

Y4
. Ar 5/3
R 99

1034

89Y4
R-5/3
R 99

DEVELOPMENT OF THE RYUKYU ISLANDS

GOVERNMENT
Storage



HEARING
BEFORE THE
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE
EIGHTY-NINTH CONGRESS
SECOND SESSION
ON
H.R. 12617

TO AMEND THE ACT PROVIDING FOR THE ECONOMIC AND
SOCIAL DEVELOPMENT IN THE RYUKYU ISLANDS

JUNE 9, 1966

Printed for the use of the Committee on Armed Services

KSU LIBRARIES
A11900 478942 ✓



NY
8/27A.
PPA

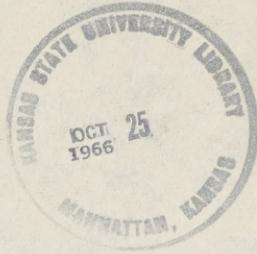
COMMITTEE ON ARMED SERVICES

RICHARD B. RUSSELL, Georgia, *Chairman*

JOHN STENNIS, Mississippi
STUART SYMINGTON, Missouri
HENRY M. JACKSON, Washington
SAM J. ERVIN, Jr., North Carolina
HOWARD W. CANNON, Nevada
ROBERT C. BYRD, West Virginia
STEPHEN M. YOUNG, Ohio
DANIEL K. INOUYE, Hawaii
THOMAS J. McINTYRE, New Hampshire
DANIEL B. BREWSTER, Maryland
HARRY F. BYRD, Jr., Virginia

LEVERETT SALTONSTALL, Massachusetts
MARGARET CHASE SMITH, Maine
STROM THURMOND, South Carolina
JACK MILLER, Iowa
JOHN G. TOWER, Texas

WILLIAM H. DARDEN, *Chief of Staff*
CHARLES B. KIRBOW, *Chief Clerk*



CONTENTS

Statements of—	Page
Hon. Thaddeus Holt, Jr., Deputy Under Secretary of the Army for International Affairs-----	2
Lt. Gen. Albert Watson II, High Commissioner of the Ryukyu Islands-----	2

CONTENTS

1	Statement of the Honorable J. C. ...
2	Statement of the Honorable J. C. ...
3	Statement of the Honorable J. C. ...

DEVELOPMENT OF THE RYUKYU ISLANDS

THURSDAY, JUNE 9, 1966

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The committee met, pursuant to call, at 10:30 a.m., room 212, Old Senate Office Building, Senator Richard B. Russell (chairman) presiding.

Present: Senators Russell of Georgia, Stennis, Symington, Cannon, Young of Ohio, Inouye, Brewster, Saltonstall, Smith, and Thurmond.

Also present: William H. Darden, chief of staff; T. Edward Braswell and Gordon A. Nease, professional staff members; Charles B. Kirbow, chief clerk; and Herbert S. Atkinson, assistant chief clerk.

Chairman RUSSELL. The first item on the agenda this morning is H.R. 12617, which would increase from \$12 million to \$25 million the amount authorized to be appropriated in any fiscal year for programs within the Ryukyu Islands that are approved by the President.

(The bill referred to follows:)

[H.R. 12617, 89th Cong., 2d sess.]

AN ACT To amend the Act providing for the economic and social development in the Ryukyu Islands

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4 of the Act of July 12, 1960, Public Law 86-629, as amended (76 Stat. 742), is amended by striking out the figure "\$12,000,000" and inserting the figure "\$25,000,000" in place thereof.

Chairman RUSSELL. Many members of the committee will remember that the basic authority for U.S. programs for the promotion of economic and social development in the Ryukyu Islands was enacted in 1960. The departmental proposal would have authorized a set-aside of not more than \$6 million annually of the Federal income taxes withheld from persons stationed or employed in the Ryukyu Islands and this amount would have been available for obligation and expenditures within limitations provided in appropriation acts for programs approved by the President for the development of the Ryukyu Islands. In 1960 the committee converted this language into an outright authorization for the appropriation of not to exceed \$6 million annually.

In 1962 the Department proposed to increase the maximum authorization to \$25 million, but this committee and the Senate recommended a ceiling of \$12 million. That is today's ceiling.

The Congress now is asked to go to the \$25 million maximum, but the indication is that the appropriations for the next fiscal year would be \$17.3 million.

There are a number of important witnesses here who are interested in this bill.

Mr. Thaddeus Holt, Jr., Deputy Under Secretary of the Army for International Affairs, is the first witness. Following Mr. Holt's statement the committee will go into executive session to hear Lt. Gen. Albert Watson II, High Commissioner of the Ryukyu Islands.

STATEMENT OF THADDEUS HOLT, JR., DEPUTY UNDER SECRETARY OF THE ARMY FOR INTERNATIONAL AFFAIRS; ACCOMPANIED BY LT. GEN. ALBERT WATSON II, HIGH COMMISSIONER OF THE RYUKYU ISLANDS; AND RICHARD L. SNEIDER, COUNTRY DIRECTOR, JAPAN, THE DEPARTMENT OF STATE

Chairman RUSSELL. Mr. Holt, you may proceed.

Mr. HOLT. Thank you, Mr. Chairman.

Mr. Chairman and gentlemen, I am Thaddeus Holt. I have been Deputy Under Secretary of the Army for International Affairs since December 10 last. I am representing the Department of Defense and, more specifically, the Secretary of the Army who, as you know, is responsible for supervising the civil administration of the Ryukyu Islands. I am glad to join with Lt. Gen. Albert Watson II, the High Commissioner of the Ryukyu Islands, in appearing before you in support of the bill before you, H.R. 12617, which would amend Public Law 86-629, familiar to us as the Price Act, to increase to \$25 million annually the standing aid authorization for the Ryukyus.

Mr. Chairman, I know that you and the members of this committee are familiar with the key role of the island of Okinawa, the principal island of the Ryukyus chain, in helping meet U.S. commitments in the western Pacific area. The strategic importance of the Ryukyus, and particularly Okinawa, is so well known that I do not need to discuss it at great length. However, a brief review may be helpful to your consideration of the proposed amendment.

The United States has developed a tremendous military base, comprising installations of all the military services, on Okinawa. These installations are important to us principally because of their geographic location and the freedom of action which we enjoy in the Ryukyus. The islands are located in the arc of free nations which runs from Japan and Korea in the north through Taiwan to southeast Asia. Under the terms of article III of the peace treaty with Japan the United States exercises full powers of administration, legislation, and jurisdiction over these islands, their territorial waters, and their inhabitants. As a result we have freedom of movement of troops, weapons, equipment, and supplies into and out of the islands, without hindrance and without the delay which might otherwise occur in meeting procedural requirements of a foreign government.

The Ryukyus serve a threefold purpose in our deployments to meet our security commitments in the western Pacific. They provide a centrally located logistical base; they provide a close-in staging area and operational base for U.S. forces with missions in the western Pacific; and they are an important center of military communications and transportation. Moreover, the Ryukyus serve other important purposes, such as providing sites for major Voice of America operations. The value of this base has been demonstrated repeatedly, from the time of the Korean war to the present day. Indeed, today this base is playing an increasingly important role in the support of operations in Vietnam.

