in the form of annual rentals until 1957 when the United States adopted the policy of making a single or "lump sum" payment to each owner for the long term use of his land, continuing rental payment for the use of land which is not required on a long term basis. In return for the single payment the United States acquires an estate wherein title and ownership remain vested in the landowner and the United States receives full, exclusive use, possession and enjoyment above, below, and upon the surface of the land concerned until such time as the United States determines it has no further need of the land.

3. This method of land acquisition was adopted by agreement of the concerned Executive agencies and conforms closely to the recommendations of a special subcommittee of the House Armed Services Committee which made an intensive study of the subject. This subcommittee, headed by Congressman Melvin Price, recommended in June 1956, "That the interest to be acquired in those properties known to be required for the indefinite future be the fee title or such maximum interest as can be acquired under existing law or under such modification as may be made to existing law. Where fee title or an interest closely approximating fee title is acquired, full fair value of the property, in accordance with valuation procedures set out elsewhere in this report, should be paid." Current United States policy differs from the recommendation of the Congressional Subcommittee in that the United States does not acquire fee title to any Ryukyuan land. This decision was reached after careful consideration by the Department of Defense and the Commander in Chief, Far East, then General Lemnitzer, of the peoples' deep seated attachment to their land, and of the political inferences which would be drawn by the Japanese government. The Department of State strongly supported the change also.

4. United States policy of acquiring long term interest in privately owned Ryukyuan land and making single payment therefor has been inflated into a major political issue in the Ryukyu Islands. Moreover, this United States policy was considered by the Departments of

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Defense and State to have such political significance in Okinawa and Japan that the High Commissioner of the Ryukyu Islands was instructed by the Department of Defense to announce to the Ryukyuan Legislature on 11 April 1958 that "the Departments of Defense and State are currently reviewing the single payment land policy." This action was intended to quiet discussion of the matter in the Ryukyus and to soft-pedal it as an issue to be exploited in general elections in Japan, scheduled for 22 May.

5. The Ryukyuan Legislature, the Japanese Government and the Department of State contend that the United States policy on Ryukyuan land acquisition should be revised. The Department of Defense has agreed to review the current policy but is not committed to any revision. Because of the intimate participation of the House Armed Services Committee in the development and adoption of the basic United States land policy, that Committee should be consulted should any important change in current policy be contemplated.

6. Although various aspects of United States land policy have been criticized, principal objection has been raised to the United States making single payment for long term interest in land. However, there are two distinct aspects of this policy which can be distinguished from one another since either one can be modified without necessarily affecting the other. For reasons of clarity these aspects of the policy should be considered distinctly.

SINGLE OR LUMP SUM PAYMENT POLICY

Current United States Policy

It is United States policy to pay lump sum compensation equivalent to full fee value of Ryukyuan land and/or properties in which the United States acquires a long term interest.

Revisionists' Position

a. Outright abandonment of this policy in favor of periodic rental payments is advocated by the Ryukyuan Legislature and various Ryukyuan organizations as well as by the Japanese Government.

b. Compromise of this policy is favored by the Chief Executive of the Government of the Ryukyu Islands and by spokesmen of the United States Department of State, under the proposition that landowners should be given an option between periodic rentals and lump sum payments.

Recommended United States Position

That the United States maintain the current national policy of making a single, full payment of current fee value for long term interest in Ryukyuan land.

