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THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

16 FEB 1971

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Honorable David M. Kennedy
Ambassador at Large
Department of State
Washington, D. C. 20520

DECLASSIFIED

E.O. 12958 SEC. 3.6
Date Dec 4/17/09
MROS-09 #24: OSD-LBR 4/15/05

Dear David:

BY del NARA DATE 5/18/09

I am pleased to learn from your letter of February 3, 1971, that there is no misunderstanding with the Japanese Government, and that the GOJ intends to meet its commitment on the \$200 million. As far as I am concerned, we currently have an acceptable agreement on \$150 million of the total \$200 million. Each separate aspect of the package is discussed briefly below.

The GOJ willingness to pay \$100 million in cash over a five year period obviously meets the requirement of being a net financial benefit and is acceptable to Defense.

The GOJ proposal for settling \$50 million of the \$200 million as cash for the purchase of Nike and Hawk missiles (\$20 million) and for the relocation of the Machinato housing area (\$30 million) does not meet the basic criterion of being a net financial benefit to DOD. The Nike and Hawk missiles are valuable equipment, and their possible sale to the GOJ is considered by us as a separate financial transaction. The GOJ is under no obligation to purchase this air defense equipment if they can meet the responsibility of providing for the air defense of Okinawa within one year following reversion through other means. Our willingness to sell this equipment results from a desire to facilitate the GOJ assumption of this defense responsibility. As has been stated a number of times previously, the Defense Department also does not consider the relocation of existing housing assets as representing a net financial benefit. Furthermore, we assume that any discussion DCM Sneider had with the Japanese on this subject was informal and did not represent a formal commitment by the US Government. Since we are not prepared to accept this \$50 million of the GOJ offer, I would recommend that a counter proposal be made to the GOJ wherein this \$50 million would be settled by GOJ contributions to costs arising under the Master Labor Contract, including the US obligation for severance pay. (It should be noted that the magnitude of the US obligation for severance pay is dependent to a great extent on any reductions after reversion.) DOD would prefer to have the GOJ meet this \$50 million segment of the \$200 million commitment in the labor cost area since it would be more easily administered in DOD. It appears to us that the GOJ could justify this \$50 million to the Diet on

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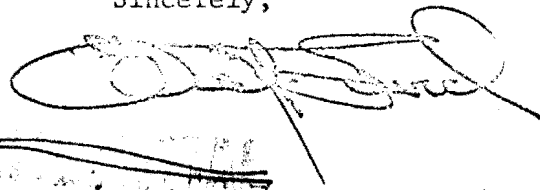
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the basis of increased labor costs to the US as a result of reversion. However, if this is unacceptable to the GOJ, we would be prepared to accept this entire amount, or any balance of this amount, if required through (1) GOJ financing of O&M costs in Japan and Okinawa, e.g., utilities, etc; and (2) additional DOD required facilities maintenance, repair and improvements in Japan and Okinawa, provided that it is understood that the justification for neither of these two items can be directly related to reversion. I am prepared to agree to negotiating instructions for Mr. Jurich which would reflect either of the above alternatives.

I assume that the remaining \$50 million of the \$200 million consists of (1) the GOJ commitment to provide \$40 million for facilities maintenance, repair and improvement expenditures in Japan and Okinawa and (2) \$10 million in savings to us by the reduction or elimination of the US share of the cost of administering the Master Labor Contract. Item (1) is acceptable to us as long as it is clearly understood that facilities expenditures are not necessarily new construction and that not all of the other work we do on the facilities with these funds will be directly related to reversion. If this is clearly understood by the GOJ, then what is needed now is general agreement on a simple procedure whereby contracts we will undertake with various Japanese and Okinawan firms can be presented for payment by the GOJ through a central authority without further justification for the individual work. In this regard, we would not desire or expect the GOJ to become involved in any way in the requirements, design, supervision or contract administration for the facilities work to be paid for by the GOJ. Whatever amount of the additional \$50 million discussed above would eventually be used for maintenance, repair and improvements of facilities in Okinawa and Japan would also be governed by these provisions. My staff is prepared to discuss with your staff specific details of such an arrangement.

With respect to item (2) above relating to savings accruing to the US in connection with administration of the Master Labor Contract, it should be clearly understood that the \$10 million would not be applied to any savings in administrative costs to the US which may result from a change in the administrative fee formula under consideration in concurrent negotiations, but only to that portion of the cost of administering the indirect hire system which the US will be obligated to pay under any revised formula. It should also be noted that the estimated \$10 million is based on the assumption of a relatively stable labor force. Therefore, if the sum of \$10 million cannot be reached due to a reduced labor force, the difference should be financed by the GOJ through payment of other DOD costs arising under the Master Labor Contract, or O&M type costs or DOD required facilities maintenance, repair and improvements in Japan and Okinawa. On this basis, DOD would agree to inclusion of this item.