Although we have the legal right to continue to use these islands freely for the important purposes which I have outlined, it is fundamental that with authority goes responsibility. Further, the effectiveness of any base obviously depends on a favorable attitude in the community in which it is located. So far, most of the people of the islands have given reasonable acquiescence to our presence, and our base on Okinawa has functioned generally in an atmosphere of cooperation and friendship.

There must also be cooperation among the United States, the government of the Ryukyu Islands, and the Government of Japan. As to the Japanese relationship, you know that it is U.S. policy to retain this base only so long as conditions of threat and tension exist in the Far East. The U.S. Government has publicly declared that "residual sovereignty" over these islands rests with Japan. The Ryukyuans are Japanese and would prefer to return to Japanese administrative control, despite their generally friendly attitude toward the United States.

In order to carry out the purposes of the Price Act that "every effort shall be made to improve the welfare and well-being of the inhabitants of the Ryukyu Islands and to promote their economic and cultural advancement, during such time as the United States continues to retain authority over the Ryukyu Islands," our efforts must be planned carefully and must be coordinated not only with those of the Ryukyuans, helping them to help themselves, but also with those of the Government of Japan. To insure that effective use be made of the various sources of funds which are available, General Watson instituted a long-range planning and programing system jointly with the government of the Ryukyu Islands shortly after his arrival on August 1, 1964. The goals of the plan are those which had been set forth by President Kennedy in 1962—to raise "the levels of public health, educational, and welfare services so that over a period of years they reach those obtaining in comparable areas in Japan." You may remember that following the President's 1962 announcement, the Congress raised the Price Act ceiling from \$6 million to its present level of \$12 million. Actual appropriations have reached this level in each of the last 2 fiscal years. In the development of the joint plan it became clear that it would be necessary to request amendment of the Price Act to increase the authorization if these goals were to be reached.

An increased contribution from the Government of Japan for the economic development of the Ryukyus is part of the funding for this plan. On the occasion of Prime Minister Ikeda's visit to President Kennedy in June 1961, the President welcomed Japanese cooperation in efforts to enhance the welfare and well-being of the inhabitants of the Ryukyus, and arrangements for that purpose were worked out with the Government of Japan. A "Japan-United States Consultative Committee on Okinawa" was established as a means of coordinating the economic aid provided by the Governments of Japan and the United States, and within this framework Japan took steps to increase its aid on projects agreed to by the United States.

During Prime Minister Sato's visit to the Ryukyus in August 1965 he announced the Japanese Government's desire to increase further its aid to the Ryukyus. This announcement was followed by an agreement within the Consultative Committee that the Japanese aid

for Japanese fiscal year 1966, which begins on April 1, 1966, would amount to \$16.1 million, an increase of \$8.2 million over the \$7.9 million made available by the Government of Japan in the previous year. Our own budget proposes to increase U.S. aid from \$12 to \$17.3 million in fiscal year 1967. In considering the amounts of aid required in support of the long-range plan over succeeding years, gradual increases have been projected in both the Japanese and United States contributions. The amounts required on the U.S. side may reach approximately \$24.5 million by fiscal year 1971.

In summary, passage of the proposed legislation is needed to support U.S. interests and to enable the United States to discharge its responsibilities to the Ryukyuan people. Accordingly, on behalf of the Department of Defense, I urge your approval of H.R. 12617, and I can assure you that the Department of State similarly endorses this action.

This concludes my prepared statement. If you have no questions, I suggest now that you hear from the High Commissioner, General Watson, who is prepared to testify concerning the details of the need for, and proposed uses of, the increased authorization and whom I am privileged to introduce at this time.

Chairman RUSSELL. Before we hear from General Watson, the committee may have a few questions, Mr. Holt.

Mr. HOLT. Yes, sir.

Chairman RUSSELL. I notice you state that the Ryukyuans are Japanese. I assume you mean that from the standpoint of the same nationality. They are not the same ethnic group as the Japanese, are they?

Mr. HOLT. By and large, I believe so, Senator. And certainly they have been Japanese nationals and culturally Japanese for quite a long time. Mr. Sneider, from the State Department, of the Japanese desk, may be a little more familiar with that than I am.

Mr. SNEIDER. Mr. Chairman, the Ryukyuans are ethnically homogeneous and almost of the same stock as the Japanese. The first inhabitants of the Ryukyus probably were of a primitive Caucasian stock similar to the people on Hokkaido. There has been some intermingling with other Malayan people and then some Japanese stock. Probably the most striking difference between the Ryukyuans and other Japanese appears to stem from the greater Ainu element present in the modern Ryukyuans.

Chairman RUSSELL. The reason I asked the question is I happened to have a vague recollection in the back of my mind that during World War II when we decided to invade Okinawa, one of the sheets I saw on justifications stated that the Ryukyuans were not members of the same identical ethnic group as the Japanese and I am surprised now to find that that was in error. I know I read something like that during World War II.

Senator THURMOND. That is what I was told.

Chairman RUSSELL. But the State Department has changed its mind on that, as has the Department of Defense since the war. I am quite sure I recall reading it, before we made the invasion.

Senator THURMOND. Mr. Chairman, on that same point, I visited Okinawa several years ago, and we were told there by our officials that they were not Japanese.

Chairman RUSSELL. Of course, there are Japanese nationals there. It was stated that they had not been recipients of the same benefits

from the Japanese Government as the other islands, that they didn't have as much money to spend on them.

How many people live on Okinawa, on the islands that we are using for bases?

Mr. HOLT. I recollect from the figures of about a year ago, the total for the Ryukyus is 933,000. Okinawa itself has a population of 783,040 as of June 1965.

Chairman RUSSELL. I assume that the U.S. Government is the principal employer on the island.

Mr. HOLT. The largest single employer I believe. My recollection is about 53,000 employees, which amounts to about 12 percent of the total work force.

Chairman RUSSELL. Twelve percent of the population?

Mr. HOLT. Twelve percent of the employed workers.

Chairman RUSSELL. What do the others do, principally?

Mr. HOLT. Agriculture, I believe, has the largest single employment. There is some commercial activity, but the bulk of the workers are engaged in agriculture. The principal crops are sugarcane, I believe, and especially in recent years, pineapples have become quite important.

Chairman RUSSELL. The Ryukyuans have a local government, do they not, an assembly of some kind and a local government?

Mr. HOLT. They do. The government of the Ryukyu Islands has executive, legislative, and judicial branches. The legislature is elected; I believe it is 31 members now elected on a district basis, similar to American legislature. The executive department is headed by a chief executive who is now appointed or elected by the legislature itself. Until last winter he was appointed by the High Commissioner, but he is now elected by the legislature.

General Watson points out to me that it is 32 members of the legislature, rather than 31.

Chairman RUSSELL. What is the principal source of taxation for the local government?

