

SOME ASPECTS OF THE
DEVELOPMENT OF FREE COMPETITIVE
ENTERPRISE IN THE RYUKYU ISLANDS

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By

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CHAPTER I

DESCRIPTION OF PROBLEM AND METHOD OF RESEARCH

The Ryukyu Islands, in which is located the war-famed isle of Okinawa, are located just South of Japan proper. The Ryukyu Islands were captured from the Japanese in World War II, and have remained as an occupied area of the United States Government. The United States Civil Administration of the Ryukyu Islands (U.S.C.A.R.), which replaced Military Government in December 1950, has been diligently working to restore the Ryukyuan people to self-sufficiency. Basic to the United States' economic plan for the Ryukyu Islands is the assumption that it will be accomplished within a framework of free competitive enterprise.

1. THE PROBLEM

This thesis is concerned with some of the aspects of the historical development of free competitive enterprise in the Ryukyu Islands in the postwar period 1945-1952.

The economic objectives of the United States Civil Administration of the Ryukyu Islands, as stated in the directive for United States Civil Administration of the Ryukyu Islands, 5 December 1950, are: to further the establishment of a standard of living comparable to that existing prior to the war to the extent that GARIOA (Government And Relief In Occupied Areas) funds are available; to achieve a condition of self-support at this standard of living; and to stabilize the financial structure of the economy.

A considerable portion of this thesis is devoted to a description of the prewar and immediate postwar economy. This background is a necessary introduction to an understanding of the present-day economy. It will be seen that the Ryukyu Islands have been a deficit economy in modern times. War damage was enormous, destroying such export potential as existed. The consequent critical economic problems existing in the immediate postwar period were aggravated by repatriation, the uncertain political future of the Ryukyus, the severance of the economic ties with Japan, and the loss of experienced Japanese business managers and governmental administrators. Considering these obstacles, efforts made to rehabilitate the Ryukyus have been reasonably successful. Schools have been rebuilt, utilities and public services restored, a fishing fleet created, and agricultural production substantially increased. Commodity exports have made encouraging gains during 1951 and the trend is sharply upwards. The existence of the U. S. military base in the Ryukyu Islands is accompanied by a significant reshaping of the economy--a large wage-earning class has been created which did not exist before the war.

2. SELECTION OF THE PROBLEM

The writer, a member of the Department of Business Education and Secretarial Studies, Michigan State College, was one of five staff members that Michigan State College assigned during the academic year 1951-1952 as a visiting professor to their recently "adopted" University of the Ryukyus. This project is a phase of the U. S. reorientation plan to provide a stable economy and democratic form of government suited to the occupied Ryukyu Islands. The writer's selection of this problem resulted from experiences gained in the securing of information about the economy of the Ryukyu

Islands as a preparatory step in the establishment of the Department of Business Administration at the University of the Ryukyus.

3. LIMITATIONS OF THESIS

A conscious effort has been made to refrain from revealing any future economic plans or predictions for the Ryukyu Islands since this would be security information of the United States Government. This thesis is concerned primarily with the historical development of the Ryukyuan economy in the postwar period commencing with the battle for Okinawa in World War II in 1945 to June 1952.

Military information is outside the scope of this thesis, but it indirectly has an impact on the economy of the Ryukyus and the future security of the peoples of the world. To relate to the readers of this thesis a current, comprehensive, view of the Ryukyus and their strategic military importance, "Okinawa: U. S. Gibraltar of the Pacific," an article by Major General Robert S. Beightler which appeared in the April 1952 issue of Pegasus, is quoted in full in Appendix A. Major General Beightler was the Commanding General of the Ryukyus Command from approximately 1948 to 1953.

This writer would hesitate to mention the military build-up on Okinawa and our Government's future plans because of his inability to determine what should be withheld as security information.

4. METHOD OF RESEARCH

A number of methods were employed in securing information about the Ryukyuan economy. Most of the prewar published information was destroyed during the war. Consequently, much of the information was obtained by direct interviews. Regarding the economic assistance by U. S. Congressional

appropriations, and the reestablishment and development of industries, much information was gained from the numerous interviews with the directors and staff members of the departments in Headquarters, United States Civil Administration of the Ryukyus. Current problems facing Ryukyuan businessmen were learned by direct interviews and U.S.C.A.R. translations of the daily native newspapers. Much information was gained from the University of the Ryukyus' Extension conferences held throughout the Ryukyus. Official U. S. reports on the postwar economy have also been very helpful when available.

CHAPTER II

PREWAR ECONOMY¹

1. GENERAL

The Ryukyu Islands extend southwest of Japan proper for about 800 miles and consist of eleven major island groups of some 140 islands or islets. The present population is listed at 917,400 by the 1950 census, compared to 759,638 existing in 1940. Natural resources are limited and, in fact, are insufficient to enable the population to be self-supporting.

Approximately 25% of the land area was cultivated prewar; the potential, however, being considerably in excess of this figure. Generally, the soil is only moderately fertile. The waters surrounding the Ryukyus are excellent fishing grounds. In the prewar period, these areas were exploited principally by Japanese.

Mineral resources are poor and unquestionably are inadequate to support any substantial industrial development. Although a considerable number of

¹The published information about the prewar economy of the Ryukyu Islands was largely destroyed during World War II. Because of this lack of publications, the United States Civil Administration of the Ryukyus (U.S.C.A.R.) has compiled what they believe to be a reasonably accurate record of prewar data. Information presented in this chapter was obtained by direct interviews with the directors and staff members of the following departments of U.S.C.A.R.:

- A. Department of Programs and Statistics
- B. Department of Civil Information and Education
- C. Department of Public Health and Welfare
- D. Department of Finance
- E. Department of Commerce and Industry
- F. Department of Agriculture and Forestry
- G. Department of Communication and Transportation
- H. Department of Government and Legal

minerals exists, only phosphate and coal are commercially exploitable. Unimportant quantities of copper, manganese, sulphur and iron also are found in the archipelago. The only other significant mineral resources extant are the plentiful supplies of ceramic clays and building stone.

The prewar economy was predominately of a subsistence agriculture nature. Approximately 75% of the population was engaged in agriculture, 15% in manufacturing, 2% in fisheries, and the remainder in miscellaneous occupations. Moreover, of the 15% in manufacturing, less than 1% was employed in factories of five or more employees, the remainder working in cottage-type industries. Forestry activities were and still are a source of part-time employment for a large proportion of farm families, particularly in the outlying island and northern Okinawa.

The crop of greatest value produced prewar was sweet potatoes, although it was exceeded in tonnage by sugar cane. Practically no sweet potatoes were grown for sale, however, sugar cane being by far the most important cash crop. Smaller quantities of rice and soy beans were grown, with a number of other crops in relatively small quantities making up the balance of agricultural production. The Ryukyus have been a food deficit area in modern times and from 20 to 25% of the food was imported. Individual farms were very small. In 1939, the average agricultural household worked only 1.6 acres of cultivated land in Okinawa Prefecture.

2. SUGAR INDUSTRY

Sugar occupied a highly significant place in the economy. It was introduced into the Ryukyu Islands from China in 1623. The first centrifugal sugar plant was established at Kadena in 1912. By 1939, the following condition had been attained in the Ryukyu Islands: three centrifugal plants were in operation in Okinawa, one in the Daito Islands, and one

in Miyako; in addition, six large black sugar plants (30 tons and larger), 2500 small mills, and approximately 7000 households were engaged in the production of black sugar; 47,000 acres, 24% of all arable land, were planted in cane; and 31,000 metric tons of centrifugal sugar and 86,000 metric tons of black sugar were produced in the 1939-40 season. In the late prewar period, sugar accounted for 65% of all industrial production and exports. Its indirect importance to the Ryukyuan economy was enormous. The control of sweet potato weevil depended on crop rotation with sugar cane. Mining of Daito phosphate ore was feasible only because of its interlock with the sugar economy of these islands. The principal feed for livestock was cane fodder. Sugar cane served as wind breaks against typhoon damage for other crops, and above all, it was the farmer's only significant cash crop.

In prewar years, the production of sugar in the Ryukyus was less economical than in Taiwan, Saipan and principal western producing areas. Some reasons -- the fertility of the soil and climate conditions -- were basic; other reasons -- improper fertilization, inefficient and very decentralized processing and adverse political factors -- were correctable. The production of centrifugal sugar in the Daito Islands was consistently profitable partially because cane yields were above average, but primarily because the Dai Nippon Sugar Company owned the Daito Islands and exercised absolute authority over the production of sugar and cane.

3. FISHERIES AND RELATED INDUSTRIES

The annual seafood catch from Ryukyuan waters both by the Ryukyuan owned and Japanese based vessels amounted to 40,000 metric tons. Ryukyuan vessels accounted for approximately 35% of this total. Coastal fishermen using skiffs and employing traditional gear and techniques in small scale

operations, of which the indigenous drive-in-net fishing was most important, took about 40% of the fish products land at Ryukyu ports. Japanese-based vessels took 85% of the offshore catch of the Ryukyu area, landing their cargoes in Japan. Skipjack (katsuo) accounted for approximately 65% of the entire catch from Ryukyuan waters. The total capacity of the Ryukyuan-owned powered fishing fleet in prewar years is estimated to have been 2,000 gross tons, the majority of which consisted of very small boats of ten tons or less capacity. The total number of small non-powered craft is reported to have been approximately 3,700.

As indicated above, a distinct and independent Ryukyuan fishing industry did not exist in prewar years, 65% of the total catch being carried to Japan by Japanese registered vessels. No encouragement, therefore, was given to the development of a marine processing industry and only limited refrigeration and ice making capacity was required. The four small canneries which existed until 1939 were primarily engaged in the production of canned meats, vegetables, and fruit. Fish was canned at only one factory. No frozen foods of any type were produced. The most important marine product was katsuobushi (smoked, dried and fermented skipjack) with an annual output of 2,000,000 pounds, 75% of which was exported. Other marine products were fish pastes, dried fish, seaweed, button shall, oysters, and cultured pearls.

Five ice plants existed in the Ryukyus with a total monthly capacity of 1500 tons. Cold storage facilities were available only at the Naha plant. Local refrigeration facilities were not developed to meet fisheries needs, most of the fish taken from coastal waters being consumed directly without icing. Boats engaged in offshore fishing generally obtained ice in Japan and occasionally in Formosa.

Aquaculture was developed to a modest degree. In Okinawa Prefecture there were four carp hatcheries, four oyster farms, 300 acres devoted to pearl culture, and about 100 acres of paddy land used as nurseries for raising eels, mullet, and goldfish. Sponge culture was undertaken on an experimental basis. Government encouragement for fisheries research and extension amounted to ¥150,000 per year, approximately 50% of which was used to operate the three fisheries experimental stations at Oshima, Naha, and Ishigaki.

It is often stated that Ryukyuan fishermen operated at great distances from Ryukyuan bases, even as far as the Southern Mandated Islands. From this assertion it has been concluded that the Ryukyuans possessed large vessels for this purpose. While many Ryukyuan fishermen did fish throughout these Pacific islands, they invariably took up residence in these areas, and none of their catch was included in Ryukyuan production. Thus, the only post-war benefit to be gained from these activities is the skill which these repatriated fishermen are now utilizing in local waters.

4. FOOD SUPPLY

Before the war, food consumption was about 2,250 calories per capita per day. The diet was simple but fairly adequate and well balanced. Agricultural production was higher than today and was the main internal as well as export industry. Not only was absolute production higher, but production per capita was much higher than today. Cereals (rice) production, the main part of the food problem, was about 50% more per capita than at present. The situation is similar in other items, such as meat and pulses.

In spite of higher absolute food production and a much higher per capita rate prewar, substantial imports were necessary. Cereal (rice) imports into the Ryukyus were over 60,000 metric tons per year. This,

together with indigenous production, provided about 136 kilograms per capita per year, of which it is estimated 115 kilograms were consumed as food. In addition, over 70,000 metric tons of other foods were imported. Other imports were canned food, fresh and processed fruit and vegetables, pulses, candy and sugar, miscellaneous (tea, salt, etc.), fats, dried food, and condiments in that order of tonnage. At the same time it was possible to export certain food commodities such as crude sugar, molasses, and fresh fruit and vegetables in season, in excess of 85,000 metric tons per year.

Food was not rationed prewar and distribution was a minor problem. The Ryukyus were in the trade routes of the Japanese Empire and rice was cheap and plentiful as contrasted with the high prices and critical world food shortages of today. Formosa exported about 700,000 metric tons of rice per year, most of which went to Japan. Since the Ryukyus were in this shipping lane, plenty of rice was available at a cheaper price than in Japan. About 65% of rice imports came from Formosa. In spite of the cheaper prices, rice consumption was still only about 80% of Japan on a per capita basis, reflecting lower living standards and the necessity to eat more sweet potatoes which were even cheaper. Cheap indigenous and Manchurian soybeans were plentiful. Fish was cheap and plentiful in coastal areas as was pork in the interior. The farm population was more self-sufficient prewar with average farm sizes almost two acres compared with an average holding of about one acre of the farmer-consumer today.

5. INDUSTRIAL PRODUCTION

The co-existence of modern industrial plants and small household industry establishments which is so common to all parts of Japan was

not present in the Ryukyu Islands. Aside from the five modern centrifugal sugar plants, Ryukyuan industry was composed entirely of small factories, over 95% of which were of the cottage-type industry. In 1939, the factories employing five or more workers in the entire Okinawa Prefecture numbered only 75. The sugar industry accounted for two-thirds of all industrial production and 80% of the 2,600,000 square feet of registered industrial building space.

The textile industry in the Ryukyu archipelago was second to the sugar industry in importance. It reached its apex in the early 1920's when annual production amounted to approximately ¥15 million. Later this total value fell to ¥6 or ¥7 million per year. Tsumugi silk, manufactured in the Northern Ryukyus, accounted for 50% of this amount. Hats, produced chiefly on Okinawa, ranked second, accounting for approximately ¥1 million per year. Jofu cloth, mats, cotton cloth, and miscellaneous articles from straw complete the list of Ryukyu textiles.