Sincerely,



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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

14 FEB 1971

INTERNATIONAL SECURITY AFFAIRS

In reply refer to:
I-20660/71

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MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Letter From Ambassador Kennedy on Okinawa Reversion
Financial Negotiations

A proposed letter from you to Ambassador Kennedy, replying to his letter of February 3, 1971, is attached for your signature.

I as well as the PDASD/Comptroller (Mr. Brazier), PDASD/I&L (Mr. Gibson), and ASD/M&RA (Mr. Kelly) recommend signature.

Arthur L. Calkin, Jr.
Principal Deputy
Assistant Secretary



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E.O. 12958 SEC. 3.6

State Ltr 44-7109
MR 08-09 #25; OSD Ltr 5/9/08

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THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

BY dal NARA DATE 5/15/09

7 APR 1971

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: Japanese Assumption of Defense Responsibility for Okinawa (U)

- REFERENCES:
- (a) JCSM 522-70, dated November 12, 1970
 - (b) Joint State/Defense Message 110102, DTG 101840 July 1970
 - (c) JCSM 297-70, dated June 18, 1970

In the Chairman's memorandum to me of November 12, 1970, reference (a), he forwarded a plan for transferring to the GOJ certain areas of U.S. military facilities on Okinawa in order to permit the GOJ to assume responsibility for the defense of Okinawa after reversion.

After carefully reviewing his plan and recommendations, I have decided that the U.S. military controlled land and facilities, as specifically described in the enclosures 3 through 5 to this memorandum, are approved for release to the GOJ at the time of or following reversion. The areas specifically involved are: White Beach, Naha Wheel, and Naha Air Base. The White Beach area only involves the release of land. The Naha Wheel area was previously approved for negotiations for release to the GOJ by reference (b), based upon the negligible costs and other insignificant impact involved as stated in reference (c). Should a decision be made to return the Army's 173rd Airborne Brigade to Okinawa, it is recognized that additional facilities may be required, in part, because of the release of the Naha Wheel area. These facility requirements will be addressed as a separate subject should a recommendation to return the Brigade to Okinawa be forwarded for approval. The approved release of these two areas is as recommended by reference (a) and is depicted in enclosures 4 and 5. While preliminary estimates prior to decisions on base realignments and reductions in December 1970 indicated that there might have been a possibility of releasing permanent community support facilities (dormitories, BOQ's, etc.) at Naha Air Base to the GOJ, I have now determined that this cannot be done since all such facilities are required for the support of U.S. forces on Okinawa. Detailed information on the facilities at Naha Air Base required by the U.S. forces, approved for release to the GOJ and to be jointly used, is included at enclosure 2 and 3.

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In addition, the following guidance - along with the more detailed policy guidance on property attached as enclosure 1 - will be observed in negotiating the release of the land and facilities with the GOJ and in regard to maintenance of the land and facilities until released to the GOJ:

1. The Service currently responsible for maintaining the facilities to be released will continue to do so according to current standards until formal transfer is made to the GOJ. Our negotiating position with the GOJ is that transfer should be effected as quickly as possible after reversion to keep U.S. maintenance costs to a minimum. Where a particular Service intends to vacate the facilities considerably before reversion, our negotiators should seek GOJ financial compensation for U.S. costs incurred during the period between cessation of use by U.S. units and formal transfer to the GOJ, if at all possible.

2. As regards Naha Air Base, the U.S. negotiating position is that the GOJ should assume operation of the Air Base, with the residual Navy units as tenants, as soon after reversion as possible under an appropriate joint use and cost sharing arrangement. Furthermore, we are prepared to shift the Navy section of the flight line area as described in enclosure 2 should the GOJ request additional space for civilian airline operations. Authority to propose either the Navy's alternative 1 or final fall back position to the GOJ should be requested of Washington if this is required. Also, we are prepared to release an area shown under Air Force control on enclosure 3G in the vicinity of Arnold Drive should this land and qcnset type buildings be needed by the GOJ.

In the Chairman's memorandum and its attached plan, a number of references were made to required relocations of facilities on Okinawa and the need for the GOJ to fund these relocations. This is a complex subject involving other reversion negotiations with the GOJ; the following statement of my position should clarify the matter.