Mr. HOLT. In round figures, fiscal 1967 income taxes will amount to approximately \$30 million, excise taxes about \$21.5 million, and miscellaneous receipts of \$2 million. So income taxes are substantially the largest source of the government of the Ryukyu Islands funds.

Chairman RUSSELL. This came to my desk yesterday—I am one of the few Senators, I suppose, to look through “junk” mail—a publication of the New York Times on the Okinawa occupation. I haven't read all of it but I did look at the headlines. It says here, “The U.S. presence is key to Okinawan economy and departure of some troops to Vietnam has caused recession in business.” That has a familiar ring. We have had that from many communities in the States, from Hawaii, all the way to Florida and Georgia.

Moving troops out has had an impact on the economy. I am not concerned about the amount that is involved here. I am interested in the general philosophy of these different bills that affect the areas where American troops are in occupation. I want us to do our full share.

Of course, Japan itself now has a very booming economy. The Japanese people are probably the finest workers in the world. They object to working less than any people I know anything about in the world anywhere. They are very industrious, and they have a booming

economy, and some of it as a result of the fact that they have not had to maintain a very large military establishment over the last several years, so it hasn't been an unmitigated evil to have all these American forces there in the Ryukyus. It has assured the protection of Japan from any aggression from any area.

I was wondering why it was felt necessary to keep up with everything that the Japanese did for the Ryukyuans, if they were, in truth, Japanese. These bills heretofore have been presented to us on the grounds that the Japanese were doing more for the Ryukyuans, or for their brothers, blood brothers in the Ryukyus, than we were doing, and, therefore, we had to increase it. I don't like that philosophy. If you apply it all over the world it saddles us with enormous responsibilities.

Is that not one of the main reasons in support of this legislation?

Mr. HOLT. It is true, Senator, that the Japanese are in the current year taking a larger share in assisting the development of the Ryukyus than they have heretofore, but the real basis of this request is the independent justification of the need for the economic development of the area in a healthy way, and the responsibility of the United States to take the laboring oar in that as long as we retain the administration of the region.

We do certainly expect considerably increased Japanese participation in this over the next few years.

Chairman RUSSELL. Do we have some kind of joint commission, board, or committee of the Ryukyuan government, the Japanese Government, and our Government, or are all these appropriations turned over to the local government?

Mr. HOLT. There is a consultative committee between our Embassy in Japan and the Japanese, set up in 1964 for the general consideration of these joint assistance programs. Under them works the technical committee which also has representation, not only from the Japanese and the United States, but from the local government for working out the implementation of the details of this assistance.

Then there is also a branch office in the government of the Ryukyu Islands, with the assistance of our administration, to plan out the budgeting of this program over the next several years.

Chairman RUSSELL. I think perhaps the committee had better go into executive session to continue this discussion, but we will put in the record at this point the opening statement of General Watson.

STATEMENT OF LT. GEN. ALBERT WATSON II, HIGH COMMISSIONER OF THE RYUKYU ISLANDS

General WATSON. Mr. Chairman, gentlemen, it is a pleasure to appear before you in support of the bill, H.R. 12617, which would increase the aid authorization to the Ryukyu Islands in the Price Act from \$12 million to \$25 million. This proposed new ceiling is the same as that which was proposed in 1962. The 1962 proposal was based upon a report of an interdepartmental task force dispatched to the Ryukyus by President Kennedy in September 1961 to review economic and social problems. The current request is based upon conditions some 5 years later.

The United States is responsible for promoting the welfare and well-being of the Ryukyuans. We have made considerable progress in this respect over the past year. Economic growth, increases in national

income, and improvement in the general standard of living have continued at a high level. The political situation, which was somewhat agitated by the attempted resignation of the GRI chief executive when I first arrived in Okinawa, has become relatively stable. It is an uneasy stability, and must be recognized as such, since for 20 years our tenure in the islands has been indeterminate, with the ultimate goal of returning the islands and the people to their status as a prefecture of Japan.

The past year has seen an increase of threats and tensions in Asia. This is caused primarily by the situation in Vietnam. The Okinawa military base is vitally important in the defense of the United States, Japan, and our other allies in the western Pacific. This was demonstrated during the past year when we were able rapidly to redeploy troops and supplies from Okinawa to Vietnam. Our unilateral flexibility of decision and movement lies in the exclusive administrative rights held by the United States under article 3 of the Treaty of Peace with Japan. The continuation of this unilateral flexibility is essential.

Now, I believe it would be well to include a few pertinent historic facts. Prior to World War II, the Ryukyu Islands constituted 1 of 47 prefectures of Japan, the Okinawa prefecture. After the war, the United States alone occupied the islands as a territory separate and distinct from Japan. The occupation of Japan proper was nominally under authority of the allied powers.

In 1952, the treaty of peace with Japan provided for the administrative separation of the Ryukyus, and in article 3 stated that "the United States will have the right to exercise all and any powers of administration, legislation, and jurisdiction over the territory and inhabitants of these islands." Since then, the United States has remained in the islands as the sole administrative authority, and has built its vital military support base which, as stated by the President in 1962 * * * "help us assure our allies in the great arc from Japan through southeast Asia not only of our willingness but also of our ability to come to their assistance in case of need."

In the peace treaty, Japan did not renounce all right, title, and claim to the Ryukyus, as she did to Korea and Formosa. Since 1951, the United States has recognized that Japan has "residual sovereignty" over the islands, a term first used by former Secretary of State Dulles in describing the relationship of the islands to Japan.

The Congress, when it enacted the Peace Act in July 1960, recognized that every effort should be made to improve the well-being of the inhabitants during such time as the United States continues to retain authority over the islands.

Following the recommendations of the aforementioned interdepartmental task force, President Kennedy in March 1962 stated in part that—

The report of the Task Force examines in detail the problem of reconciling the military imperative for continued United States administration with the desires of the Ryukyuan people to assert their identity as Japanese, to obtain the economic and social welfare benefits available in Japan, and to have a greater voice in the management of their own affairs. The report has also considered in the same context the desire of the Japanese people to maintain close contact with their countrymen in the Ryukyus.

I recognize the Ryukyus to be a part of the Japanese homeland and look forward to the day when the security interests of the Free World will permit their restoration to full Japanese sovereignty. In the meantime we face a situation which

must be met in a spirit of forbearance and mutual understanding by all concerned. I have directed that a number of specific actions be taken to give expression to this spirit by the United States, to discharge more effectively our responsibilities toward the people of the Ryukyus, and to minimize the stresses that will accompany the anticipated eventual restoration of the Ryukyu Islands to Japanese administration. These actions consist of * * * "and I quote the two pertinent ones * * *

(1) Preparing for submission to the Congress plans for the support of new programs in the Ryukyus to raise the levels of compensation for Ryukyuan employees of the U.S. Forces and the Government of the Ryukyu Islands, and the levels of public health, educational and welfare services so that over a period of years they reach those obtaining in comparable areas in Japan * * *.

(2) Entering into discussions with the Government of Japan with a view to working out precise arrangements to implement a cooperative relationship between the United States and Japan in providing assistance to promote the welfare and well-being of the inhabitants of the Ryukyu Islands and their economic development * * *.