Of all handicraft industries, lacquerware was the most important and the most famous. There were approximately 250 factories engaged in this production with a total annual output valued at approximately ¥400,000. Factories producing ceramic ware: pottery, tile, pipe, glass, and brick, numbered approximately 125. Pottery, with an output at approximately ¥200,000 in 1938, was the principal item. Wickerwork, such as baskets, cages, blinds, and furniture from bamboo, willow, and rattan, accounted for only ¥50,000 per year. Ryukyuan metal craftsmen were purported to be among the most skilled in the Far East, however, the absence of production data and the scarcity of mineral resources indicate that this industry was of insignificant value.

The total value of all forestry products, including lumber and fuel amounted to approximately ¥7 million in 1939. These resources are located principally in the Northern Ryukyus and Yaeyama Gunto.

The available data concerning other industries is limited to Okinawa Prefecture. In 1939 there were 828 small woodworking establishments, one leather tannery, two metal factories, and eleven plants engaged in producing machines and tools primarily for agricultural and food processing use. The total output of these factories for that year was valued at approximately ¥1 million. The production from two industrial alcohol plants amounted to \$100,000. Indigo dye was produced by 525 household establishments.

The total number of companies incorporated in the Ryukyu Islands was 54. Of this number, 12 were industrial companies. The very small enterprises are not included. Eleven other companies, incorporated either in Japan or Formosa, had extensive holdings in the Ryukyu Islands.

6. PUBLIC FINANCE

The inhabitants of the Ryukyu Islands were subject not only to local and prefectural taxes, but also to direct taxation by the Japanese Government. In return, the Japanese Government made various grants-in-aid to prefectural governments and municipalities and furnished considerable funds for communications, transportation, and military projects. In addition, extraordinary financial assistance was given to repair storm and flood damage. On the whole, substantially more yen was returned to the Ryukyus than was taken in the form of national taxes.

7. FOREIGN TRADE

The imports of the Ryukyu Islands consistently exceeded exports prior to the war. A visible trade deficit of about \$3 million generally

prevailed, except in 1940, when commodity exports and imports were nearly in balance, at a total trade level of \$28 million. The unusual foreign trade activity in 1940 presumably reflected Japanese mobilization for war. Expressed in current price levels, the trade deficit was at least \$5 million. The adverse trade balance was made up by the remittances from Ryukyuans abroad and various expenditures made in the Ryukyu Islands by the Japanese Government. The main items of import were manufactured goods and rice, while sugar, silk, katsuobushi, and phosphates constituted the major export items.

Accurate statistics relative to foreign trade are not available since the Ryukyu Islands were an integral part of Japan. The data presented in the following table, indicating the value of imports and exports, are the approximate trade pattern. The peak year 1940 is included to give an indication of potential trade.

TABLE I

In U. S. Dollars

PREWAR VALUE OF FOREIGN TRADE	<u>Estimated Annual Average 1930-1939</u>	<u>Estimated 1940</u>
Imports		
Rice	\$ 2,700,000	\$ 3,498,255
Wheat	300,000	350,000
Soybeans	500,000	710,000
Tea	350,000	376,300
Fertilizer	800,000	796,590
POL	350,000	800,000
Manufactured goods and miscellaneous	<u>6,000,000</u>	<u>7,712,877</u>
Total imports	<u>\$11,000,000</u>	<u>\$14,244,822</u>
Exports		
Sugar and molasses	\$ 4,500,000	\$ 6,656,107
Silk	1,300,000	1,129,125
Katsuobushi	800,000	400,855
Liquor	200,000	921,417
Livestock	200,000	762,975
Panama hats	200,000	360,989
Phosphates	400,000	134,039
Miscellaneous	<u>400,000</u>	<u>3,709,954</u>
Total exports	<u>\$ 8,000,000</u>	<u>\$14,075,461</u>
Trade deficit	\$ 3,000,000	\$ 169,361
Less - Remittances from abroad	<u>450,000</u>	<u>169,361</u>
Apparent Japanese Government subsidy	<u>\$ 2,550,000</u>	<u>0</u>
Total trade volume	<u>\$19,000,000</u>	<u>\$28,320,283</u>

NOTE: Figures for 1940 reflect volume achieved under pressures of Japanese mobilization activities.

CHAPTER III

RYUKYUAN ECONOMY, 1946

1. MISSION OF MILITARY GOVERNMENT

To prevent civilians from interfering with military operations, to discharge the obligations imposed by international law with regard to treatment of civilian populations, and consequently to take whatever measures were necessary to preserve order and to prevent unrest and remediable hardship — this was the often re-stated mission of Military Government since the inception of the Okinawan campaign. Naturally, as circumstances changed, the emphasis and scope of Military Government has been subject to reinterpretation. In the combat stages Military Government concentrated upon enabling the civilians to survive under conditions which were frequently most adverse. During the period when Okinawa was being developed into a powerful base of operations against Japan, Military Government endeavored speedily to transplant the population into the Okinawan hinterland and to adjust the people to new and greatly restricted ways of life. With the cessation of hostilities, the vast curtailment of the military development of Okinawa, and the consequent reduction in military personnel, it became feasible and even imperative for Military Government actively and materially to encourage the rehabilitation of the Ryukyus socially, economically, and politically. All early efforts toward rehabilitation, however, were conditioned by uncertainty with regard to the future status of the Ryukyus and the willingness of the United States government to underwrite a reconstruction program.

2. PEOPLE OF THE RYUKYUS¹

In 1946 the population under the control of Military Government, Ryukyu Islands, was approximately 401,500 in the Okinawa group, 105,000 in the Southern Ryukyus, 226,500 in the Northern Ryukyus, and 2,500 in the Daitos. With regard to the population of the Okinawa group itself, there were two factors of particular significance to Military Government. First, 40% of the population were children of pre-school or elementary school age (1-15); as a result of emigration and war, only 7.2% or 29,000 were males of 21-50, the age group of most importance for labor, with 50-year old men twice as numerous as 21-year olds. Second, at least two-thirds of the able-bodied males are unskilled agricultural workers, skilled and professional classes being in a decided minority.

The Okinawan people from the very beginning proved unexpectedly and gratifyingly willing to cooperate and indisposed to oppose American policies. There have been no proven and few suspected cases of sabotage or obstructionism. There have been few cases in Military Government controlled areas of aid and sympathy for the Japanese. There has been, on the other hand, every evidence of complete willingness and even eagerness of the Okinawans to work in conformity with American policy for the relief, control, and rehabilitation of the Okinawa population. The Okinawans have proved themselves a tough and resilient people under the most trying of war circumstances, trustworthy and ungrudging in their performance of duties assigned to them by a conquering force, and cheerful in undertaking the reconstruction of a desolated society.

¹Information about the "People of the Ryukyus" was obtained by direct interviews with the Director of the Department of Programs and Statistics, United States Civil Administration of the Ryukyus, during the year 1951-1952.

The attitude and characteristics of the Okinawans, which have in great measure conditioned all Military Government operations, are subject to complex analytical study. History shows that the Okinawans are but a few independent people with a thousand years' documentary record, the traditions of an oriental state in microcosm with their own dynasties of kings, flourishing trade and diplomatic relations with the rest of the Orient, and an indigeneous and distinctive culture which their neighbors admired and appreciated. Although the island was highly Japanized after it became an imperial prefecture in 1879, it retained local pride and flavor. Politically, the Okinawans were accustomed to managing their local administration with supervision of the Japanese only at the prefectural level. Economically, they were fairly prosperous and in one very important respect far better off than the rest of the Japanese imperial subjects -- they were independent operators, not tenant farmers or factory workers; no more than 10% of the population (as compared with 46% in Japan proper) were tenant farmers and only a few thousand persons were paid laborers. Socially, they had a well-adjusted family system, which was conspicuously free from consciousness; there were no extremes of wealth and poverty, of privilege and oppression. In the course of many centuries the Okinawans had developed a non-hurried sort of rural or semi-urban life, the families living in substantially built homes and sheltered home compounds, being possessed of a considerable accumulation of furnishings and tools, producing for themselves or in their communities the large part of their requirements of food and clothing and building materials, leading a primitive or depressed but -- by oriental standards at least -- a pleasant and comfortable life. Practically all persons under forty had received six to eight grades of elementary school education, though probably

no more than five per cent had gone beyond. Medical facilities were adequate and health and sanitary conditions, for an oriental, were remarkably good. Communications were well developed and the people were surprisingly well traveled. In brief, the people of Okinawa enjoyed a level of life comparable to that of a prosperous rural community in any civilized country. When they became charges of Military Government they had lost everything they had ever possessed, and the problem of restoring them even to an approximation of their former way of life has been one of the first magnitude not only because their standard of living was relatively high -- certainly higher than that of the average farmer in Japan -- but also because there is no undestroyed hinterland or reserve upon which the people can draw for their own reconstruction.

Dislocation of civilian life on Okinawa as a result of the war was all but complete. At least seventy-five per cent of the population was removed for a period of some months even from the area of its original domicile, and very few of the rest remained continuously in their own homes. Ninety per cent of the homes and buildings of the island were destroyed altogether and many of the others were badly damaged. Fields were withdrawn from cultivation and farmers, when they did return to the land, most commonly worked land which did not belong to them. As a conservative estimate, ninety per cent of all household goods were destroyed. In the process of being bombed, refugeeing, and re-refugeeing, the civilians lost practically all of their belongings except those which they could carry on their heads, on their backs, or in their hands, and such items frequently consisted of food and other expendables. Political and governmental organization ceased to exist. Social and community organization operated only in rudimentary form and on an emergency basis.

The disruption was island-wide and months-sustained. It was true not only of the southern third of the island, over which the American forces passed in strength, and the northern third, where few military forces were deployed, but refugee civilians poured in and overwhelmed the original population.

The disruption of civilian life went through two overlapping stages; first, the period of confused civilian movement consequent upon the war and refugeeing and civilian collection into guarded camps, and second, the period of mass movements from one area to another occasioned by development of Okinawa into a military base and the necessity of clearing great tracts of land of civilian occupants.

The result was quite naturally that the concern of Military Government was to meet the emergencies of the day, to keep the civilians alive and ambulatory, to provide stop-gap solutions to problems of shelter and food and water and sanitation, in anticipation of the prospect that tomorrow all would be to do again. The end of hostilities and the vast retrenchments with regard to the base development plan made it possible to undertake a long-range program of rehabilitation of Okinawa involving return of the civilians to their home areas.

Resettlement of civilians meant movement of the persons and their belongings by truck, about twenty persons and their possessions per $2\frac{1}{2}$ ton truck, frequently fifty truck loads per day. Advance parties of male workers were sent into the area a week or so before the families moved in: a beginning was made to clear the area of rubble, standing buildings were repaired, new buildings were started, and tents were pitched. Okinawans themselves managed the details of the resettlement, determining the location and layout of the new settlements, the rate and timing of resettlement of

families, the allocation of land for farming purposes, the establishment of community projects such as schools, labor pools, administrative offices, and so on. In general, former village sites were selected, or areas as close as possible to former village sites, availability of water, accessibility by main road, and protection from typhoon winds being major considerations. Provision was made for persons returning to their home areas but not actually to their home villages so that they, too, had a share in the available housing and land.

During the year 1946, civilians from the Marianas and other former Japanese mandated islands, other Ryukyus, Taiwan, and Japan were repatriated to Okinawa and resettled, whenever possible, in or near their former muras. These repatriates were brought to Okinawa on naval vessels, accommodated temporarily at a former CB camp, and resettled from there at a rate of as high as 3,000 persons in two-day periods, the program being managed almost entirely by an Okinawan staff.

3. INDUSTRY¹

Any installation bearing a resemblance to a factory was a primary target for American attacks. Many of the handicraft industries had been carried on in homes. These, too, were destroyed along with the equipment such as looms. The aim of Military Government was and is to establish, revive or expand industries which would provide as many of Okinawa's basic needs as possible. This was greatly hampered for many months by the lack of capital equipment, the concentration of people in areas unsuited to the

¹Information about "Industry" in the Ryukyu Islands in 1946 was obtained by direct interviews with the Director of the Department of Commerce and Industry, United States Civil Administration of the Ryukyus, during the year 1951-1952.

development of industries, the lack of freedom of movement for security reasons, and the unavailability of buildings and equipment until no longer needed by the armed forces.

It was not until July, 1945, that any concerted attention was given to industry. In early-established camps small activities had sprung up to meet some urgent needs. Laundries and sewing projects had been started, the laundries to take care of the GI and the sewing projects to make clothes for the refugees. As much effort went into the starting of such activities as into the establishment of a major industry in the States. The reason being the extraordinary difficulty of doing even the most simple thing under combat conditions. However, very soon wooden shoes were being made, as well as other items necessary in daily life: rope, baskets, mats, clothespins, rice mills, simple metal products, and a little salt and charcoal. By September, 1945, tile, bricks and school furniture were being made on a small scale.

Early effort at rehabilitating any industry involved practically every phase of Military Government. Since there were no records, information had to be obtained from widely scattered areas, depending upon where one could find an individual who knew something about the subject. This was further complicated by the language barrier. Some of the subjects were of a technical nature beyond the vocabulary or experience of the interpreters. Once information was obtained, men already skilled had to be gotten together. In many cases, release of the areas suitable for industries had to be obtained from the military. Once this was accomplished, the workers and their families had to be settled, with all the problems attendant upon providing living quarters and food. Tools and equipment had to be obtained by salvaging from native and military sources. The histories of some

industries such as the tile, pottery, and mat-making read like a record of Military Government activities.

