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THE SECRETARY OF THE TREASURY

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FEB - 3 1971

BY dal NARA DATE 5/18/09

Dear Mel:

As I mentioned in my letter of January 23, 1971, to you, Tony Jurich and I met with Japanese negotiators Vice Minister of Finance Yusuke Kashiwagi and Counsellor Tarao Maeda on the financial settlement involving the reversion of Okinawa. I outline in this letter those elements in our discussions with the Japanese which require further study and decisions by you, Secretary Rogers, or myself.

We are convinced, as a result of these discussions, that one of the main concerns of the Japanese involves the search for constitutional or statutory authority to carry out the terms of the Jurich-Kashiwagi Memorandum of Understanding. Vice Minister Kashiwagi reaffirmed the determination of the Japanese Government to meet its commitment regarding the Memorandum of Understanding and especially the \$200 million. The Japanese preference for funding relocation-type items under the \$200 million figure is associated with the existence of legal authority to justify this kind of budgetary outlay. Kashiwagi explicitly stated, however, that the Japanese recognize that this mode of payment would not meet Defense Department requirements. He concluded that in order for the two governments to reach a mutually satisfactory solution of the \$200 million transfer problem, the Government of Japan would have to obtain additional legal authority. Vice Minister Kashiwagi therefore suggested that, in addition to other transfers, the Japanese pay up to \$100 million in cash over a five-year period to the Department of Defense. He believed that a suitable clause would have to be included in the treaty documents authorizing payment to the United States with some accompanying rationale. We agreed that each side would, as a matter of urgency, study the feasibility of including such a clause in the draft treaty.

Among the other possibilities for transfer payments discussed, the Japanese insisted we consider two items:

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1. \$20 million in cash for the purchase of Nike-Hawk missiles, and,
2. \$30 million for the relocation of Machinato Housing.

We, of course, said both of these proposals were unacceptable since they did not seem to come within the terms of the Memorandum of Understanding. Vice Minister Kashiwagi informed us, however, that in December 1970 Minister Sneider, the special representative for Okinawan negotiations, had suggested to the Japanese Foreign Office a list of items for the \$200 million settlement. This list included \$30 million for the relocation of Machinato Housing. Consequently, the Japanese felt that the U.S. Government had implicitly reached a political decision to meet the Japanese request about the relocation of Machinato Housing. Minister Kashiwagi said the Foreign Minister strongly believed that relocation of this housing complex is necessary, since its relocation would serve as a visible symbol of Japan's resumption of sovereignty over Okinawa. Kashiwagi also noted that such relocation would help the Japanese in other ways, particularly as regards justifying to the Okinawans the GOJ purchase of the civil assets.

Since the Government of Japan seems to be as determined as we are to reach full agreement on the financial settlement terms of Okinawa reversion, I agreed to Vice Minister Kashiwagi's proposal that he and Tony Jurich meet again in Tokyo on February 17. I am hopeful that by that time the interested agencies can reach coordinated positions on: (1) the inclusion of suitable language in the draft treaty to cover the cash payment portion of the \$200 million item, either explicitly or by implication; (2) the Japanese request for a political determination about the relocation of Machinato Housing which will be conveyed through diplomatic channels; and (3) the Japanese request that the Nike-Hawk purchase be included within the terms of the \$200 million transfer.

We have received assurances from the OMB staff regarding the procedures whereby DOD realizes a net budgetary benefit

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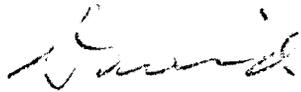
from cash payments under the \$200 million settlement figure. I am informed the DOD comptroller staff members have also discussed this matter with OMB.

I am hopeful we can promptly work out arrangements which are beneficial and politically advantageous to the United States as well as to the Government of Japan. In the near future, I plan to discuss the financial settlement with Minister of Finance Fukuda with a view of making the settlement arrangements definitive.

I am sending a similar letter to Secretary of State Rogers.

With best wishes,

Sincerely,



The Honorable
Melvin R. Laird
Secretary
Department of Defense
Washington, D.C. 20301

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