It was at this point that the President in 1962 requested the Congress to raise the Price Act authorization to \$25 million. Congress authorized only \$12 million in amending Public Law 86-629 in 1962.

Continuing with the historical background, in January 1965, President Johnson and Prime Minister Sato met in Washington to exchange views. The communique issued after the meetings stated in part:

The President and the Prime Minister recognized the importance of United States military installations on the Ryukyu and Bonin Islands for the security of the Far East. The Prime Minister expressed the desire that, as soon as feasible, the administrative control over these islands will be restored to Japan and also a deep interest in the expansion of the autonomy of the inhabitants of the Ryukyus and in further promoting their welfare. Appreciating the desire of the Government and people of Japan for the restoration of administration to Japan, the President stated that he looks forward to the day when the security interest of the Free World in the Far East will permit the realization of this desire. They confirmed that the United States and Japan should continue substantial economic assistance to the Ryukyu Islands in order to advance further the welfare and well-being of the inhabitants of these islands * * *.

Over the past 18 months, additional authority and powers have been granted to the local government. With this growth in autonomy the local government has become more effective and responsible. A signal step forward on the road to increased autonomy occurred on the 20th of December 1965, when the President signed Executive Order 11263. Now the Ryukyuan chief executive is elected by a majority of the Ryukyuan legislative body. This replaced nomination by the legislature and appointment by the High Commissioner.

Another important recent accomplishment has been the joint development by the government of the Ryukyu Islands and the U.S. civil administration of a formal long-range planning system and a long-range plan. This was done to insure that long-range goals and objectives were identified and relative priorities were established between programs to provide the optimum application of available resources. The first phase of the plan was completed on March 18, 1965. Since then the Ryukyuan government and the U.S. civil administration have continued to identify those program elements that need acceleration to achieve the U.S. goals for the Ryukyus and meet the reasonable desires of the inhabitants. The goals of the long-range plan are derived from the U.S. policy set forth in the Price Act and in Executive Order 10713, and from the goals stated in the White House statement of March 19, 1962. The goals of the plan are to insure that—

- (1) The public sector contributes all it can to optimum economic development and promotes cultural advancement; and
- (2) The levels of public health, educational, and welfare services advance toward levels obtaining in comparable areas of Japan and reach them, to the extent possible, by the end of fiscal year 1971.

Analyses of the education, social welfare, and public health programs were completed in the summer of 1965. The results are summarized as set forth in the fact paper and in tables I and II which are attached to my statement. I recommend that these be inserted in the record.

Table I compares the standard of living in the Ryukyus with the 12 Japanese prefectures located nearest to the Ryukyus. These comparisons show that the Ryukyus ranked ahead of Kagoshima and behind the other 11 prefectures in terms of per capita income, disposable income, and consumption expenditures for fiscal year 1962, the latest year for which comparable data are available.

Table II addresses directly the comparison between the Ryukyus and Japan in the areas of health, education, and welfare. The data in this table are for fiscal years 1964 and 1965. A few concrete comparisons will serve to indicate the size and nature of the gap we have undertaken to close.

In the health field, the prevailing levels in the Ryukyus range from 30 to 48 percent of those in Japan. The best showing is in hospital beds per 100,000 population. In Japan there are 826; in the Ryukyus only 396, or 48 percent of those in Japan. The Japanese have 1 doctor per 898 population; the Ryukyus 1 doctor per 2,444, 37 percent of the Japanese figure. As a result of heavy casualties in World War II, the Ryukyuan population is comparatively young. That is the reason why the Ryukyuan death rate is lower than that of other Japanese, despite the poor showing in the aforementioned health statistics.

Now a look at education. In spite of the need to catch up, per capita school expenditures in the Ryukyus lag behind those in Japan by 25 to 60 percent. Notice that the Ryukyus compare unfavorably also in pupils per classroom. School building area per pupil in the Ryukyus ranges from 52 to 62 percent of that in Japan.

Social insurance is complete in Japan. The Ryukyuan enjoys protection in only two of seven major social insurance protections available to the Japanese—unemployment insurance and workmen's accident compensation.

These comparisons make amply clear just how far we have to go in the Ryukyus. This is no 1-year job. It will require continuing effort and increasing levels of assistance. We have to work against several limitations in our effort to close the gap. For instance, we cannot expect to train the needed doctors, nurses, and other medical personnel in 1 or 2 years, when at the present time there is not even a medical school in all of the Ryukyu Islands. Construction facilities, too, represent a limitation. We can program in each year only a portion of the needed annual increment of school and other public works construction.

The long-range plan takes these limitations into consideration. The result is a program for the next 5 years which will reduce the gap to the minimum possible using the training and construction capabilities expected to be available in each year. In the education program,

for example, the educational facilities cannot be raised to approved standards by the end of fiscal year 1971. We program, therefore, to obtain as many as possible of the regular and special classrooms and other highest priority facilities by the end of the planning period. We estimate that we need approximately 2,800 classrooms by the end of fiscal year 1971 but thus far we have been able to program for only 1,830. We have been able to program about 50 percent of the short fall in total educational facilities requirements.

In public health, our plan calls for increasing hospital beds by 4,200 during the period bringing the total to 7,900 beds. This will increase the present ratio of 396 beds per 100,000 to about 790 per 100,000 which is almost equal to the present average in Japan of 826 per 100,000. However, there may not be enough doctors, nurses, and other trained personnel to service that many beds. We will reduce this program if future annual reviews of the long-range plan so indicate.

This brings us to a current overriding limitation—the \$12 million ceiling on U.S. aid. For the past 2 years, the entire \$12 million authorized by Public Law 86-629 has been appropriated. While there has been a great increase in the size of the Japanese contribution from \$5.2 million in 1965 to \$16.1 million for fiscal year 1967, these amounts are not sufficient to permit minimum satisfactory progress toward established goals embodied in our present program. We estimate that an additional \$5.3 million in U.S. economic assistance, bringing the total to \$17.3 million is required in fiscal year 1967. Table III appended to this statement provides a tabulation by budget activities of the proposed Japanese and United States aid budgets for fiscal year 1966 and fiscal year 1967.

Last year, in view of the foregoing, we proposed for fiscal year 1967 that the United States and Japan provide more needed financial assistance to the government of the Ryukyu Islands, particularly for education, public health, and welfare services. Since then, two significant actions have occurred.

The first action was on September 20, 1965, at a meeting of the United States-Japan Consultative Committee in Tokyo when the Japanese Government was invited to assist in raising the levels of public health, education, and welfare to those obtaining in comparable areas of Japan by the end of fiscal year 1971, and to continue to contribute to the economic development of the islands.

The second is the introduction of the bill before you to raise the authorization for U.S. aid in order that the U.S. contribution may be increased to meet the situation today.

With the increase in its own revenues and those from the United States and Japanese Governments anticipated in fiscal year 1967, the budget of the government of the Ryukyu Islands is expected to be about \$87 million.