The industry representative on the Okinawan Advisory Council had, by November, 1945, built up an organization of the best experts available, gathered considerable data and made recommendations as to rehabilitation of industries. These included: textiles (banana fiber), dyes (indigo), native cement, wood products (geta, furniture, looms), mat-weaving, metal products, chemical products, lacquerware.

By June, 1946, many of these activities were producing sizeable quantities of products. They were equipped with tools, instruments and equipment from decommissioned units of both Army and Navy. At this date nothing had been imported directly for Okinawan industry. While there were many individual blacksmith shops throughout Okinawa, two major metal products factories were established using equipment brought to the island for war purposes. These factories can manufacture anything from a gear to an agriculture implement. They have been turning the materials of war into plows. Raw materials were entirely salvage scrap metal from planes, tanks, jeeps, trucks, boats, tin cans, and shells. Two major wood products factories have been established for the purpose of turning out looms, and benches and furniture for both public buildings and homes.

Great emphasis was placed on the projects which would supply housing materials. One of these has been tile, both clay and cement. The former kind has been produced in the greater quantity, since adequate quantities of cement for the other are still lacking.

In late 1946 preliminary plans had been made to import cement from Taiwan or to bring a cement factory to Okinawa should investigation reveal that the proper raw materials are in the Ryukyus for cement manufacture.

At this period five clay tile factories were operating with expansion possibilities and additional ones being built. While a tile roof is more expensive initially, it lasts longer. Furthermore, the amount of thatch available for roofing is limited. So, tile or some other material must be used.

The mat weaving industry was given high priority because in the Orient mats are slept on. So many had been destroyed that the number manufactured found a large demand by the people. The manufacture of pottery was considered important because most household equipment had been destroyed. Fortunately, the ovens used for pottery making were practically undamaged, so that as soon as release was obtained for the area, production started.

Salt was formerly manufactured in large quantities on Okinawa. Its manufacture has been resumed, but the process is expensive because of the large amount of firewood required. Other processed foods, such as shoyu, miso, and tea, are now being produced.

In 1946 the only fabrics that could be made on Okinawa were those from banana fiber and from silk. Banana fiber can only be used for summer clothes and can be made only in small quantities because the looms necessary for its manufacture were destroyed. Silk was not produced in any quantity at this period due to the scarcity of silkworms and looms.

Okinawans are highly skilled in weaving panama hats and formerly exported them to the United States in large quantities. Native handicraft is offered for sale to the armed forces through military Post Exchanges and Ship's Services. Beautifully woven cigarette cases, handbags, mats, other woven products and pottery offer a possibility for future exports. Sale to the military was not allowed until late 1946 because all productive effort and materials were needed to provide for the basic needs of the

Okinawans. The raw materials used were limited strictly to those that were noncritical.

At this 1946 date, sugar manufacture, the major industry before the occupation, had not been revived on any large scale. The policy of Military Government was to produce in Okinawa only that amount of sugar necessary for local needs. Since the large sugar plants were destroyed, only the small old-fashioned ones were available for use.

The resumption of a monetary economy was a great incentive to production. The needs of the people were so large that the demand far exceeded the supply.

Distribution channels were the mura or rural community stores. However, some products such as those for construction purposes were sold direct to the Okinawan Civilian Administration, since housing was a government program.

Native industrial enterprises were organized in the form of individual ownerships, cooperative associations, partnerships, or corporations. In the case of the major metal and wood products factories and a stone quarry, it was determined that they should be operated by the Department of Industry until such time as private ownership was justified.

In the northern Ryukyus, miso, fishdrying, and sake plants were put into operation. The famous pongee of O-Shima was not manufactured in this 1946 period because of the lack of raw silk, which originally came from Japan. However, silkworms were being bred in order that the pongee may again be woven. Ship-building was resumed on a small scale, but was hampered by a lack of lumber and other materials.

In the southern Ryukyus, ship-building and fishing processing are two important industries that were reestablished. As in the case of all the

Ryukyus, materials were and are urgently needed. The raw materials for weaving, a substantial pre-war industry, came mostly from Taiwan.

4. COMMERCE¹

Until May, 1946, commerce as it is known in a civilized community was practically non-existent in the Okinawa Gunto. The disaster relief program of supplying minimum humanitarian needs required no complicated system of wholesales, retailers, credits, import-export balances and prices. There was only a certain amount of food and other necessities of life to distribute. This was done on a per capita basis for food and on a need basis for the other items which consisted mainly of clothes.

On Okinawa ration boards were set up to serve the population. They were placed under the jurisdiction of the Okinawans with supervision of Military Government. Since under the Japanese there had long been rationing, this method of distribution offered no great problem. At first, transportation of goods was mostly by trucks driven by Americans, but as quickly as possible native drivers were found or trained to handle even this aspect of distribution.

In December, 1945, anticipating the time when all produce, both local and imported, would be sold, Military Government District Commanders were directed to convert the existing ration points into stores. In some cases this meant little change, but in others it meant consolidating and reorganizing into more efficient units. Since the population was in a constant state of resettlement, there were steady reduction in the set-up

¹Information about "Commerce" in the Ryukyu Islands in 1946 was obtained by direct interviews with the Director of the Department of Commerce and Industry, United States Civil Administration of the Ryukyus, during the year 1951-1952.

in the North and expansion in the South.

At the same time that the order went out concerning the stores, a chit system was put into effect whereby all those who worked received one and a half rations. In addition, a new rationing method was introduced. It was designed to supply as balanced a diet as practical considering the supplies actually on hand, many of which were surplus GI rations. Its genesis was a study by the Military Government Public Health Department which showed wide-spread malnutrition among the Okinawans. Point values for all foods were determined on a nutritional basis and the information promulgated to the whole populace. While more complicated than rationing on purely a caloric basis, this system was used without great difficulty. It gave people a better diet, but the lack of certain classes of food from time to time kept it from operating perfectly.

As the pattern of resettlement became clear, it was found that seven major depots could handle the wholesaling of supplies. By June, 1946, these were being operated 100% by the Okinawans. After that date, Military Government had only two main depots from which to issue supplies. The Okinawan Department of Commerce sent its trucks to those depots and from there on distribution was solely in the hands of the natives. From the Okinawan depots, the food was transported to mura stores by truck, native cart, or by hand.

Special efforts were made to improve the ration system so that it was uniform throughout the island. This was impeded by the district method of operation. Since dissolution of districts, one system was island-wide. Each family had a ration card, a duplicate of which was kept at the store. Entries were made with each sale. Each store kept records of all transactions and these records were available for inspection by Military

Government at any time.

With the resumption of the monetary economy, all commodities continued to be strictly rationed. In the case of local products, the producer, whether a cooperative agricultural association, or an individual industry, acted as wholesaler. For imported goods, however, Military Government acted as wholesaler, since there was no other source for such commodities.

Retail stores in the villages and towns were operated by and for the profit of the local mura government, in order to provide a source of ready revenue until such time as other revenue sources were developed. It was anticipated that eventual ownership would revert to private hands, as in pre-war Okinawa, through the sale of the stores or shares in them to individuals. Retail stores served as commercial outlets for all products, whether imported or locally produced. The only exception was fish. The perishable nature of this commodity made it necessary to arrange that the Fisheries Association distribute the fish to the consumer at the direction of the mura store.

5. LABOR¹

The Military Government mission and plan comprehended the providing of labor for the military forces. Local labor was to be, in fact, the principal local resource usable by the military. In the period of economic disruption caused by the battle, military employment was expected to buttress the local economy against complete collapse and to provide one basis for its rehabilitation.

¹Information about "Labor" in the Ryukyu Islands in 1946 was obtained by direct interviews with the Director of the Department of Commerce and Industry, United States Civil Administration of the Ryukyus, during the year 1951-1952.

Four factors conspired to prevent full realization of the estimated labor potential on Okinawa: (1) The percentage of able-bodied males in the total population was only about nine per cent; (2) The percentage of skilled and semi-skilled workers was small; (3) During the period April, 1945, through March, 1946, the labor supply was removed a considerable distance from the heaviest potential employing units, and even though resettlement proceeded as rapidly as possible after January, 1946, there were still but few laborers living within walking distance of employing units; and (4) The resettlement and rehabilitation program consumed labor in competition with military needs.

6. FINANCE¹

The currency for the Ryukyus has been that of the mainland of Japan both before and since the occupation. At the time of the invasion of Okinawa, notes of the Bank of Japan, the Bank of Taiwan, and the Bank of Chosen were legal tender. These continued to be recognized as such and at the time of the invasion were declared legal tender on a 1-for-1 basis with American Type B Military yen. Japanese "military yen" was declared not legal tender. However, none ever appeared in the Ryukyus, undoubtedly because these islands were an integral part of the Japanese Empire.

Prior to the invasion, Military Government was appointed custodian and funding agency for the armed forces in the Okinawan theater. In this capacity it was authorized to supply not only the needs of the armed forces but also those of Military Government. The Military Government

¹Information about "Finance" problems in the Ryukyu Islands in 1946 was obtained by direct interviews with the Director and staff members of the Department of Finance, United States Civil Administration of the Ryukyus, during the year 1951-1952.

teams who came ashore with the first waves of combat brought small quantities of currency in case it might be needed. This proved unnecessary as there were no payments involved. The Currency Supply Officer arrived with considerable Type B Military Yen on 15 April, 1945, during the campaign.

The nearly total destruction of buildings made storage a problem. Before removal to an improvised vault at Military Government Headquarters, the currency was placed on the beach where it excited a considerable furor because all the boxes were labelled "Toy Horse" in an effort to conceal the nature of the shipment. Such a provocative label in the midst of battle only served to give rise to rumors that Military Government was bringing in toys for enemies when shipping space was insufficient to bring in such vital supplies as ammunition and food.

No Type B Military yen could get into the hands of Okinawans legitimately until 1 May 1946. This was helpful in preventing black market operations between natives and the armed forces. Imperial yen continued to circulate among the Okinawans, but only on a relatively minor scale. There was little need for money because the minimum necessities were available in such small quantities that distribution was entirely on a need basis. In the small outlying islands, as Kume and Iheya, economies were much less disrupted so that money continued to be in use. In contrast to Okinawa, there was an uninterrupted monetary economy in the northern and southern Ryukyus. The northern Ryukyus (O-Shima Gun) were an integral part of Japan until 3 February 1946. The Branch Administration followed closely the directives and policies dictated by Tokyo. As a result, the economy resembled that of the Empire with all the inflation that had taken place there. The southern Ryukyus were always closely tied to the economy

of Taiwan so that they reflected conditions there. The limitation of goods brought on the same inflationary picture as in the northern Ryukyus.

7. RESUMPTION OF MONETARY ECONOMY¹

During the early stages of the occupation, it was taken for granted by many that wages would be paid and that something like a normal economy would operate despite the fact that a war was going on. The course of operations proved to be such that Military Government activities continued to be confined largely to disaster relief until 1 May 1946. However, as early as May, 1945, plans were being considered as to how to operate an economy on Okinawa and in the Ryukyus. One island in the Kerama Retto group was used as an experimental laboratory. This continued until October, 1945, when it was decided to resume the method of disaster relief being used throughout Okinawa.

During that time, valuable data was obtained concerning the acceptability of Type B Military yen, wage and price levels prior to American occupation, labor classifications, rationing, relief and other economic matters. Planning for a resumption of money economy on Okinawa was the responsibility of Military Government and a subcommittee of the Okinawa Advisory Council. The Economic Committee consisted of members of the Council representing all economic fields. It compiled data, discussed and suggested plans and in general worked closely with Military Government. As a result a plan was submitted to CinCPac in January, 1946, and approved in February.

¹Information about the "Resumption of Monetary Economy" in the Ryukyu Islands was obtained by direct interviews with the Director and staff members of the Department of Finance, United States Civil Administration of the Ryukyus, during the year 1951-1952.

Once the approval was received, every effort was bent toward making it an actuality. With the creation of governmental departments in March and April, 1946, culminating in the appointment of the Chiji on 24 April, the Economic Committee evolved until its members consisted of the Chiji as chairman and the heads of the following departments: Finance, Labor, Commerce, Industry, Fisheries, General Affairs, Agriculture, and Public Works. This committee became responsible for putting the detailed plans into operation.

Before inaugurating any plan, it was believed necessary to complete a substantial resettlement of the native population from the northern to the southern parts of the island, to reestablish certain basic industries and to cultivate most of the land available to the native populace, in order to assure the presence of at least a minimum of exchangeable goods and services.

In large measure these conditions were met by May, 1946. Premature restoration would only have accentuated any tendencies toward inflation and black markets.

During the first month, May, time records for pay purposes were kept. With the payment of the first wages on 1 June, mura stores started selling merchandise instead of rationing it free. Despite the civilian administration being new and still in the process of organization, Military Government being transferred from Navy to Army, and Navy personnel being reduced drastically, the return to a monetary economy was accomplished with a minimum of confusion.

CHAPTER IV

NATURAL RESOURCES OF THE RYUKYUAN ECONOMY, 1945-1951¹

1. AGRICULTURE

Agriculture has continued to be the principal industry of the Ryukyu Islands in the post-war era. This does not mean that it was affected to a lesser degree than other industries by war damage and post-war dislocation. On the contrary, the adverse economic conditions which have existed in the Ryukyus since 1945 can be attributed primarily to wartime destruction and attrition and very severe dislocation of agriculture in the post-war period.

After the war, most of the land held by the military forces in the outlying guntos was released for cultivation. Some of this land could not be cultivated because of permanent alterations which had been made by the Japanese Army during the war. Practically all of the alien owned land in Miyako and Yaeyama Guntos and a portion of this type of land in other guntos continued to remain idle. In general, no alien owned land has been effectively cultivated; farmers have been reluctant to make necessary improvements because of their inability to obtain titles to this land or even assurance of its use for a long period.