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Discussion

1. Opponents of the single payment policy adduce no reasonable, substantive argument against it. Opposition is based, in large part, on the misconception that by accepting single payment the owner actually sells his land. Although he can under present United States policy challenge the compensation offered, acceptance of single payment deprives the landowner of the opportunity to demand periodically that the United States reassess his property and pay him additional compensation on an annual or other term basis.
2. Ryukyuan representatives and the Japanese Government advocate periodic payments based on the same standards used by the Japanese Government for rental of land temporarily required by United States Forces in Japan. The United States Ambassador, Tokyo reported on 13 May that he was informed by the Vice Foreign Minister that the Government of Japan "does not believe abandonment lump sums will yield desired results unless assessment basis of rentals is improved and brought into line with standards used by Japanese Special Procurement Agency. Foreign Office considers this should involve increase in rentals by 1.5 to 2.0 times over formula presently employed." This method of assessment was examined most carefully by the Price Subcommittee and vigorously rejected as a proposal which "transcends any socialistic theory of compensation with which the members of this Subcommittee are familiar. Nothing could be more degenerating to the landowner or less fair to the American taxpayer." It has been estimated variously that such a method would involve an initial cost to the United States of from 1.5 to 7 times the present estimated \$51.1 million required for land acquisition, exclusive of \$6.6 million for resettlement.
3. United States experience in Ryukyuan land rental to date has proven that it is not possible to buy - even at increasing prices - the acceptance of our use of Ryukyuan land. In 1955 land values were increased by 135 percent over the values established in 1952; again, in 1956 and 1957 the United States Land Acquisition Commission granted further increases of 300 percent over 1952. While renewable leases may have the semblance of assured availability of the required land, the United States must face ever increasing costs as well as protests against the United States land program before and following renewal time for the leases.
4. The current United States policy of making single payment is more advantageous to the individual landowner than the former policy of yearly rentals. It was precisely because of this that the Governor of the Ryukyu Islands recommended in December 1953 that the United States make lump sum payments for the land required. He stated that "Due to extreme smallness of plots, averaging less than .9 acres per owner, money received in rent annually is so slight (6 percent of appraised fee value) that it will not enable the owner to re-establish himself." As reported on 21 April 1958 by the United States Consul General, Naha, the Chief Executive of the Ryukyus "stated that if the individual landowner received all at once the considerably larger sum represented by a single payment he could bank

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or invest his money, make use of the interest, and still have a sizeable principal in his possession." In the words of the Price Subcommittee, "This . . . represents the only way in which a landowner can receive an amount of money truly adequate to make him whole, and sufficient for him to move to another area - perhaps another Ryukyuan Island - to support himself while adjusting to another method of earning his livelihood, or to emigrate to other countries . . ."

5. As Chief Executive Thoma has stated, there are at the present time investment opportunities in the Ryukyus which can provide the landowner with a return equivalent or close to the amount he would receive as annual rental on the basis of the current policy of paying rent at the rate of 6 percent of fee value. Moreover, the United States Civil Administration has under consideration and discussion with the Government of the Ryukyu Islands the establishment of an investment trust fund, along the lines suggested by the Price Subcommittee, for land payees, who seek assurance of a safe and fair return on their investment. Such fund would absorb and use for the benefit of the Ryukyuan economy the large input of capital expected under the single payment plan and thereby decrease the requirement for United States grant assistance.

The Civil Administration has concluded, however, that such an investment fund can succeed only if it can offer a guaranteed return of 6 percent to the land payee who chooses to invest his single payment in this manner. On the basis of traditional Ryukyuan interest rates and investment potentialities, guarantee of such a return probably would necessitate only limited subsidization. However, the Government of the Ryukyu Islands should not be expected or even allowed to underwrite such an investment fund without assured financial support from the United States, should such support become necessary for this purpose. Proposed financial legislation for the Ryukyus which has been submitted to the Bureau of the Budget by the Department of the Army would in all probability enable the Army to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting a net 6 percent return on investment in such fund by recipients of single payments.

6. The single payment policy can be of benefit not only to the landowner but to the entire economy of the Ryukyu Islands. Again, it is pertinent to quote the United States Consul General's report of the 15 April interview with Chief Executive Thoma. "Mr. Thoma pointed out that the lump sum system of payment would be extremely beneficial to the Ryukyuan economy. He cited an estimate to the effect that implementation of the lump sum program would make some 5 billion yen (\$41.7 million) immediately available to the Ryukyuan economy. Of this some 2 billion (\$16.7 million) could be absorbed right away by various local economic development programs. If the other 3 billion (\$25 million) were banked at a 6 percent interest rate to the depositor and then re-invested in Japan by the Bank of the Ryukyus at the prevailing 8 to 10 percent rate over there, there would in addition be a continuing financial benefit to

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the Ryukyuan economy. Moreover, the principal would also always be available to finance any further economic programs that might come up."