The funds that are released by the increased United States and Japanese funding will be utilized by the government of the Ryukyu Islands for a number of important activities. These include, among others, meeting the increased costs for the operation and maintenance of the expanding school system, and for the government's increased contributions to the expanded social insurance program; financing additional much needed economic and public works projects; and increasing its financial assistance to the municipal governments. Also, the released funds will assist the government of the Ryukyu Islands in

meeting the costs of central government functions which it must finance while separated from Japan, without neglecting other important activities.

It is significant that it is impossible for us to achieve many of the goals for the Ryukyus by the end of fiscal year 1971. There is a limit to the amount of funds that can be assimilated by the Ryukyuan economy and administered by the Ryukyuan government. This is a principal reason why our annual review and updating of the long-range plan adds a new year and drops the completed year. In this manner, we reassess our requirements versus actual achievements, and re-adjust our priorities and the phasing of our programs.

ECONOMIC INDICATIONS FROM LONG-RANGE PLAN

At this point, I would like to insert in the record and discuss chart A which shows gross national product and national income. This information is taken from the long-range plan.

The gross national product in fiscal year 1965 was \$369.1 million and is projected to reach \$707.6 million in fiscal year 1971 in terms of constant fiscal year 1965 dollars. The annual average rate of growth would be 11.3 percent compared to 13.1 percent during the period fiscal years 1960-65. This growth rate is one of the best in the world, but it is not indicative of the gap between the Ryukyus and Japan in public health, education, and welfare.

National income is anticipated to rise from \$340 million in fiscal year 1965 to \$641 million in fiscal year 1971, an average annual rate of growth of 11.2 percent.

Per capita income is expected to increase from \$364 in fiscal year 1965 to \$650 in fiscal year 1971, also in constant fiscal year 1965 dollars. This should put the Ryukyus ahead of most of the lower prefectures of Japan since today the Ryukyus are equal to or slightly lower than a number of prefectures.

We have difficulty in making valid and timely economic comparisons with Japanese prefectures for three primary reasons. First, prefectural statistics become available about 3 years after those of Japan's Central Government. Second, the Ryukyu's statistical system differs from the prefectural system. The Ryukyuan system is designed as a national government and has no interprefectural duplications. Third, there are no precisely comparable prefectures to the Ryukyus as will be shown in these next two charts.

Chart B shows commodity imports and exports, actual through fiscal year 1965, and the long-range plan projections through fiscal year 1971. The large imbalance in trade results from the lack of raw materials in the Ryukyus. The main exports are sugar and pineapple to Japan. Japan subsidizes the high cost of sugar production by paying much higher prices than she pays to other countries which are competitive on the world market. In the long-range plan, government measures, such as subsidies, are programmed to assist private industry in increasing the ratio of exports to imports from 38 percent in fiscal year 1965 to 40 percent in fiscal year 1971. Although chart B indicates a heavy deficit in the balance of payments, this is not the case, as shown on chart C.

Receipts and payments are about equal because the spending in the economy by the military base and U.S. personnel makes up the

large imbalance in trade. There is no prefecture in Japan where the economy depends for the most part upon military spending. Our "comparable area" comparisons are derived from the lowest income prefectures because Okinawa was the lowest prior to World War II.

The rapidly expanding aid program of the Japanese Government has changed the character and complexion of our U.S. budget request. We seek to develop the most effective application of United States and Japanese aid so as to bolster the three social programs (public health, education, and social welfare) in which the Ryukyus are substantially behind Japan.

At the same time we seek to insure that the activities and individual items funded are of highest priority to the local government. Our principal programming job in the Ryukyu Islands is to insure that the government develops an annual program which is best suited to achieving the objectives of the long-range plan. With many unfulfilled requirements remaining in the developing society of the islands, we realize that the local government in its eagerness must not program beyond its execution capabilities and the ability of the economy to absorb the total government program. For fiscal year 1967, this limit is estimated to be about \$87 million.

Our current long-range plan is based upon our judgment that the Ryukyuan economy vitally needs and can absorb, and the GRI can administer, increases in budget planning levels averaging 13.3 percent for each year of the planning period, fiscal year 1967 through fiscal year 1971. If this proves true, the GRI budget will increase to \$163 million by fiscal year 1971. This will enable a substantial reduction of the gaps between the Ryukyus and Japan in the levels of public health, education, and welfare.

Mr. Chairman, in order that the United States can assist the people of the Ryukyus in more rapidly achieving a standard of living similar to that in comparable areas of Japan, favorable action by the Armed Services Committee is respectfully requested. This concludes my opening statement.

FACT PAPER

STANDARD OF LIVING: RYUKYUS VERSUS JAPAN

Past history.—Before World War II, Okinawa was the poorest prefecture of Japan. Per capita income of Okinawa averaged about \$25 per year during the 1934-1936 years; whereas in mainland Japan, annual per capita income averaged about \$60 during the same period. However, despite the poor economic state of prewar Okinawa, the GOJ central government took measures to provide the Okinawans with schools, hospitals and welfare facilities which were adequate for that time and comparable to those in other prefectures in Japan.

Current plans.—Currently Okinawa still ranks with the poorer prefectures of Japan (1962) as indicated in table I attached. This table has five sections.

Sections I, II, and III compare the per capita national income, disposable income and consumption expenditures in the Ryukyus with the average in all Japan, and with twelve prefectures that are physically closest to Okinawa. FY 1962 was the latest year available when a USCAR and a GRI representative personally visited these prefectures last fall to discuss conditions and obtain factual information. As can be seen, the Ryukyus rank ahead of Kagoshima and behind the other eleven prefectures.

Section IV of the table compares the same economic factors in the Ryukyus with the Japanese national average for which we do have statistics through FY 1965.

Section V compares FY 1965 price levels against the Tokyo consumer price index which is 100. We have the figures for the 12 prefectures in this case. In FY 65, prices in the Ryukyus were slightly higher than in Japan. However,

the price index in Japan has risen rapidly in some areas in FY 66 and we estimate that Ryukyuan prices are now equal to or less than Japan.

In Japan and the Ryukyus, another important measure is the so-called fiscal level of the budgets of the individual prefectures. The Japanese Government in a recent Consultative Committee meeting in Tokyo, provided us with a FY 63 comparison with seven selected (by GOJ) prefectures. The average prefecture spent \$86 per person which compares with \$59 per person in the Ryukyus including central government functions that would be borne by Japan if Okinawa were a prefecture. Excluding those central government function costs, the average in the Ryukyus is \$45 per person, or 52.3 percent of the average in the seven prefectures.

Concerning the three program areas of public health, education, and welfare, where the gaps between the progress made in Japan and that in the Ryukyus have caused serious concern in the Governments of the U. S., Japan and the Ryukyu Islands, table II, attached hereto, has certain key indicators which illustrate the differences.

Future plans.—As pointed out in the opening statement, one of the primary goals of the long range plan is to raise the levels of public health, educational, and welfare services to the extent possible by FY 1971 to levels obtained in comparable areas of Japan.