On Okinawa the agricultural situation has been much more severe than in other guntos. All growing crops and practically all agricultural facilities in the southern part of the island had been destroyed when

¹Statistical information presented in this chapter about the natural resources of the Ryukyuan economy, 1945-1951, was obtained from Headquarters, United States Civil Administration of the Ryukyu Islands. Ryukyu Islands Economic Statistics, Department of Programs and Statistics, Bulletin Number 10, January-March 1951.

hostilities ended. Nearly all of the inhabitants of this region were evacuated to the northern part of the island. In early 1946 they were restricted from erecting dwellings within one mile of military billeting areas housing 100 or more personnel. This restriction was removed in late 1949.

Actual cultivation of land in the Ryukyus, especially in the post-war era, has depended upon other factors in addition to the suitability of the soil. The custom of living in villages rather than on or adjacent to the farm plots results in ineffective use of some fertile land. Since many farmers engage in fishing, proximity to the coast influences their choice in land cultivation. In Yaeyama Gunto entire villages and the surrounding land were deserted before and during the war because of malaria.

Some of the conditions described above have been corrected to the extent that circumstances would permit. In a few cases, notably the resettlement of non-alien owned land in Yaeyama Gunto, accomplishments to date have been below earlier expectations. The notable decline in land cultivation in this post-war period cannot be attributed entirely to the conditions mentioned above, nor can the additional factor of land used by military establishments, which amounted to only 8,000 acres taken out of actual cultivation in 1951, account for this decrease in land use. It must be concluded that the availability of low priced import foods together with the purchasing power generated by income received from Occupation sources has had an adverse effect upon land utilization and domestic food production. To remedy this situation, imported staple food is now priced into the domestic market at the official exchange rate of ¥120 to \$1.

Construction of dams to impound irrigation water was started in 1947. The sum of ¥89 million was made available for land improvement in 1951.

Three dams were completed, capable of furnishing water for 274 acres of land. Thirteen other dams were under construction in 1951. Eleven additional projects have been approved for construction in 1952. Eighty land improvements projects have been proposed by native agencies, 60 of which would be dams to impound irrigation water.

There is evidence that a pronounced change in the cropping pattern has taken place since the war in that production has shifted from sugar cane to staple foods. This proportional change is attributed to a great decrease in sugar acreage rather than any significant increase in planted acreage of staple foods. Quite naturally, sugar cane land is being used for the production of upland food crops, principally sweet potatoes. Likewise, some land which was formerly used for these food crops is now idle. Ryukyuan will return to the prewar cropping pattern if the export market for sugar is maintained. This is evidenced by the rapid increase in sugar cane cultivation which has occurred in the past two years.

In 1945 the number of meat animals (cattle, hogs and goats) had declined to 30% and horses to 18% of the 1940 population. The number of meat animals in 1951 had reached 77% of the 1940 level. This progress can be attributed to a gradual increase in feed, principally sweet potatoes and the importation of a small number of hogs, goats, horses, and cattle for breeding purposes. In addition, approximately 1500 United States Cavalry remounts for work purposes were received. In 1951 horse numbers were 38% of the 1940 population.

During the early years of the Occupation commercial fertilizers were not available. Because of the depletion of livestock the supply of organic fertilizers has been severely reduced. The maximum use of these types of fertilizer and the proper use of commercial fertilizers are being

encouraged through extension service educational programs. A careful survey of fertilizer requirements by type and quantity has been made for all principal agricultural crops. Based on this investigation the present total requirements per year in terms of contained plant nutrients are: 4000 metric tons of Nitrogen (100% N), 3000 metric tons of phosphate (100% $P_2 O_5$), and 3000 metric tons of potash (100% $K_2 O$). Three new permanent type warehouses for the bulk storage of fertilizer were completed in early 1951.

The use of agricultural chemicals to control insects and diseases has been an established practice in advanced countries. Because of the mild climate and continuous cropping this problem is much more serious in the Ryukyus than in comparable areas in colder climates. These insecticides and fungicides have never been produced in the Ryukyus and consequently must be imported. Since 1949 these items have been imported in type and quantities to meet the needs of the Ryukyus. Entomologists from the University of Hawaii and U. S. Department of Army conducted detailed surveys of the sweet potato weevil problem in all parts of the Ryukyus. As a result of these studies, control measures have been instigated and life history studies and insecticide tests are planned to find additional control measures. In some areas of the Ryukyus sweet potato virus has caused a serious decrease in sweet potato production during the recent seasons. Proper quarantine measures for those areas have been put into effect and pathologists from Japan have assisted in the eradication of this disease. It is expected that this problem will become much less serious as sugar cane production and consequent crop rotation with sweet potatoes are increased.

The use of improved varieties of seed is an important means of increasing yields and quality of agricultural products. The importation of seed was one of the first steps taken to rehabilitate agricultural production. Under the Fiscal Year 1949-50-51 GARIOA (Government And Relief In Occupied Areas) program, adequate quantities of white potato, vegetable, and small grain seed to meet current agricultural needs were imported.

Post-war recovering of sericulture has been slow because of the total loss of egg-producing establishments and breeding stock. In 1950 three Ryukyuan technicians were sent to Japan to study improved methods of production, secure breeding stock, and arrange tentative export contracts. Later three representatives of the Japanese sericulture industry surveyed Ryukyuan resources and assisted with the establishment of production facilities. Tentative arrangements have been made to secure additional Japanese sericulture technicians to advise Ryukyuan sericulturists.

2. FISHERIES

By the end of 1943 the fish catch from Ryukyuan waters had fallen to one-half of prewar production. At the end of the war all land based facilities on Okinawa and the entire fishing fleet with the exception of a few small vessels had been destroyed or removed. The damage in other islands was less severe. Even though the fishing fleet was reduced and all facilities suffered from lack of maintenance, the boatyards in these islands were not destroyed. Although reliable data on the fish catch during 1945-47 is unavailable, it can be assumed that the annual fish catch did not exceed 6,000 metric tons considering the meager facilities and petroleum, oil, and lubricants available. The fish catch for 1948-49-50-51 was 8,000, 11,000, 14,000, and 18,000 metric tons respectively.

While some progress was made in restoring fishing boat capacity and establishing four boat yards on Okinawa with the aid of Army surplus equipment and materials, significant rehabilitation did not begin until 1950. During 1949 and 1950 approximately \$1,500,000 in GARIOA assistance was provided for the fishing industry. These funds have been used to construct 65 new fishing boats ranging in size from 15 to 150 gross tons, to purchase fishing gear and materials for other fishing boats, to expand and improve boatyards and other land based facilities, and to purchase equipment for five new ice plants. Further assistance has been provided from Army surplus equipment and construction materials purchased under other GARIOA projects. Until the new fishing boats referred to above were completed, 200 Army craft, totaling approximately 4,000 gross tons, were loaned to Okinawan fishermen. The maximum number of these craft, available at any given time, was equivalent to no more than 1,000 tons of fishing vessel capacity.

While Ryukyuan boatyards are not extensively equipped, they are adequate both from the standpoint of craftsmanship and facilities to meet the needs of fishing vessels up to 150 gross tons capacity. The largest yard is located at Toguchi, Okinawa, on the site of a former Japanese and later United States Naval installation. During the winter of 1949-50, eight 30-ton vessels and thirteen 15-ton vessels were built simultaneously in this yard. An interesting feature of this yard is a small foundry, fashioned from salvaged materials and capable of casting most small vessel fittings and most hot bulb diesel engine parts up to 25 horsepower.

The port of Naha, the most important harbor in the Ryukyus, is used chiefly for handling military vessels and cargo, and at present is closed

to fishing vessels. When the improvements now underway are completed at Tomari, this port will be capable of accommodating any of the present fishing fleet at dock side. Toguchi, the second largest port in Okinawa, is too distant from major population centers to be considered as an adequate fishing port. All other harbors listed above lack one or more of the essential characteristics of depth, protection, and dock side facilities which are essential for a first class fishing port.

Very little progress has been made in improving fishing techniques. One of the factors limiting the catch of skipjack, the principal Ryukyuan fish, is a shortage of bait. Angling is the only method used for catching this type of fish in the Ryukyus. The purse seine technique for catching skipjack has been used successfully by Japanese fishermen. Tentative plans have been made to have an experienced crew come from Japan, with three boats and gear, to instruct Ryukyuan fishermen. Representatives of this Kyushu fishing group have visited the Ryukyus to make a preliminary survey. As yet no agreement with the local fishing industry has been reached for the beginning of this activity. Two Japanese experts are conducting a survey of Ryukyuan resources to determine their suitability for sponge and pearl culture. They are also investigating precious coral fishing which was formerly carried on in the Amami Oshima area. Thus far the findings of these technicians have been encouraging. With the exception of a small establishment in Amami Gunto, there are no fisheries, experimental stations, or laboratories in the Ryukyu Islands.

The combined capacities of 65 new boats totaling 2445 gross tons, equivalent to 36% of the entire Ryukyuan powered fishing fleet, were constructed by Civil Administration (formerly Military Government) and turned over to Ryukyuans equipped for fishing. These new vessels were sold

to fishermen as replacements for the obsolete Army craft which had been used temporarily as a fishing fleet.

An examination of the record indicates that the results obtained thus far are below prewar accomplishments and are not commensurate with the considerable assistance which has been provided. Regardless of other responsible factors, until November 1950 a critical shortage of ice made an increase in fish catch impossible. During the peak fishing season of 1950, boats in Okinawa were required to wait as long as three weeks to obtain an allotment of ice for one short fishing trip while in the southern Ryukyus no ice was available. Ryukyans report that the practice of dynamiting fish was engaged in frequently during the war and even in post-war years, hence the supply of fish in coastal waters has been limited. In prewar years, Japanese vessels did not depend on Ryukyu source for bait for offshore fishing operations.

Fishing vessels are often used for transportation and other purposes rather than for fishing. When no ice was available, or during an unseasonal period such actions were not inimical to the interest of fishing. Even with an adequate supply of ice it is expected that this practice will continue to some extent as convenience of cargo and passenger movement among islands within gunto areas makes this activity very profitable and frequently necessary to move goods associated with fishing operations. Also some boats which were never intended to be used primarily for fishing are registered as fishing vessels because the ease of obtaining petroleum, oil, and lubricants for the fishing industry provides a more certain supply of these items.

The 1951 fishing season began in March. This was the first post-war season in which a critical shortage of ice had not existed and adequate

gear of all types had been available. That this increase in availability of ice and fishing gear is contributing to the industry is evidenced by the fact that for the first time since the end of the war boats delivered fish to Okinawa from the southern Ryukyus. Representatives of the fishing industry are confident that, allowing for the inadequate reporting system, the estimate of 18,000 metric tons was fully realized.

3. FORESTRY

Subsequent to 1935 Japan's extended preparation for war placed great pressure on the forest resources of the Ryukyus, reaching a peak in the year 1940. Although production sharply declined thereafter, the cut continued to exceed growth until the end of the war. Destruction directly attributed to battle is estimated to have completely removed the forest cover from 3,464 hectares of forest lands. Forest production reached a low point in 1945-46 when transport was disrupted and inter-island trade was at a standstill. Thereafter the influx of repatriates and the return of inhabitants to war-devastated areas gave rise to a steadily increasing cut. With the lifting in 1950 of the "one-mile limit" building restriction, cutting reached a peak greatly in excess of any of the post-war years.

The major problem from the beginning of the Occupation has been the necessity of conserving a critically inadequate forest resource in the face of an equally critical postwar requirement for construction lumber and forest fuels. After the war, the Ryukyus were completely deprived of customary import sources of supply for construction purposes, throwing the full brunt of consumption on the indigenous resource. No substantial imports were received until 1949, and the amounts imported were far less than the civilian requirement. Resultant deficits made enforcement of conservation a well-nigh impossible task. The problem was further

complicated by the absence of an effective governmental forest administrative organization and applicable forest laws to direct and control cutting. Decentralization effected under the Occupation resulted in weak provisional government forest sections staffed with inadequate personnel. While Japanese forest law technically remained in effect, it was practicably inapplicable, primarily due to the fact that it vested administrative authority with officials of the Japanese Ministry of Agriculture and Forestry, and the no-longer existent prefectural governments. Under these conditions, production of indigenous forest products continued in quantity greatly in excess of the sustained yield capacity of the forest resource, with the most accessible forest lands receiving the greatest abuse.

The present situation with respect to Ryukyuan forest resources is set forth in the summary below. The species are predominately hardwoods (85% of sub-tropical broadleaf species utilized for fuelwood, house frames, roofing poles, and railway ties). Approximately 15% of the total volume is softwood, almost all of which is Ryukyu pine (*Pinus Luchuensis*). The present forest volume of 7,261,000 cubic meters clearly reflects the heavy attrition of prewar and post-war years. This is borne out by a comparison with the volume currently available in Japanese forests. The volume on an average forest acre in Japan is 27.2 M^3 as contrasted with a volume of 14.8 M^3 per average forest acre in the Ryukyus. Thus, there is available from the average forest acre in the Ryukyus only slightly more than half of the volume available from the average forest acre in Japan where the forest resource is currently deemed to be incapable of meeting indigenous requirements. This situation is being further aggravated by a current cutting drain of $262,000 \text{ M}^3$ annually which exceeds the estimated current annual growth of $108,915 \text{ M}^3$ by 2.4 times.

Little emphasis was placed on the implementation of a forestry program under Military Government until early 1949. Since that time, the following measures have been taken:

In February 1950, a centralized Ryukyu Forestry Agency was organized and staffed with the best available technical forester personnel. Administrative responsibility over 127,000 acres of former Japanese State Forest and Prefectural forest lands under the jurisdiction of the Custodian of Property and amounting to 26% of the total forest area of the Ryukyus has been transferred to the Forestry Agency.

A draft Ryukyu Forest Law applicable to the present political situation was promulgated 13 August 1951. This law is designed to control cutting and effect sound conservation practices.