7. Rather than see these funds attracted to Japan, steps will be taken, as indicated above, to induce their investment at home so that they can be used for much needed Ryukyuan development. In this way the land acquisition program can be employed effectively to enable the Secretary of Defense to discharge the responsibility imposed upon him by Executive Order 10713 to "make every effort to improve the welfare and well-being of the inhabitants of the Ryukyu Islands and . . . to promote the economic and cultural advancement of the inhabitants."

8. Finally, and most importantly, the single payment program carried rapidly to completion will remove what the Price Committee has called "a ready political issue for a small and vociferous minority . . . , an unusually well-adapted vehicle for demagogic confusion." Any periodic rental system on the other hand would merely perpetuate the issue "since it is inevitable that there would be an attempt to obtain even more rental as the time approached for periodic re-evaluation." Again, to quote the Price Report, "Payment of an annual rental, would, among other things, merely continue unrest and dissension by reason of inability to agree as to the rental to be paid each time the property was valued."

9. These consequences of the abandonment of the single payment policy in favor of periodic rentals would follow equally from offering the Ryukyuan landowner an option between the two. Moreover, the landowner's freedom of choice would be more nominal than real. The prevailing emotional, politically-inspired attitude toward single payment would make him the object of strong social pressure to "move with the herd." Even if the landowner could exercise an option objectively and free from emotion, conflict would inevitably result -- and the United States would be the target. Those who chose to accept rental payments would most certainly agitate periodically for higher rentals; those who had chosen single payment would naturally add their clamor for additional, equalizing compensation. The United States would be in the middle.

DETERMINABLE ESTATE ACQUISITION POLICY

Current United States Policy

a. The Executive Branch adopted as United States policy the Price Committee recommendation "that the interest to be acquired in those properties known to be required for the indefinite future be the fee title or such maximum interest as can be acquired under existing law or under such modification as may be made to existing law." The then Commander in Chief, Far East, General Lemnitzer, considered it inadvisable to obtain fee title in any case, even where voluntarily offered. The Departments of Defense and State both agreed that in all cases the United States take a "determinable estate" interest in such property. This gives the

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United States full, exclusive use, possession and enjoyment above, below, and upon the surface of the land concerned until such time as the United States determines it has no further need of the land; ownership or title to the land remains in possession of the landowners.

b. It is also United States policy that whenever in the opinion of the United States the land is no longer required it will be returned to the original owners or their heirs.

Revisionists' Position

As reported by the United States Ambassador, Tokyo, on 13 May 1958, the Japanese Government considers that "Okinawan opposition to determinable estate formula stems from fear that legalistic concept conceals desire to alienate their land permanently." This interpretation of determinable estate as meaning outright sale is evidenced in Resolution No. 7 passed by the Government of the Ryukyu Islands Legislature, 26 September 1957: "Since receipt of lump sum payment means to the landowner that they have actually sold out their land, almost all of them are against the lump sum payment, considering it apart from monetary calculation." (Underlining supplied.)

Recommended United States Position

a. That the United States continue the policy of acquiring determinable estate interest in land required for the indefinite future.

b. That, in addition, the United States offer to purchase fee title to such land for a further consideration of 10 percent of fee value.

Discussion

1. The United States requirement for bases in the Ryukyu Islands cannot be defined as short range. As pointed out by the President in the Eisenhower - Kishi Joint Communique of 21 June 1957 "so long as the conditions of threat and tension exist in the Far East the United States will find it necessary to continue the present status." Because our bases must be retained for the indefinite future our land requirement is of equal duration. In these circumstances it is proper that the United States acquire "the fee title or such maximum interest as can be acquired" in the land which is needed.