TABLE I.—Comparison of income and cost of living, Ryukyus and Japanese prefectures

[In dollars]

	I. National income per capita ¹			II. Disposable income per capita ²			III. Consumption expenditure per capita ³		
	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962
All Japan.....	301	357	419	253	289	337	206	229	263
1. Tokyo.....	584	697	802	448	512	596	315	366	425
2. Tokushima.....	227	284	323	223	275	310	168	200	225
3. Kagawa.....	280	331	384	265	311	363	190	196	232
4. Ehime.....	260	308	354	247	285	328	182	209	242
5. Kochi.....	249	295	338	242	285	330	169	192	232
6. Fukuoka.....	357	393	451	306	340	396	219	241	273
7. Saga.....	235	266	306	227	258	301	186	203	234
8. Nagasaki.....	242	272	303	227	254	294	171	189	213
9. Kumamoto.....	213	248	292	206	239	283	162	176	196
10. Oita.....	234	259	301	226	249	284	163	183	220
11. Miyazaki.....	217	244	275	212	237	264	172	187	204
12. Kagoshima.....	178	203	240	177	201	234	155	173	193
Ryukyu Islands.....	202	237	261	199	236	255	158	172	194

	IV. Comparison of (Ryukyu Islands with Japanese averages)					
	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965
National income per capita: ¹						
All Japan.....	301	357	419	460	528	587
Ryukyu Islands.....	202	237	261	299	322	364
Disposable income per capita: ²						
All Japan.....	253	289	337	477	431	488
Ryukyu Islands.....	199	236	255	285	304	344
Consumption expenditure per capita: ³						
All Japan.....	206	229	263	299	342	384
Ryukyu Islands.....	158	172	194	215	237	261

[Tokyo=100]

V. Comparison of price levels:

	Fiscal year 1965
All Japan.....	95.1
1. Tokyo.....	100.0
2. Tokushima.....	98.1
3. Kagawa.....	97.5
4. Ehime.....	96.4
5. Kochi.....	97.2
6. Fukuoka.....	98.4
7. Saga.....	96.2
8. Nagasaki.....	97.5
9. Oita.....	95.0
10. Kumamoto.....	97.0
11. Miyazaki.....	93.1
12. Kagoshima.....	96.1
Ryukyu Islands.....	100.9

¹ Aggregate earnings of all factors of production.² Disposable income is national income less taxes.³ Consumption expenditures are national income less savings.

TABLE II.—Comparative data on health, education, and welfare for the Ryukyu Islands and Japan

	Ryukyus, fiscal year 1965	All Japan, fiscal year 1964																																													
I. Health:																																															
Doctors:																																															
Number	383	106,512																																													
Population served per doctor	2,444	898																																													
Dentists:																																															
Number	103	34,517																																													
Population served per dentist	9,087	2,772																																													
Nurses (clinical and public health):																																															
Number	846	218,021																																													
Population served per nurse	1,106	439																																													
Hospital beds:																																															
Total beds	3,704	794,434																																													
Number per 100,000 population	356	826																																													
TB beds	795	235,150																																													
Number per 100,000 population	85	245																																													
NP beds	475	136,387																																													
Number per 100,000 population	51	142																																													
Birth rate per 1,000 population	21.5	17.3																																													
Life expectancy (years):																																															
Male	(1960) 68.0	(1962) 66.2																																													
Female	(1960) 74.7	(1962) 71.2																																													
Death rate per 1,000 population	5.3	6.9																																													
II. Education:																																															
1. Per capita school expenditures (1964):																																															
Kindergarten	\$24.25	\$61.21																																													
Elementary school	\$45.84	\$96.63																																													
Junior high school	\$68.12	\$99.20																																													
Special school	\$348.86	\$748.21																																													
Senior high school (day)	\$130.67	\$180.69																																													
Senior high school (night)	\$70.93	\$150.02																																													
2. Pupils per classroom (1964):																																															
Elementary school	43.3	36.0																																													
Junior high school	46.9	42.3																																													
Senior high school (day)	43.5	NA																																													
Senior high school (night)	38.8	NA																																													
3. School building area per pupil (excluding gymnasium and auditorium):																																															
	<table border="1"> <thead> <tr> <th rowspan="2">School</th> <th colspan="2">Ryukyu Islands</th> <th rowspan="2">Japan, fiscal year 1964</th> </tr> <tr> <th>Fiscal year 1964</th> <th>Fiscal year 1966</th> </tr> </thead> <tbody> <tr> <td></td> <td><i>Square meters</i></td> <td><i>Square meters</i></td> <td><i>Square meters</i></td> </tr> <tr> <td>Primary</td> <td>2.28</td> <td>2.48</td> <td>4.76</td> </tr> <tr> <td>Junior high</td> <td>2.25</td> <td>2.71</td> <td>4.38</td> </tr> <tr> <td>Senior high</td> <td>3.67</td> <td>3.84</td> <td>6.59</td> </tr> </tbody> </table>		School	Ryukyu Islands		Japan, fiscal year 1964	Fiscal year 1964	Fiscal year 1966		<i>Square meters</i>	<i>Square meters</i>	<i>Square meters</i>	Primary	2.28	2.48	4.76	Junior high	2.25	2.71	4.38	Senior high	3.67	3.84	6.59																							
School	Ryukyu Islands			Japan, fiscal year 1964																																											
	Fiscal year 1964	Fiscal year 1966																																													
	<i>Square meters</i>	<i>Square meters</i>	<i>Square meters</i>																																												
Primary	2.28	2.48	4.76																																												
Junior high	2.25	2.71	4.38																																												
Senior high	3.67	3.84	6.59																																												
	<table border="1"> <thead> <tr> <th></th> <th>Ryukyus</th> <th>Japan</th> </tr> </thead> <tbody> <tr> <td colspan="3">III. Welfare programs:</td> </tr> <tr> <td colspan="3"> 1. Social insurance:</td> </tr> <tr> <td> (a) Public service personnel retirement annuity</td> <td>July 1, 1966</td> <td>In operation.</td> </tr> <tr> <td> (b) Medical insurance program</td> <td>do</td> <td>Do.</td> </tr> <tr> <td> (c) Unemployment insurance</td> <td>In operation</td> <td>Do.</td> </tr> <tr> <td> (d) Workmen's accident compensation insurance</td> <td>do</td> <td>Do.</td> </tr> <tr> <td> (e) Workmen's annuity</td> <td>Fiscal year 1967</td> <td>Do.</td> </tr> <tr> <td> (f) Old-age and survivors (national pension)</td> <td>Fiscal year 1968</td> <td>Do.</td> </tr> <tr> <td> (g) GRI Employees' Mutual Aid Association</td> <td>Fiscal year 1971</td> <td>Do.</td> </tr> <tr> <td colspan="3"> 2. Public assistance (daily life security):</td> </tr> <tr> <td> Total (per family per month) ¹</td> <td>\$27.28</td> <td>\$36.15</td> </tr> <tr> <td> Livelihood (food and clothing)</td> <td>22.79</td> <td>32.97</td> </tr> <tr> <td> Housing</td> <td>4.17</td> <td>2.67</td> </tr> <tr> <td> Educational</td> <td>.32</td> <td>.51</td> </tr> </tbody> </table>			Ryukyus	Japan	III. Welfare programs:			1. Social insurance:			(a) Public service personnel retirement annuity	July 1, 1966	In operation.	(b) Medical insurance program	do	Do.	(c) Unemployment insurance	In operation	Do.	(d) Workmen's accident compensation insurance	do	Do.	(e) Workmen's annuity	Fiscal year 1967	Do.	(f) Old-age and survivors (national pension)	Fiscal year 1968	Do.	(g) GRI Employees' Mutual Aid Association	Fiscal year 1971	Do.	2. Public assistance (daily life security):			Total (per family per month) ¹	\$27.28	\$36.15	Livelihood (food and clothing)	22.79	32.97	Housing	4.17	2.67	Educational32	.51
	Ryukyus	Japan																																													
III. Welfare programs:																																															
1. Social insurance:																																															
(a) Public service personnel retirement annuity	July 1, 1966	In operation.																																													
(b) Medical insurance program	do	Do.																																													
(c) Unemployment insurance	In operation	Do.																																													
(d) Workmen's accident compensation insurance	do	Do.																																													
(e) Workmen's annuity	Fiscal year 1967	Do.																																													
(f) Old-age and survivors (national pension)	Fiscal year 1968	Do.																																													
(g) GRI Employees' Mutual Aid Association	Fiscal year 1971	Do.																																													
2. Public assistance (daily life security):																																															
Total (per family per month) ¹	\$27.28	\$36.15																																													
Livelihood (food and clothing)	22.79	32.97																																													
Housing	4.17	2.67																																													
Educational32	.51																																													