A program of economic development and rehabilitation financed with Ryukyu Yen Budget funds has been underway since 1 April 1950. This program, which is being planned and implemented by the Forestry Agency, has thus far included: (1) operation of eleven forest nurseries, the seedlings from which have been used to carry out reforestation projects designed to restore the depleted growing stock; and (2) an access road and trail program, the prime objective of which is to increase production from the inaccessible well-stocked forest land and to relieve the pressure of over-cutting on accessible forest lands.

Also in progress under the sponsorship for the Forestry Agency are: (1) a program of public education designed to improve cutting practices in private and community lands; (2) a program of forest research which places emphasis on improvement of nursery and planting practices and the improvement of forest composition through the introduction of species of high economic value; and (3) a program of vocational and professional forestry

training and education designed to fill the void of trained foresters created by postwar repatriation of Japanese technicians.

CHAPTER V

RYUKYUAN INDUSTRY AND PUBLIC SERVICES, 1945-1951

1. GENERAL INDUSTRY¹

By the termination of hostilities in 1945 virtually all commercial and industrial establishments of any significance in the Ryukyu Islands were destroyed. It can be said that there did not exist anywhere in the four guntos an industrial establishment that did not require substantial rehabilitation. This destruction extended to the cottage-type industry through the loss of a high percentage of the homes where these industries existed. The usefulness of those escaping physical destruction was seriously impaired by obsolescence and poor maintenance during the war years.

In addition to the loss of physical facilities a substantial portion of the skilled labor and management which had operated these facilities had disappeared. The more significant industrial establishments were managed by Japanese who were repatriated subsequent to hostilities.

Plans for the rehabilitation of such industry as existed in the Ryukyus before the war were delayed because of the unavoidable uncertainty with respect to the future status of the Ryukyus. Nevertheless, a start was made in 1945 to rehabilitate those industries and handicrafts which were essential to the physical well-being of the people. Through 1948 the

¹Information about "General Industry" in the Ryukyu Islands, 1945-1951, was obtained by direct interviews with the Director and staff members of the Department of Commerce and Industry, United States Civil Administration of the Ryukyus, during the year 1951-52.

great majority of the materials made available for this purpose had their source in military surplus stocks. A good many machine tools and miscellaneous metal working equipment were made available to the Ryukyuans. Despite the fact that this equipment was not designed for use in such a primitive economy, the Ryukyuans did demonstrate remarkable ingenuity in putting it to practical use. The greatest source of raw materials was the tremendous quantities of scrap metal, both ferrous and non-ferrous, which resulted from the battle on Okinawa. There are now 160 small metal-working plants in operation. One of the first industries revived was the lumber industry. Several sawmills which were imported and combined with hand tools from military surplus stocks were effective in reviving the woodworking industry to a considerable degree.

In 1949 the efforts to restore the industrial potential in the Ryukyus was accelerated. Machinery and equipment for the native brick and tile industry were imported from Japan and this industry now has sufficient productive capacity to satisfy indigenous needs. In 1950 large quantities of woodworking equipment were ordered from Japan. With this equipment installed and operating, Ryukyuans are self-sufficient in the production of such wood products as wooden footwear and furniture.

The rehabilitation of the Tsumugi silk industry was delayed because of Japanese restrictions on its import arising from Japan's stringent foreign exchange position. In July, 1950, however, Tsumugi silk was exempted from the high Japanese customs duties and plans were initiated at that time to revive the industry. Short term bank loans for the purchase of imported materials, long term loans for the restoration of small weaving plants, and technical assistance were provided. The results of these efforts, though discouraging at first, have shown marked improvement

with the export of approximately \$115,000 of Tsumugi cloth during the autumn of 1951. The principal impediment to the development of this export trade and the expansion of this industry continues to be the difficulty in travel of businessmen between Japan and the Ryukyu Islands. The processing of applications for travel has heretofore required from one to three months. Recently this procedure has been simplified but still is inconvenient for Tsumugi buyers who must come to Amami Gunto and select the cloth at its source.

Very little has been accomplished in the reestablishment of the Adamba hat weaving industry. There has been little effective foreign demand for this product.

The two industrial alcohol plants which existed in Okinawa prior to the war were completely destroyed and it is not contemplated that they will be reestablished.

One salt plant of 5 tons daily capacity with equipment for evaporation and purification and numerous small salt making establishments are in operation. The output from these is adequate to meet all local requirements for edible and industrial salt.

Mining as well as industrial activities were at a complete halt in 1945. All above-ground installations of the mining industry were completely destroyed. Through lack of maintenance and operators, underground workings caved in. The problem of property rights delayed early rehabilitation. The Kita Daito Jima phosphate mine was reactivated in 1947 in an effort to obtain phosphate rock for sale to fertilizer producers in Japan. This action was taken under agreement to furnish Japan with phosphate rock in return for super-phosphate. Some 16,000 tons of ore were shipped to Japan; however, because of its poor quality (only 22% phosphorous pentoxide

and the high alumina-iron content of 20%) it was not satisfactory for the manufacture of super-phosphate in Japan and additional shipments have not been made. Mining operations at Kita Daito Jima were suspended in August 1950. About 35,000 metric tons of phosphate rock were stockpiled on Kita Daito Jima at a convenient shipping point in anticipation of out-loading the material for Japan or elsewhere and approximately 30,000 metric tons are fairly accessible at the mine site. The labor and expense of transporting the latter quantity from mine site to shipping point, however, would be almost equivalent to that of an original mining operation. During 1951 the machinery, equipment and construction materials, consisting of lumber, cement, galvanized roofing, etc., were removed from Kita Daito Jima in slow stages because of generally unfavorable sea conditions and sold. The last lot representing USCAR's (United States Civil Administration of the Ryukyus) capital investment in the phosphate mining project was disposed of in November, 1951. Within recent months, some interest in the purchase of Kita Daito Jima phosphate rock has developed in Japan and Okinawa in spite of its known low quality for super-phosphate. Those interested believe it can be used to make a fused phosphate of high alkalinity and other desirable qualities by a method tested and developed successfully in the United States during World War II. It is too early to predict that the present interest will result in action to enable disposal of the stock-piled 35,000 metric tons of phosphate rock at Kita Daito Jima but efforts are being made and will continue for translation of this interest into favorable action.

In 1948 the representatives of SCAP (Supreme Command Allied Powers) recommended that coal mines on Iromote Jima, Yaeyama Gunto, be exploited in an effort to obtain fuel from indigenous sources. Machinery and

equipment were ordered from the United States early in 1949 and plans were made to reopen mines in the area to produce a total of approximately 30,000 tons of coal per annum. During the past two years developmental work has continued on this project. One of the earlier obstacles to increased production, the transportation of the coal from the mine to the loading point, has been solved by the construction of a pier and a railroad to the pier.

Under the provisions of Ordinance No. 55 promulgated 26 November 1951, all owners of rights approved by the Japanese Government prior to military occupation of the Ryukyus by the United States are encouraged to apply for resumption of their former rights. Tentative applications have so far been received for operation of manganese mines in Amami-Oshima. Other tentative applications for original mining or prospecting rights for copper, sulphur, gold, iron and lead as well as manganese in various locations of the Ryukyus have been received. All are being investigated for prompt action as to the wisdom of issuing mining and prospecting rights for some areas of apparently only marginal value even when all other factors are favorable. Prospective developers must be reasonably protected against over-optimism which would cause a waste of time and financial strength due to the uncertain or small commercial value of some known mineral deposits.

2. SUGAR INDUSTRY¹

The Ryukyuan sugar industry was destroyed during the war. All centrifugal plants and large black sugar mills were ruined. Practically all small

¹Information about the "Sugar Industry" in the Ryukyu Islands, 1945-1951, was obtained by direct interviews with the Directors and staff members of the Department of Commerce and Industry, and the Department of Agriculture and Forestry, United States Civil Administration of the Ryukyus, during the year 1951-1952.

mills disappeared or were dismantled. Sugar cane acreage in the 1945-1946 season was negligible.

During the early years of the Occupation no definite policy was established with respect to the sugar industry. In view of the uncertainty of the sugar market it was recommended that land be used to grow food crops rather than to produce sugar cane. As a result, no assistance was provided for the rehabilitation of this industry until 1951. When Headquarters, Military Government was established in 1949, the recommendations of the Agricultural Mission to the Ryukyus, November 1949, were adopted as a policy. These recommendations were to neither encourage nor discourage the production of sugar cane, allowing the crop to be produced on its economic merits.

In the absence of agricultural controls the Ryukyuan farmers have provided the answer to this question. Sugar cane production has increased from a negligible figure in 1946 to 19,000 acres. In the 1950-51 milling season, 7,500 acres were harvested with a production of 11,000 metric tons of black sugar. The number of small black sugar mills has reached 1,100.

The production of sugar was accelerated by the decision of the Japanese Government in July, 1950, to exempt black sugar from import controls. Prior to this decision the illegal export market and the inflated local market were the incentives for black sugar production. The effect of the above decision has been to legalize and expand this heretofore illegal export trade. Thus, by August, 1950, the consideration of whether land should be used for sugar cane was a moot question. The real problem faced at that time was how should this cane be processed: by the present small inefficient black sugar mills only; or by supplementing these mills with one or more large plants capable of producing centrifugal type sugars as well as black sugar.

In February, 1951, GARIOA funds were made available for the construction of one centrifugal sugar plant in southern Okinawa subject to the ability of Ryukyuan private enterprise to secure cash and other assets equivalent to 15% of the estimated total cost and to develop a plan of establishment which was financially and technically sound. The private promoters of this project, which included 16,000 farmers as majority stockholders, complied with these requirements, and equipment and buildings of two Hawaii sugar plants were purchased and transported to Okinawa to construct one plant of 750-ton (cane per day) capacity. Construction of this plant has begun under the supervision of a Japanese contractor and the target date of complete erection of this plant is on or before 30 November, 1952, prior to the harvesting of the 1952-53 sugar season.

The construction of a large (200-ton) black sugar plant, capable of producing centrifugal sugar, at Minami Daito will be completed during the current sugar season. In the same manner as with the larger plant referred to above, this factory is being established and financed by Ryukyuan private enterprise, assisted only by a long term bank loan of ¥4,000,000. During 1950-51, a small amount of GARIOA assistance was provided for the purchase of equipment to improve the efficiency of existing black sugar mills.

3. MARINE AND AGRICULTURAL PROCESSING¹

The only refrigeration and marine processing facilities which had not been removed or damaged beyond repair at the end of hostilities were one small ice plant in Amami Gunto and a few katsuobushi factories in the

¹Information about "Marine and Agricultural processing" in the Ryukyu Islands, 1945-1951, was obtained by direct interviews with the Directors and staff members of the Department of Commerce and Industry, and the Department of Agriculture and Forestry, United States Civil Administration of the Ryukyus, during the year 1951-1952.

southern and northern islands. The four small canneries which operated during the 1930's had been dismantled before the end of the war. No land based facilities of these types existed on Okinawa in 1945.

Because of the lack of equipment and building materials and the very reduced fish catch, no marine processing or refrigeration plants were reestablished during the early postwar years. In 1948 one 15-ton per day ice plant was constructed at Motobu, Okinawa from surplus equipment received from the United States Navy. It was not until 1950 that significant progress was made in the rehabilitation of these industries. As a result of the GARIOA assistance provided in 1949-50 and the considerable amount of surplus equipment obtained from the United States Army, the following facilities were completed and put into operation: six 15-ton per day ice plants at principal fishing ports throughout the Ryukyus, four large and approximately twelve small katsuobushi plants with facilities for other marine processing, and a few small fish paste and miscellaneous marine plants. An additional 15-ton per day ice capacity with provisions for subsequent freezing-cold storage facilities are being installed in one of these plants. Army excess equipment sufficient to meet a part of the requirements for 60 additional tons per day ice making capacity or cold storage space at existing ice plants has been sold to Ryukyuan fishing interests.

The large refrigeration plants at Naha will be made available to Ryukyuan private enterprise. The construction of this latter plant was partially financed with \$1 million of 1949 GARIOA funds which had been appropriated for refrigeration for the Ryukyuan fishing industry. It was agreed at the time these funds were transferred that this plant would be made available for fishing use as soon as other capacity was constructed

for Army requirements. When completed in the spring of 1952, the Naha plant had the following capacities: ice making, 30 tons per day; ice storage, 12,825 cubic feet; fish freezing, 27,788 cubic feet; and cold storage, 70,800 cubic feet.

Exports of processed marine products since the end of the war have been negligible. With the very limited fish catch and extremely high price no significant surpluses can be exported. Katsuobushi is the only exportable processed seafood produced since the end of the war, a small quantity of which was exported in 1950. However, because of the high price of locally processed katsuobushi, this product has recently come into the Ryukyus as an import from Japan.

In the case of other marine products, the results have been more encouraging. During 1951, exports of shells and kaijinso were \$404,094 and \$239,954 respectively.

The facilities for agricultural processing in prewar years consisted of four small canneries, ten alcoholic beverage plants, and the remainder as cottage-type industry establishments. In a food deficit area such as the Ryukyus the development of these industries as a means of effective utilization of resources or maximum food production is necessary.

Because of the critical shortage of marine and agricultural raw materials, the lack of equipment, and the need for rehabilitation of basic resources, very little progress has been made in the reestablishment and expansion of these industries. In early 1951, 23 small oil presses, 200 rice hulling and polishing machines, 25 small flour mills, noodle making equipment, tea processing machinery, equipment for two small soy sauce plants, and three sets of experimental canning equipment were received.

Additional equipment for agricultural and marine processing as well as alcoholic beverages, tobacco products, confectioneries, soft drinks,

leather, and miscellaneous foods has been imported directly by Ryukyuan private enterprise with Ryukyuan Dollar Commercial Account funds. One modern and efficient factory equipped for the production of wheat flour, edible oil, and miso and soysauce from the soybean cake residue has been constructed and put in operation. Eight other soysauce-miso processing plants, one noodle-vermicelli plant, and one tobacco products plant has been established. Aside from the production of these plants and the alcoholic beverage factories, all agricultural processing is carried out by the small cottage industry type establishments.