2. In pursuing a policy whereby the United States acquires a right to the use but not ownership of the land and yet pays a sum equal to the full and fair value of the entire property this Government is acting in an unusually liberal manner -- but one which has been too little publicized and too greatly obscured. On 4 January 1957, General Lemnitzer, then Governor of the Ryukyu Islands, told the Ryukyuan people, "Whenever the need for the use of the land ceases to exist, the land will be promptly released to the owner, without any repayment by owners." This intention of the United States to return the land taken under determinable estate to the full use and possession of the owners has been restated a number of times since the first public announcement. However, articulate,

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unfriendly spokesmen have found it easy to persuade many Ryukyuan landowners that the title which the United States leaves them is a fiction, that they retain, in fact, nothing. Explanations or declarations by the Governor of the Ryukyu Islands and his High Commissioner successors find strong competition for credibility when the Japanese Government informs Ryukyuans that the United States does not intend to return some land to the owners. That the Japanese Government has done so is reported in a cablegram of 13 May 1953 from the U. S. Ambassador, Tokyo. In reporting the Japanese Government views as to what the United States should do to return land in the condition in which it existed prior to the United States taking, the following is reported without comment: "Japanese Government would suggest that we indicate to Okinawans that when we no longer require permanent installations they will be transferred not to owners but to Japanese Government. . . . For, as Foreign Office has already indicated to visiting Okinawan representatives, there will certainly be some land that will not be returned to owners even if United States were to withdraw from Islands." (Underlining supplied.) This is ample evidence that the type of long term interest which the United States acquires and the liberality of its compensation therefor is misunderstood and obscured.

3. So long as the Ryukyuan landowner believes that the United States is deceiving him regarding the alienation of his land there will be no open acceptance of any United States long term land acquisition policy, or any other United States policy. The Ryukyuan landowners must be made to know that the United States determinable estate policy does not conceal a "desire to alienate their land permanently." It must be objectively demonstrated by positive action, not merely stated, that the United States is not deceiving them, has been and continues to act in good faith, and that the land title which it offers to leave with them has real value.

4. To convince the Ryukyuan landowners of this, the United States should offer to purchase the land title itself, in addition to determinable estate or easement interest, if the landowner chooses voluntarily to transfer fee title to the United States for a consideration. The United States offer of full fee value for determinable estate should stand; in addition, the United States should offer to purchase the fee title to land indefinitely required for a further consideration of, say, 10 percent of full fee value.

5. All title purchase contracts should convey to the seller or his heirs an option to repurchase, for the further consideration of 10 percent of fee value, fee title to his original holdings at such time as the United States determines that it has no further need for the land. Consideration should be given to providing further that should such option not be exercised, fee title can be acquired at such time by the Government of the Ryukyu Islands for payment of the same consideration.

6. The statement of the Japanese Government quoted above from the

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13 May cablegram from the United States Ambassador, Tokyo appears to establish clearly that the political considerations which have heretofore dictated that the United States should not obtain fee title to Ryukyuan land can be completely discounted.

CONCLUSIONS:

1. That the United States should maintain the current national policy of making a single, full payment of current fee value for long term interest in Ryukyuan land.
2. That the United States should continue the policy of acquiring determinable estate interest in land required for the indefinite future.
3. That, in addition, the United States should offer to purchase fee title to such land for a further consideration of 10 percent of fee value.
4. That the United States should sponsor the establishment of a Government of the Ryukyu Islands Investment Trust Fund in which land payees may invest their land payments and receive a guaranteed annual return of 6 percent; the United States Civil Administration should be authorized to provide assurance of reasonable budgetary support to the Government of the Ryukyu Islands to compensate, if necessary, for underwriting such guaranteed return on landowners' investment.

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From CANS. Ref: HC 164, 21 Jun

1. Appreciate valuable observations and recommendations transmitted reftel.

REMARKING DATA
CANNOT BE PRE-
DETERMINED

2. Re para 2, it is not our intention to confront Thoma and party with any pre-determined position or positions. Rather it is our intention to give them every opportunity to present their views and to make every endeavor to elicit statement of what they really want and then to weigh carefully all we have been able to glean during the discussions with all other elements of the matter before coming to any definite position. Also, we will make every effort to have the announcement of the final decision be made by you as High Commissioner.

3. Second sentence, par B, of specific comments received garbled. Please re-transmit.

4. Will keep you informed of important developments.

1 Jul

1958

CANS-E

Mr. Nestel/sb

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C. K. GALLEY
Major General, USA
Chief**SECRET**

Tab C