¹ Payments to Ryukyuan and Japanese households of similar economic status residing in towns and villages. Amount based on household consisting of 5 members. Excludes surplus agricultural commodities (Public Law 480, title III program). Data for May 1965.

TABLE III.—Proposed United States-Japan aid program budgets, fiscal year 1967 (Japanese fiscal year 1966)
 [In thousands]

U.S. subproject	Budget activity item (2)	Fiscal year 1966			Fiscal year 1967				Total external aid	
		U.S. ARIA (3)	Japan (4)	Total external aid (5)	U.S. ARIA			Japan (9)		
					Under current authorization (6)	Increase under proposed authorization (7)	Total proposed (8)			
8731	Reimbursement for Government services.....	\$1,200	-----	\$1,200	-----	\$1,200	-----	-----	-----	\$1,200
	1. Public safety.....	800	-----	800	-----	800	-----	-----	-----	800
	2. Public health and sanitation.....	400	-----	400	-----	400	-----	-----	-----	400
8732	Contribution to Government projects:	2,955	\$1,082	4,087	-----	4,235	\$4,175	8,410	\$7,697	16,107
	1. Education.....	1,000	-----	1,000	-----	1,000	4,000	5,000	5,288	10,288
	(a) Teachers salaries.....	915	135	1,050	-----	1,000	-----	1,800	1,265	3,065
	(b) Construction.....	720	802	1,522	-----	1,085	-----	1,085	976	2,001
	(c) Equipment and supplies.....	320	145	465	-----	350	175	525	168	693
	(d) University of Ryukyu and other.....	-----	-----	-----	-----	500	-----	560	1,050	1,610
	2. Social welfare.....	-----	395	395	-----	395	-----	395	389	784
	(a) Capital, GRI retirement annuity.....	-----	-----	-----	-----	165	-----	165	167	332
	(b) Capital, medical insurance.....	-----	395	395	-----	-----	-----	-----	494	494
	(c) Other.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
	3. Public health and medical.....	997	1,080	2,047	-----	950	-----	950	1,701	2,651
	(a) Disease control.....	480	55	485	-----	450	-----	450	76	526
	(b) Health and medical facilities and equipment.....	567	394	921	-----	500	-----	500	722	1,222
	(c) Treatment of patients.....	-----	641	641	-----	-----	-----	-----	903	903
	4. Public safety.....	125	75	200	-----	50	-----	50	-----	50

5. Public works.....	4,958	1,795	6,753	2,865	935	3,800	1,814	5,614
(a) Roads and bridges (excluding farm)	1,000	210	1,210	450	550	1,000	205	1,205
(b) TV for Sakishima Islands.....	2,835	8	2,895	1,430	.....	1,430	604	1,430
(c) Sewer system.....	1,123	1,577	2,700	985	885	1,370	1,005	2,375
(d) Other.....	225	2,868	3,093	100	200	300	2,993	3,293
6. Economic development.....	225	292	457	100	200	300	250	550
(a) Agricultural land development.....	225	590	590	.....	.....	.....	571	571
(b) Farm roads and retaining walls.....	.....	1,160	1,160	.....	.....	.....	1,360	1,360
(c) Capital for CBC and Peoples Finance Corporation.....	.....	947	947	.....	.....	.....	783	783
(d) Other.....	.....	.....	.....	.....	.....	.....	.....	.....
Transportation of commodities.....	5	.....	5	5	.....	5	.....	5
Technical education and training.....	790	250	1,040	985	.....	985	287	1,272
Technical cooperation.....	745	449	1,194	1,050	.....	1,050	572	1,622
Grand total.....	12,000	7,984	19,984	12,000	5,310	17,310	16,114	33,424