4. PUBLIC SERVICES¹

War damage to public services, that is, transportation facilities, communications, public roads and bridges, harbor facilities, and public utilities varied from complete destruction to serious deterioration through inadequate maintenance. Considering the obstacles the progress made in the restoration of public services since the war is one of the most encouraging aspects of economic rehabilitation.

Land transportation suffered virtual complete destruction on Okinawa and serious deterioration on the outlying guntos. The rail line was destroyed and only a few Japanese military vehicles survived the war years. About 750 U. S. military vehicles were made available by Military Government to meet the most urgent transportation needs. These vehicles were operated by the provisional governments until mid-1950. The first shipment of Japanese commercial vehicles arrived in December 1949, by which

¹Information about "Public Services" in the Ryukyu Islands, 1945-1951, was obtained by direct interviews with staff members of the Department of Communications and Transportation, United States Civil Administration of the Ryukyus, during January, 1952.

time private enterprises were establishing companies to perform motor vehicle transportation services. By September 1950, practically all U. S. military-type vehicles were removed from public service and returned to the military. Since December 1949, private enterprise has purchased over 2,000 commercial-type trucks, busses and trimobiles of Japanese manufacture.

Public roads and bridges on Okinawa suffered more direct damage than those in outlying guntos. Bailey bridges replaced the destroyed bridges and few have been replaced with permanent structures. Roads and bridges must now serve substantially more traffic than in prewar on Okinawa, and maintenance has not reached a satisfactory permanent level.

River, port, and harbor facilities throughout the Ryukyus suffered considerably during the war due to deferred maintenance, war damage, silting, etc. Piers and docks were bombed and burned, vessels were sunk in the harbors and their approach channels and irrigation and flood control works on the rivers were destroyed. For river works (dams, flood control, etc.,) rehabilitation is considered 70% complete. Harbor facilities and sea walls suffered serious damage from typhoons during 1951. Harbor rehabilitation is considered to be 50% complete.

During 1951, inter-island passenger and cargo transportation was assumed entirely by Ryukyuan private commercial auspices, eliminating services previously provided by the Military Government.

Power plants throughout the Ryukyu Islands were either partially or completely destroyed during the war. On Amami and Okinawa, which had the bulk of the plants, the destruction was almost complete, either through war damage or long-deferred maintenance. Miyako and Yaeyama with approximately 20% of the total, lost about one-half of their power potential.

A central thermo power plant is under construction at Machinato, Okinawa, and major rehabilitation work is in progress in the larger cities throughout the Ryukyus. Water supply systems, particularly in larger municipalities, suffered war damage. The cities of Naha and Nago on Okinawa were the only two cities to have prewar municipal water works and these served only limited portions of their areas; both were badly damaged as a result of war. However, since most municipalities receive their water supply from rivers and wells, either hand-carried or moved by vehicle (both animal drawn and motor), the disruption was reflected in means of transport. Largely through the expedient use of old equipment, surplus military equipment or even generators from ships, Okinawa has restored its power to a reasonably satisfactory level.

CHAPTER VI

FOREIGN TRADE

1. IMPORT REQUIREMENTS

Until February 1951, imported goods were purchased on a government basis almost entirely with GARIOA funds. The considerable rise in dollar earnings during 1951 from the sale of items and services to the military establishment and the export of commodities has made possible a substantial reduction in GARIOA economic aid funds and the development of foreign trade on a private basis. Allocations of Ryukyu Dollar Commercial Account (RDCA) funds for the purchase of imports by private traders have increased progressively. The pattern of the private trade is indicated by the import licenses issued for various categories of commodities during the period 21 February — 31 December 1951, the first ten months that RDCA funds were available for private use:¹

Food, principally processed items	\$ 7,670,598
Alcoholic beverages, soft drinks, and tobacco products	1,284,087
Cosmetics, soap, toilet articles, and notions	926,800
Textiles, clothing, and footwear	4,042,291
Drugs and medical supplies	555,109
Publications, stationery, newsprint, and film	861,120
Clocks, watches, and sewing machines	199,000
Toys, musical instruments, etc.	198,000

¹Headquarters, United States Civil Administration of the Ryukyu Islands. Ryukyu Islands Economic Statistics, Department of Programs and Statistics, Bulletin Number 16, February, 1952, pp. 28-29.

Chinaware, kitchenware, and hardware	562,700
Bicycles and parts	215,673
Motor vehicles and parts	2,148,101
Miscellaneous articles (principally consumer goods)	1,511,000
Construction materials	874,153
Industrial materials, equipment, tools, and other capital goods	<u>504,281</u>
TOTAL	\$21,553,018

Rice and other staple foods, POL fertilizer and other agricultural items, most public service and communication items, and some fisheries and industrial requirements have not been procured by private import. As the RDCA fund increases and GARIOA aid diminishes, more and more of these items will be procured by private import.

The estimated annual import expenditures, by categories, for the Fiscal Year 1952 are listed in an accompanying table. In estimating these expenditures the following factors were considered:

a. The allocations of RDCA funds for privately purchased imports for the period February 1951 to July 1952 and the pattern of expenditure of these funds.

b. The increased consumer purchasing power and consequent increased demand for ready made articles not available from local sources as a result of the constant increase in dollar income from the military establishment.

c. The policy of free trade and the encouragement of private trade with the minimum of foreign exchange and import restrictions will be continued.

d. The minimum requirements of staple food, POL, and fertilizer, now being purchased with GARIOA funds, will be procured with RDCA funds

after GARIOA has been discontinued.

e. Dollar expenditures for public services and communications will decrease appreciably each year as these programs progress to completion.

f. No significant dollar expenditures, beyond that necessary for operation and maintenance of present facilities, will be made by Ryukyuan private enterprise for industry and fisheries.

g. The normal increase in population.

A discussion of each major category of imports for the Fiscal Year 1952 is presented below.

Food

It is estimated that the staple food purchases will be supplemented with approximately \$9,350,000 of processed foods procured by private import. This processed food will consist of noodles, flour, edible oils, tea, canned foods, oriental style seasonings, and confections procured from Japan and refined sugar purchased from other countries. Each year after 1953, it is expected that the import of these items, especially refined sugar, will decrease at a rate considerably in excess of the rise in demand caused by population increases, because of increased local production and processing of foodstuffs. In view of the continued increase in employment in other activities as a result of the expenditures by the military establishment, a greater increase in basic agriculture and marine production cannot be expected. Imported staple food requirements are based on minimum nutrition levels and are rationed at fixed amounts and prices which are uniform through the Ryukyus. Since December 1951 rice imports have been planned to provide a consumption level of 100 kilograms per capita per year. Rapidly increasing costs of staple food imports is requiring substantially greater expenditures than earlier

anticipated. In the case of rice, the import cost was estimated at \$132 per metric ton (Naha) in 1951, while in January 1952 the estimate for future procurement was \$174.

Consumer Goods

These items are now being purchased at a rate of \$9.0 million per year and normally would be expected to increase considerably each year. When the use of RDCA funds for the import of consumers goods was permitted in 1951, stock in the possession of each household and individual was at the "bottom of the barrel" as a result of approximately ten years restriction on the supply of these items. In the near future it is expected that basic needs for many of these items will have been satisfied and purchases will level off at a normal rate. Furthermore, as the Government of the Ryukyu Islands tax plan is implemented many semi-essential consumer items will be the first assessed and at the highest rates. For these reasons it is believed that overall dollar expenditures for imports of consumers goods will not increase in spite of increased purchasing power and population.

Industrial Machinery and Supplies

The principal industrial material to be imported is thrown silk for the manufacture of Tsumugi cloth. The large refrigeration plant and one centrifugal sugar plant have been completed. The large 750 ton sugar plant will be constructed and in operation by November 1952. Consideration is still being given to the construction of a phosphate fertilizer plant, a flour mill, and a cotton weaving factory, however the private interests promoting these projects have yet to demonstrate that they can raise the minimum of private capital required to finance these undertakings.

Construction Materials

These expenditures will be for the reconstruction of public buildings and general construction use. Recently the Japanese Government has permitted the export of lumber to the Ryukyus. Because of lower unit prices and cheaper transportation costs, this will result in a considerable reduction in expenditures for this category of imports than was previously estimated.

Automotive Vehicles and Parts

Prior to the opening of the RDCA, there were few privately owned vehicles and Ryukyuan Government agencies depended on the military establishment for most of their transportation. The condition with respect to motor vehicles was similar to that of consumers goods. After initial purchases were made imports declined without restriction. The importation of passenger cars for private use is now restricted. Minimum demands for common carriers has been met and future purchases will be primarily for replacements.

Fertilizer Material and Seeds

Theoretical requirements for fertilizer based on economical use for optimum agricultural yields amounts to approximately \$2,000,000 per year. Based on past experience, Ryukyuan farmers will not use even one-half of this amount unless the purchase of this item is heavily subsidized or very liberal credit is provided. As a temporary measure, some fertilizer will be priced to farmers at ¥90/\$1 during 1952. Dollar expenditures for seeds and other agricultural items will be small.

Petroleum, Oil, and Lubricants

Expenditures for transportation of POL and the operation of the power plant are not included in the estimates for this category. The procurement

of these items by normal private import is not permitted; likewise the distribution within the Ryukyus is controlled.

Transportation

This category consists of stevedoring, port handling, and transportation costs not elsewhere included. The stevedoring and port handling expenditures by the military will be recurring and will require reimbursement regardless of whether imports are purchased by RDCA or GARIOA. Transportation costs for purchase of staple food on f.o.b. basis is also recurring. When procurement is transferred from GARIOA to RDCA commercial shipping will be required; unit rates will be higher than by Military Sea Transportation Service.

Miscellaneous

This category consists primarily of consumers goods and other items of private import not included in the above categories.

Invisibles

Consists of expenditures for technical services procured from sources outside the Ryukyus and the travel of Ryukyuans abroad. Slight but progressive increases in these expenditures are anticipated in view of more freedom granted Ryukyuans to remit out and travel to Japan and other countries.

TABLE Ia

RYUKYU ISLANDS: ESTIMATED IMPORT EXPENDITURES¹

Fiscal Year 1952

(In Thousands of U. S. Dollars)

<u>Commodity Category</u>	<u>FY 1952</u>
Food	23,944
Consumers Goods	9,045
Industrial Machinery & Supplies Including Marine, Public Service and Communication Items	3,597
Construction Materials	2,435
Motor Vehicles & Parts	1,060
Fertilizer and Agricultural Items	800
POL	800
Transportation not included above	1,270
Miscellaneous	186
Invisibles	<u>300</u>
TOTAL	43,437

¹Ibid., pp. 26-27.

TABLE II

PERCENTAGE OF LICENSES AND LETTERS OF CREDIT --
CALENDAR YEAR 1951¹

	<u>LICENSES</u>		<u>LETTERS OF CREDIT</u>	
<u>Imports</u>	<u>Licenses</u>	<u>% of Imports (Licenses)</u>	<u>L/C's</u>	<u>% of Imports (L/C's)</u>
All Foods	\$ 7,703,298	36%	\$ 6,955,827	36%
General Consumer Goods	4,719,906	22%	4,428,397	22%
Clothing and Textiles	4,121,108	19%	3,534,634	19%
Motor Vehicles, Bicycles and Parts	2,467,469	11%	2,073,468	11%
Alcoholic Beverages, Cigarettes, Soft Drinks	1,293,351	06%	939,386	06%
Building Construction	868,568	04%	674,146	03%
Industrial Construction	583,060	02%	530,257	03%
TOTAL	\$ 21,756,760	100%	\$ 19,136,115	100%

¹Ibid., Bulletin Number 15, January, 1952, pp. 24-25.

TABLE III

PERCENTAGE OF LICENSES AND LETTERS OF CREDIT1st Quarter - 1952 (Jan to Mar)¹

<u>Imports</u>	<u>LICENSES</u>		<u>LETTERS OF CREDIT</u>	
	<u>Licenses</u>	<u>% of Imports (Licenses)</u>	<u>L/C's</u>	<u>% of Imports (L/C's)</u>
All Foods	\$ 2,315,987	29%	\$ 2,192,895	31%
General Consumer Goods	2,113,168	26%	1,876,716	26%
Clothing and Textiles	1,561,238	20%	1,542,125	22%
Motor Vehicles, Bicycles and Parts	706,554	9%	565,093	8%
Alcoholic Beverages, Cigarettes, Soft Drinks	440,274	5%	285,915	4%
Building Construction	655,852	8%	386,956	5%
Industrial Construction	<u>242,692</u>	<u>3%</u>	<u>282,827</u>	<u>4%</u>
TOTAL	\$ 8,035,765	100%	\$ 7,132,527	100%

¹Ibid., Bulletin Number 17, March, April, and May, 1952, pp. 68-69.

2. COMMODITY EXPORTS

The total value of commodity exports in Fiscal Year 1951 was \$2,160,000 as compared to only \$300,000 in Fiscal Year 1950: in years prior to FY 1950, the income from this source was negligible. This sharp rise in FY 1951 is attributed to increased domestic production, improved quality of products, trade negotiations with the Japanese Government which have led to a more liberal treatment of Ryukyuan products, and above all, the encouragement of private trade. Thus far, the market for practically all Ryukyuan exports has been Japan. Even though efforts have been made, and will be intensified to develop markets in other countries, it is inevitable that Japan will continue to be the major outlet for many Ryukyuan products.

Sugar accounted for 65 percent of the total value of exports in 1951. It represents one of the few resources of the Ryukyu Islands which can be produced in significant quantities for export. The attractive price of 15 cents to 24 cents per pound (F.O.B. Okinawa) which prevailed in 1951 almost equalled that to be obtained by smuggling. Recently the Japanese Government has relaxed the restrictions on the import of centrifugal sugars.