Although negotiations on the economic/financial aspects of reversion continue with the GOJ, it is my understanding that the GOJ has agreed to compensate the U.S. for the residual value of U.S. military facilities on Okinawa by providing, over five years, \$200 million in agreed goods and services. Consequently, the goods and services received from the GOJ under this agreement must be such as to represent a net financial benefit to DoD and thus, in turn, to the USG. This, in effect, means that the

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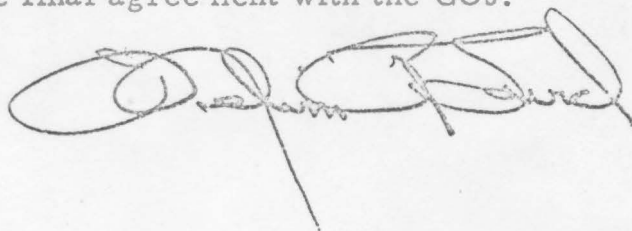


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agreed goods and services will be used to offset DoD budget costs. The basic criterion of acceptability will, therefore, be whether or not we would have purchased the goods or services with appropriated funds. Furthermore, it should be noted that the payment period for the GOJ is the five years following reversion, and, therefore, no goods or services will be available until FY 73. In addition, it is intended that Congressional authorization be obtained for all military construction projects to be financed by the GOJ. Accordingly, requirements for new military construction on Okinawa, whether or not these result directly from reversion, should be processed, reviewed and submitted by the Services as part of their normal FY 73 military construction program. For FY 73 and later, the decision as to the method of funding of approved projects—appropriated funds or as GOJ provided compensation—will be made in accordance with the terms of the final agreement with the GOJ.



Enclosure

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DoD negotiating position for facilities at Naha Air Base, Naha Wheel Area, and White Beach, Okinawa, to be used by U. S. Forces and JSDF Forces after Okinawa Reversion.

- Enclosure 1 Policy Guidance on Property
- Enclosure 2 Navy Naha Air Base Flight Line Facilities Fall Back Positions
Explanation
- Enclosure 3 Naha Air Base
- 3A Color Coded Site Plan of Current Utilization of Naha Air Base
- 3B Naha Air Base Current Land Use
- 3C Air Force - Naha Air Base Current Use Facility List (Also
Color Coded to Show Use of Facilities after Reversion Keyed
to Enclosure 3G)
- 3D Army - Naha Air Base Current Use Facility List (Same List
Applies for Army Use of Facilities after Reversion Keyed to
Enclosure 3G)
- 3E Navy - Naha Air Base Current Use Facility List
- 3F Navy - Naha Air Base - List of Facilities to be Retained by
Navy after Reversion (Keyed to Enclosure 3G)
- 3G Color Coded Site Plan for Naha Air Base Use after Reversion
- 3H Naha Air Base Approximate Land Use after Reversion Based
on Enclosure 3G Plan
- 3I Color Coded Site Plan for Naha Air Base Indicating Navy
Alternative 1 Fall Back Position on Flight Line Facility
Issue with Complete List of Facilities to be Retained by Navy

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Enclosure

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Enclosure 3J Color Coded Site Plan for Naha Air Base Indicating Navy Alternative 2 (Least Desired) Fall Back Position on Flight Line Facility Issue

Enclosure 4 Naha Wheel Area

4A List of Facilities to be Released to the JSDF at Army Controlled Naha Wheel Area

4B Site Plan of Naha Wheel Area

Enclosure 5 White Beach Area

5A List of Naval Facilities at White Beach

5B Site of White Beach Annotating Area to be Released to JSDF

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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

80 MAR 1971



INTERNATIONAL SECURITY AFFAIRS

In reply refer to:
I-22180/71

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Japanese Assumption of Defense Responsibility for
Okinawa (U)

In the November, 1969 Joint Communique issued by President Nixon and Prime Minister Sato, Japan agreed to assume gradually responsibility for the immediate defense of Okinawa after reversion. On November 12, 1969, the JCS submitted their recommendations to you on the US military land and facilities on Okinawa which could be released to the GOJ to facilitate its assumption of this defense responsibility.

The attached memorandum to the Service Secretaries and the Chairman, JCS, and its extensive enclosures, replies to the JCSCM and provides other guidance on this subject.

I and the ASD/I&L (Mr. Gibson) recommend signature.

J. Lawrence Curtis

*Mr. Laird -
after this letter is
sent, ISA will
coordinate a joint
cable to TOKYO
their position.
STATE/DSF
authn
DM*



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