CHART A
GROSS NATIONAL PRODUCT
IN CONSTANT DOLLARS AFTER

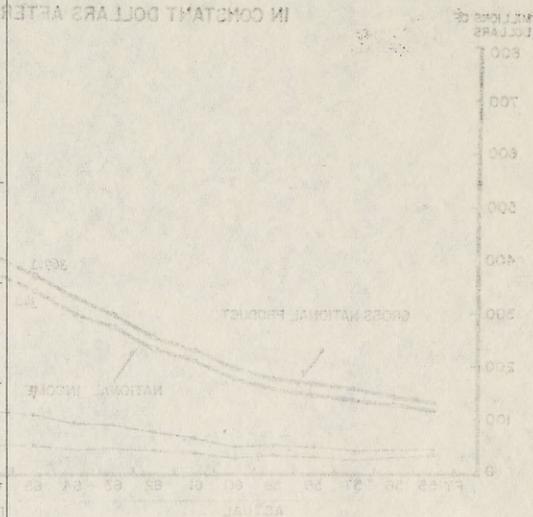


CHART B
COMMODITY EXPORTS AND IMPORTS

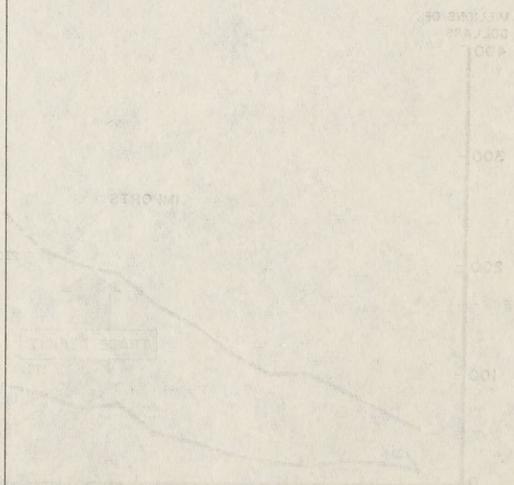


CHART A
GROSS NATIONAL PRODUCT

IN CONSTANT DOLLARS AFTER FY'65

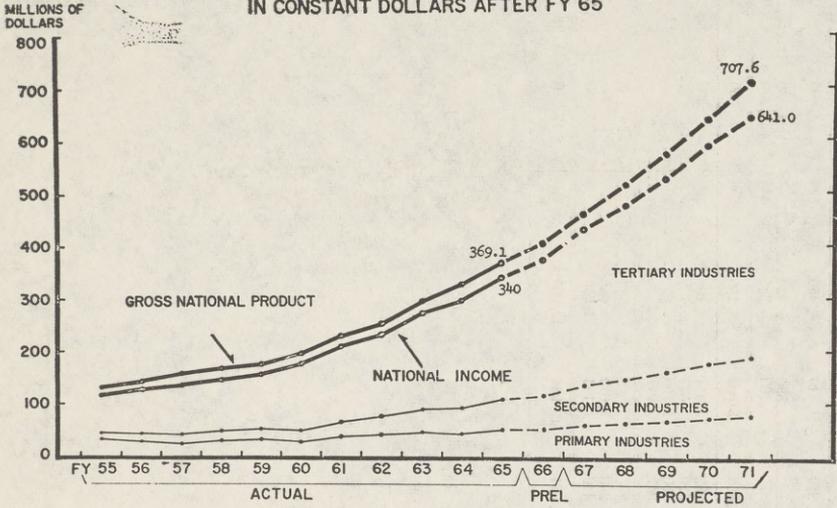


CHART B
COMMODITY EXPORTS AND IMPORTS

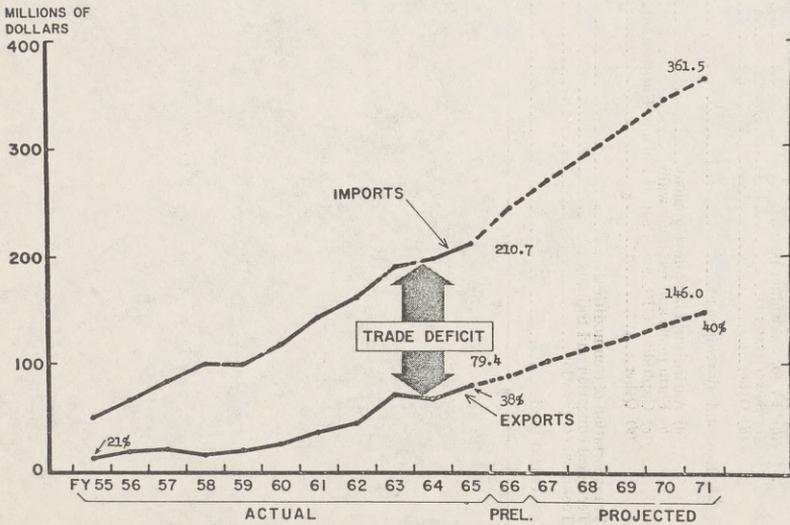
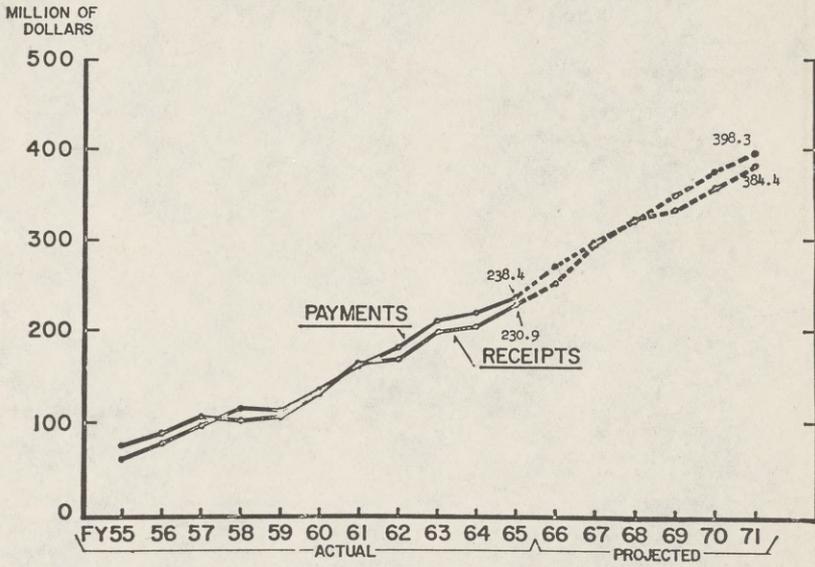


CHART
FOREIGN RECEIPTS AND PAYMENTS
(EXCLUDING CAPITAL TRANSACTIONS)



(Whereupon at 10:48 a.m., the committee went into executive session.)



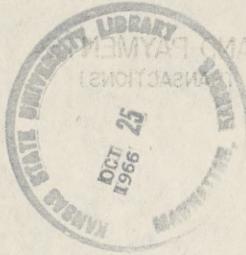
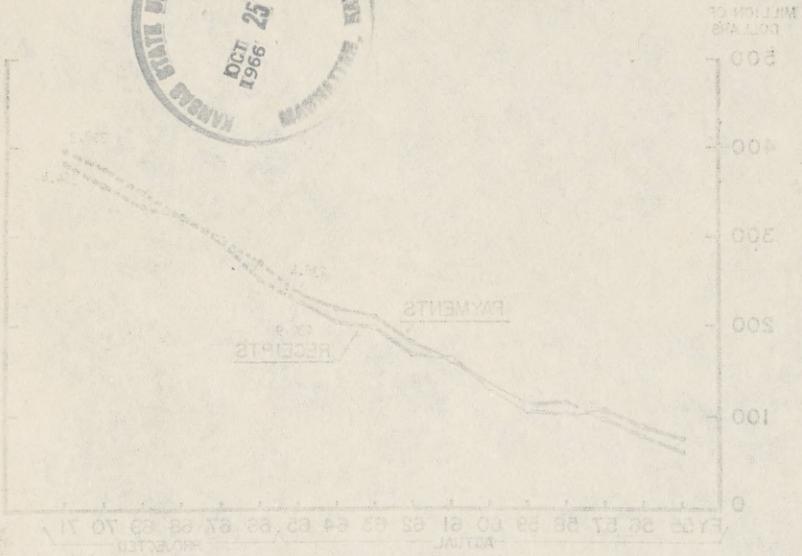


CHART
 FOREIGN RECEIPTS AND PAYMENTS
 (EXCLUDING CAPITAL TRANSACTIONS)



(When in 1970 the committee went into effect)