Of the other principal export items, button shell, and Kaijinso, (Digonia Simplex, a seaweed used for medicinal purposes), should maintain, but not appreciably exceed, present performances; these fishing activities are not expected to increase. Recent progress made in the production and sale of Tsunmugi silk cloth has accounted for the expansion in production capacity which is now in progress. The future for two new export items, fresh vegetables and frozen seafood, must be regarded with less certainty. In the case of the former, the production and subsequent sales in Japan will depend on foreign exchange being made available when needed and

Japanese plant quarantine regulations. Favorable action with respect to both of these problems is indicated; but until it is an established fact export estimates would be unwise. Likewise, the recent interest which Hong Kong buyers have shown in this commodity is encouraging but cannot be translated into sales at this time.

There is a great potential for production of seafood. However, high optimism, in regard to exports, is not justified at this time for the following reasons: Very little of this production potential has actually been realized; domestic consumption of seafood is far below requirements; as local high prices decline, domestic consumption will rise considerably before a satisfactory export price level is attained; Ryukyans have had no previous experience in freezing fish and exporting this item; and, of most importance, the possibility that United States markets might be closed by the levying of prohibitive import duties on frozen fish.

TABLE IV

RYUKYU ISLANDS: ESTIMATED COMMODITY EXPORTS¹

Fiscal Years 1951 & 1952

(In Thousands of U. S. Dollars)

	FY 1951 (Actual)	FY 1952 (Estimated)
All Commodities -- TOTAL	\$ 2,165	\$ 5,000
Sugar	1,380	3,500
Button Shell	349	400
Kaijinso	199	200
Tsumugi silk	59	300
Cow hides	78	100
Cycas leaves	33	40
Lily bulbs	35	50
Cattle	5	25
Railroad ties	7	25
Jofu cloth		25
Paper cord hat bodies	6	10
Frozen seafood		
Fresh vegetables		250
Miscellaneous	14	105

¹Ibid., Bulletin Number 16, February, 1952, pp. 22-23.

TABLE V

EXPORTS1952 L/C's Negotiated¹

	<u>January</u>	<u>February</u>	<u>March</u>	<u>Total</u> <u>1st Quarter</u>
Black Sugar	\$ 143,820.02	\$ 322,571.08	\$ 438,956.40	\$ 905,337.50
Miyako Jofu	-	3,015.00	14,282.96	17,297.96
Digenia	4,185.00	13,050.00	9,705.00	26,940.00
Shell for Buttons	-	31,975.50	33,247.52	65,223.02
Adan Leaves	630.00	-	630.00	1,260.00
Cycad Leaves	278.00	-	-	278.00
Hide (Cattle)	-	25,000.00	10,800.00	35,800.00
Cattle (Cow)	7,500.00	-	2,700.00	10,200.00
Tsumugi Silk	30,000.00	-	12,500.00	42,500.00
Crossties and Logs - RR	-	6,252.00	20,748.00	27,000.00
Sake (Awamori)	-	-	2,890.80	2,890.80
Hat Bodies	3,815.00	9,218.33	13,985.00	27,018.33
Non-Ferrous Scrap	736.00	-	736.00	1,472.00
Empty Beer Cans	-	1,910.00	560.00	2,470.00
Gunny Bags (Used)	-	455.00	16,008.75	16,463.75
Cattle Bone	-	-	1,660.00	1,660.00
Fresh Vegetables	-	-	600.00	600.00
Travertine	-	-	191.20	191.20
Marine Products	-	-	2,870.00	2,870.00
TOTAL	\$ 190,964.02	\$ 413,446.91	\$ 583,061.63	\$1,187,472.56

¹Information about exports and 1952 negotiated Letters of Credit was obtained during an interview with a Director of the Bank of the Ryukyus, Okinawa, May, 1952.

TABLE VI

RYUKYU ISLANDS: ESTIMATED BALANCE OF PAYMENTS¹

U. S. FISCAL YEAR 1952

(In Thousands of U. S. Dollars)

Exports

Commodities	5,000
Invisibles	
Labor and Services	17,795
Sales of Yen to Individuals	7,100
Remittances to Ryukyans	480
Land Rental	-0-
Net Dollar Revenue on Power & POL Operations	<u>190</u>
	<u>30,565</u>

Imports

Commodities	
Food	23,944
Consumer Goods	9,045
Industrial Machinery and Supplies	3,597
Constructive Materials	2,435
Automotive Vehicles and Parts	1,060
Fertilizer Material and Seeds	800
POL	800
Transportation not included above	1,270
Miscellaneous	186
Invisibles	<u>300</u>
	<u>43,437</u>

Deficit	12,872
---------	--------

United States Economic Aid	12,872
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Net Change in Cash Position	-0-
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¹Information about the "Estimated Balance of Payments" in the Ryukyu Islands was obtained by direct interview with staff members of the Department of Finance, United States Civil Administration of the Ryukyus, during April, 1952.

CHAPTER VII

LABOR AND SERVICES FOR UNITED STATES FORCES

1. LABOR¹

Since labor is the greatest single source of dollar earnings, one of the most productive efforts that can be made is to train Ryukyuan labor to assume skilled and semi-skilled positions in the military establishment on a permanent basis. To accomplish this a labor training program has been undertaken. The immediate objectives are the replacement of military personnel, DAC's (Department of the Army Civilians), and Filipinos in housekeeping and maintenance jobs with Ryukyans to the maximum extent practicable and increasing the productivity of all Ryukyans employed by the Military. The longer-range goal is to increase the number of skilled and semi-skilled Ryukyans permanently employed to compensate for the reduced numbers employed by contractors as the construction program is completed.

The training program is being approached in three distinct phases: (a) the identification of the categories of positions to be filled by indigenous personnel and the number of employees who must be trained for these positions; (b) the cataloguing of occupational skills of the Ryukyuan labor potential; (c) the development of a specific program to

¹Statistical information presented in this chapter about Ryukyuan labor was obtained from Headquarters, United States Civil Administration of the Ryukyu Islands. Ryukyu Islands Economic Statistics, Department of Programs and Statistics, Bulletin Number 16, February 1952, pp. 5-9. Supplemental information was obtained from direct interviews with the Director of the Office of Indigenous Labor, U.S.C.A.R.

accomplish the training mission.

The first phase has to a large degree been accomplished.

The table below indicates the number of military, DAC and Filipino personnel that can be replaced by Ryukyans.

	<u>Ground Forces</u>	<u>Air Force</u>	<u>Okinawa Engineer Dist.</u>	<u>Total</u>
Military Personnel	1,307	1,105	420	2,832
Department of Army Civilians	216	82	52	349
Filipinos	<u>3,026</u>	<u>287</u>	<u>284</u>	<u>3,497</u>
Total	4,549	1,374	755	6,678

There has been prepared, in addition, a complete list of job titles in which Ryukyans are employed. There has been determined for each job title the number of personnel already trained and on the job; the number in training; and the number in need of training.

Phase (b) and (c) are currently being undertaken. Training will be divided into on-the-job training, classroom training and a combination of the two (so-called "vestibule" training). There will follow the selection of instructors, the determination of training aids, the establishment of a training time-table, and finally the development of a placement program. It is planned to establish the following specialists's schools:

Culinary Trades

Cooks
Bakers
Meat Cutters

Clerical Operations

Typing
Office Equipment

Metallurgical Operations

Are Welding
Acetylene Welding
Brazing

Communication Specialists

PBX Operation
Maintenance of Power Lines
Submarine Cable Repair
Automatic Switchboard Repair and
Maintenance

Warehousing

Stock Control
Inventory Control
Record Maintenance

Mechanical

Automotive Repair and
Maintenance
Repair and Maintenance
Construction Equipment
Lubrication

Basic English

Supervisory Training

Aircraft Repair and Maintenance

Engine Overhaul
Communications Equipment
Structural Repair

Laundry Operations

Washers
Mangles
Pressers
Dry Cleaning Techniques

Leadership

Job Instructor Training
Job Relations Training
Job Methods Training
Work Simplification

There exists adequate facilities for the establishment of all the above specialists' schools within the framework of the military establishment. Considerable emphasis will be placed upon on-the-job training. In order to realize the training potential inherent in this type of training, it will be necessary to instruct supervisors in proper instructional techniques.

In planning for future needs for trained Ryukyuan, several factors must be considered, viz., the replacement of Military, DAC, and Filipino personnel, manning required for expansion of present facilities, manning required for new units, and the increase and completion of the construction program.

The present military wage rate (\$20 monthly) was established 12 April 1950 concurrent with the establishment of the 120/1 exchange rate.¹ At that time imported foods were being priced at an average 55/1 rate, while

¹General Headquarters, Supreme Commander for the Allied Powers, Economic Mission to the Ryukyus, Economic and Scientific Section, December 1949, p. 1.

other consumer goods privately imported were about 250/1 and incentive goods from special trade stores sold at 40/1 to 60/1. It was assumed that subsequently food prices would be increased gradually to reflect the landed cost at the 120/1 rate (this pricing policy was effected in mid-1951), while other consumer goods would gradually decrease in price under the impact of the increased consumer goods import program. It was thus hoped that the cost-of-living would remain reasonably stable. These assumptions were made on the expectation of a continuation of the then-existing world and Japanese price levels.

Although this wage rate remains in effect, available information indicates that adjustments have been made through such means as normal up-grading, over-classification, bonuses, provision of free transportation, meals, or other considerations in an effort to alleviate rising cost-of-living pressures. Preliminary studies indicate a cost-of-living index of 136 for 1951, considering the average of calendar year 1950 as 100. In the populous southern half of Okinawa, food expenditures regularly represent 55%-60% of the average family's total cash outlay.¹ Another indication of growing economic pressures is that the average Okinawan household has 1.9 members working in order to contribute to the family income. This ratio of secondary family workers is unusually high (for example, in Japan the ratio is between 1.3 and 1.4), and may in time result in socially undesirable trends. Problems of internal wage-price relationships and their impact upon levels of living of the Ryukyuan people are currently under study.

¹Headquarters, United States Civil Administration of the Ryukyu Islands. Ryukyu Islands Economic Statistics, Department of Programs and Statistics, Bulletin Number 17, March, April, and May 1952, pp. 46-47.

Since the outbreak of the Korean war, Japanese wholesale prices have increased over 30%. World food prices have increased over 10%. Japanese price trends are inevitably reflected in the Ryukyus in view of the dependence of the Ryukyus upon Japan for virtually all consumer goods.

The Ryukyu Islands are in an unusually vulnerable position with respect to world price levels. The greatest single export of the Ryukyus, labor, does not automatically fluctuate with world price levels. If the military wage rate, which bulks so large in the dollar earnings and livelihoods of wage earners in the Ryukyus, does not roughly follow price trends of imports, the wage earner inevitably must suffer a decline in his standard of living.

2. SERVICES¹

The second element making up the invisible exports is the sale of services to U. S. personnel stationed in the Ryukyu Islands. An increasing proportion of this income (estimated at \$7.1 million for the Fiscal Year 1952) is generated by the sale of yen to military and civilian personnel of the armed forces and to commercial residents and other foreign residents for such purposes as: souvenir items and other Ryukyuan-made products; gifts and tips; fresh foodstuffs; car repair and washing; watch repair; etc.

A substantial dollar income is represented by the sales of yen to construction firms holding contracts under the District Engineer, for purchase of logistic support for their non-Ryukyuan employees. These employees are principally skilled workmen from Japan; over 4,000 entered the Ryukyus during 1951 for varying periods of employment. Although

¹Information about "Services" was obtained by direct interview with the Director of the Department of Programs and Statistics, Headquarters, United States Civil Administration of the Ryukyus, April, 1952.

present arrangements call for provision of logistic support by the contractors, through import of food and other essential commodities, in practice a substantial part of such supplies are purchased locally. The purchase of indigenous rice probably represents the bulk of dollar income accruing from this source, since these employees are not eligible for rationed imported rice. Indigenous rice regularly sells at a higher price than imported rice, reflecting scarcity as well as a quality differential. In addition, these workers undoubtedly contribute to the local economy through purchase of miscellaneous commodities, entertainment, and other services. Purchases of logistic support by District Engineer contractors and their non-Ryukyuan employees are estimated to result in dollar earnings of \$1.2 million for the Fiscal Year 1952.

A further source of revenue is services of the following nature to be provided the U. S. forces: land transportation, water transportation, postal and tele-communications, land rentals, road maintenance and utilities.

Privately owned and managed bus and truck transportation will assume an increasing share of the transportation burden on Okinawa. At present about 50 American manufactured automobiles are furnishing taxi service to both natives and occupationnaires, and additional vehicles are on order.

Water transportation and allied activities will earn significant sums of dollars in the future. The most important dollar earner will be the Ryukyu Kaiun Kaisha, a private shipping line, which will move U. S. personnel and cargo between the islands. Stevedoring, forwarding, berthing, etc., will add to the dollar earnings.

A further source of dollar earnings will be the central thermal power plant being constructed at Machinato, Okinawa. This GARIOA-financed

plant will cost about \$7.6 million and will be completed in the latter part of 1952. It is contemplated that this plant will be sold for private operation, and it will provide about 46,000 K. V. A. to the military and to the Okinawan economy.

The postal and tele-communications systems also will yield moderate dollar revenue. In addition, the military will contribute to the cost of maintaining roads to the degree that these roads are utilized by the U. S. forces.

CHAPTER VIII

FINANCIAL STRUCTURE

1. BANKING AND CURRENCY

The Ryukyu Islands has a reasonably well-developed banking system in the Bank of the Ryukyus. This institution possesses commercial and foreign exchange banking facilities and consists of its headquarters in Naha and fifteen branches throughout the islands. The bank has correspondent relationship with the Bank of Tokyo and is a limited correspondent with the American Express Company, Okinawa, and the Teikoku Bank, Ltd., Kagoshima, Japan.

There are actually seven sources of credit in the Ryukyus. The Bank of the Ryukyus is the principal loan institution and operates only in the short-term commercial loan field. There was established, in addition, the Ryukyus Reconstruction Finance Fund in April 1950, into which was placed \$500 million from the Counterpart fund to United States aid. This fund is administered by the bank and its purpose is to extend long-term loans for housing, industrial, commercial institutions, and utilities.

For the typical Ryukyuan, probably the most significant source of credit is the strong family groups of which he is a member. Data concerning the volume of such financial assistance within the family system is impossible to obtain, but there are indications that it is actually the most widely used loan facility.

A credit cooperative association system was established in June, 1951. Such credit cooperative associations are principally institutions for short-term agricultural production credit.

There are two additional sources of credit which are typically oriental in nature. The first is the so-called Mijun, of which there are five in the islands. This is a cooperative institution that combines commercial loans with a type of lottery scheme conducted among its members. The other type of organization is the relief association, of which there are hundreds throughout the islands.

The postal savings system has been reestablished in the islands. This savings institution is familiar to Ryukyuans since it existed prior to the war. Savings generated will be available to the bank for credit purposes.

2. RATE OF EXCHANGE

It cannot be determined unequivocally at this time that the rate of exchange of ¥120 to \$1, established in April 1950, is the rate which should be continued permanently. Nevertheless, the experience during the past several months supports this rate.

During the past year encouraging gains have been made in exports under this rate of exchange, and the trend is still upward. Also, the pricing of imports into the economy at multiple rates of exchange which existed immediately subsequent to the establishment of the 120/1 rate has largely been corrected. At the present all commodities are priced at full landed cost. These price adjustments have been made without undue reactions in the economy.

3. COUNTERPART FUND

A Counterpart Fund was established 1 April 1951, into which all funds obtained from the sale of GARIOA supplies are deposited. Prior to that date, such funds have been deposited in an account known as the Yen Budget. The Counterpart Fund is used for the following purposes: (a) the provision

of additional funds for the Government of the Ryukyu Islands and for extraordinary expenditures for the gunto governments, (b) the provision of long-term and short-term capital, and (c) the accumulation of dollars in the Ryukyu Dollar Commercial Accounts.

Subsequent to Ryukyu Fiscal Year 1952, a far greater proportion of the Counterpart Fund will be used for rehabilitation purposes. No increment in the dollar balance is anticipated, so yen will not be required for this purpose. The fund, then, can be used for the provision of credit and rehabilitation projects.

A minimum of grant-in-aid is provided to the Government of the Ryukyu Islands to finance their initial requirements not being met by the establishment of new taxes. Grant-in-aid to the gunto governments and municipalities covers basically only extraordinary expenditures of a non-recurring nature.

A statement of Government and Relief In Occupied Areas (GARIOA) funds committed for the Ryukyu Islands during the Fiscal Year 1951 is shown in Appendix B.¹

¹Information about the financial structure of the economy of the Ryukyu Islands was obtained by direct interviews with the staff members of the Department of Finance, Headquarters, United States Civil Administration of the Ryukyus, who controlled Government And Relief In Occupied Areas (GARIOA) activities and banking activities. Supplemental information was received by interviews with the counterparts of the above mentioned personnel in the Government of the Ryukyu Islands and the Bank of the Ryukyus. March-June, 1952.

TABLE VII

GARIOA FUNDS FOR RYUKYUS
(\$1,000 times)

<u>Fiscal Year</u>	<u>Economic Aid</u>	<u>Construction</u>	<u>Admin. & Reorientation</u>	<u>Total</u>
* 47-48	46,496	---	1,973	48,469
49	27,000	944	4,218	32,162
50	32,383	16,045	**4,021	52,449
51	25,311	12,286	3,572	41,169
52	10,406	2,474	2,453	15,333
TOTAL	141,596	31,749	16,237	189,582

*Estimated (Included in a general budget from Japan, no individual records available)

**Includes \$141,000 for dependent schools

ANALYSIS OF DOLLAR REVENUE

An analysis of the dollar revenue by source for the eight (8) month period, July 1951 through February 1952, reveals the following:

a. Total from all sources \$21,000,000.

(1) Exports (commodities)	12%
(2) Remittances to Ryukyans	2%
(3) Labor (construction)	38%
(4) Labor and services (operational)	48%

With an indicated revenue of \$33,000,000 for the Fiscal Year 1952 and using rounded percentages and figures, the dollar revenue by source would be as follows:

a. Exports (commodities)	\$ 4,000,000
b. Remittance to Ryukyans	600,000
c. Labor (construction)	12,500,000
d. Labor and services (operational)	15,900,000

These percentages will vary somewhat due to the seasonal nature of the commodity exports and fluctuation in the construction program. The construction portion of the revenue has varied from 27% to 47% of the total. (This portion includes all yen sales to commercial concerns and \$50,000 per month of the appropriated fund payroll--based on information provided by the District and Post Engineers).

With the completion of the Okinawa Housing Corporation and power projects and the added services offered by indigenous enterprises, the operational revenue can be expected to increase.

The export of commodities, based on best available information, can likewise be expected to increase. The remittance to Ryukyans is likely to remain about the same. Any rental payments will represent a

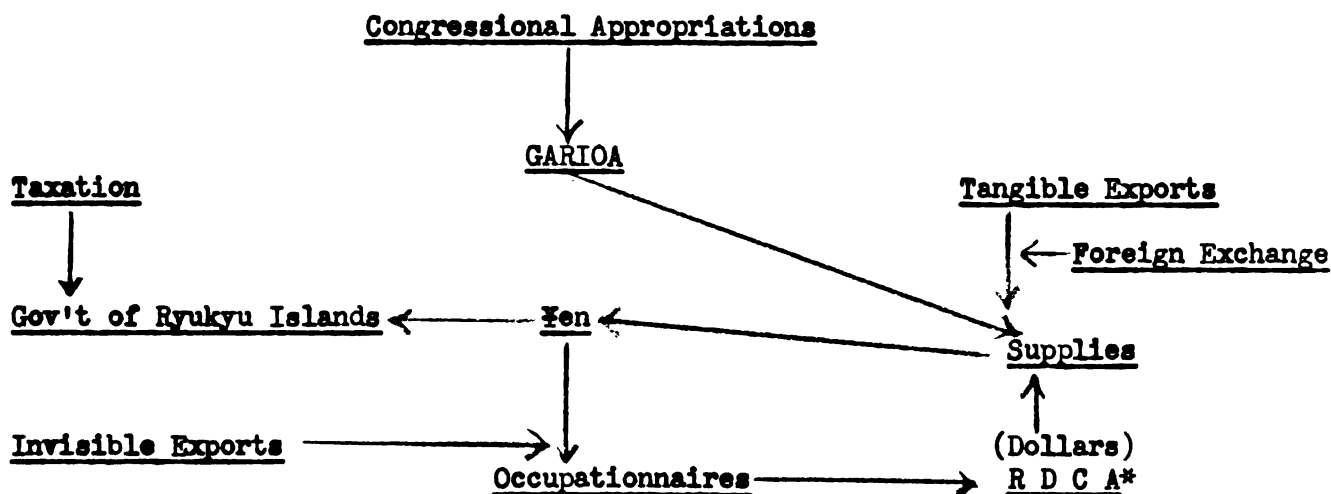
dollar increase.

From the above, it can be assumed that of the apparent Fiscal Year 1952 revenue of \$33,000,000, \$20,500,000 will be from sources other than labor for the construction program. Also about \$22,600,00 of the estimated Fiscal Year 1953 dollar revenue will be independent of the construction program.

Therefore, doubling the construction program in Fiscal Year 1953 would result in only 38% increase in the dollar revenue estimate and conversely, cutting the construction program in half would lower the estimate by only 19%.

It may be concluded that while the dollar revenue generated as a result of the construction program is a very significant factor in the ability of the Ryukyus to meet the dollar requirements for imports, its importance could easily be exaggerated. A change in the number of occupation personnel would have fully as important a bearing on the dollar revenue.

The Counterpart Fund:



*RDCA - Ryukyu Dollar Commercial Account

A Brief Explanation of GARIOA:

Following the end of hostilities on Okinawa, the local people were destitute. Military Government was set up under the Navy even before the termination of the battle. The goal of this Military Government operation was to prevent starvation, disease, and unrest. This program was carried on with the exclusive use of military supplies; items such as food and clothing, the immediate current needs. Then, following the fighting, came "operation roll-up." It is still going on, but was in full force from 1945-1950. These supplies included everything from automotive parts to clothing.

The year 1946 was the turning point. On 1 July 1947 Military Government was taken over by the Department of the Army, and was established with the first appropriation of GARIOA to support this mission. The original purpose of this congressional appropriation was to prevent starvation,

disease and unrest.

During the period 1945-1947 the earning capacity of the natives was almost nil. GARIOA funds were issued to bring in the necessary outside supplies for living, these supplies being issued through local "Mura" Special Trade Goods Stores. Gradually a charge was made for these goods, as the people gained ability to pay, at varying rates depending on the commodity. At this time the exchange rate was ¥50 to \$1.

By 1949 the original goals of Military Government were broadened to include the developing of industries in the islands and the raising of the Ryukyuan economy to a pre-war level. EROA, a portion of GARIOA, was set aside for Economic Rehabilitation of Occupied Area. EROA is used primarily to develop industry and to bring in industrial supplies for economic development. GARIOA spending is used for current needs of food and clothing.

At the time Military Government started, a number of army vehicles were issued to Ryukyuans. In 1950 Japanese vehicles were imported to the Ryukyus. Also in 1950, the first large order of incentive goods were imported including 5 million dollars of luxury items. Concurrently with this importation, the exchange ratio changed to ¥120 to \$1 and imposed the cost of goods at their full cost price with the exception of educational supplies, basic staple foods, fertilizers, medical supplies, etc. This was during the period of 1950. Due to the build-up of foreign exchange, GARIOA diminished.

Each project of GARIOA is handled as a separate item. This includes a detailed survey or investigation of each project regarding the needs, sometimes estimated by actual local population needs or farm acreage, before the final estimate is made. After the estimated financial aid is

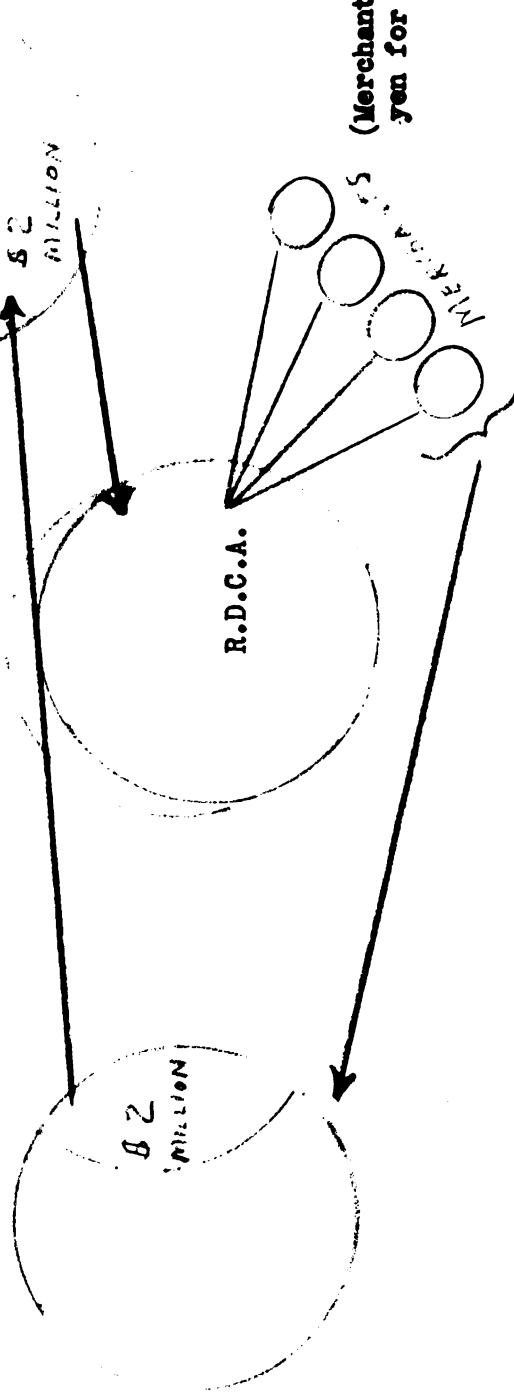
determined, the foreign exchange balance held by the natives in the Bank of the Ryukyus is subtracted and the difference, or deficiency, is the amount of GARIOA requested from the Congress of the United States.

In 1949 Washington sent General Nold on an inspection trip to Okinawa. As a result of this inspection it was decided to make Okinawa a permanent military base. Since some of this construction was to be used both by the natives and the American Occupation, the over-all construction program was called the Integrated Construction Program. Typical examples of what GARIOA is supporting are:

- a. All new road improvements.
- b. Government buildings.
- c. The port expansion and development.
- d. The refrigeration plants.
- e. The steam-electric generator plant.

The above mentioned construction is not to be confused with the local independent construction of homes, stores, etc.

Counterpart Fund Yen



(Merchants buy dollars with yen for purpose of imports)

1. Army spends dollars for yen to pay labor. The dollars go to RDCA (Ryukyu Dollar Commercial Accounts). The Yen goes to the Yen fund which is a part of the counterpart fund.
2. Merchants do not always buy dollars as fast as yen is spent. Thus, RDCA builds up a surplus, as indicated by the picture above. Over a long period this would probably balance out.
3. Rather than issue Yen, a portion of the counterpart fund is used for dollar accumulation. The emphasis is on stabilizing the value of Yen in the local economy. To produce or print more money would possibly result in a mild inflation.
4. About a 25 million dollar reserve is considered desirable.
5. The size of the counterpart fund is dependent to some degree on dollars for import.

Import restrictions are imposed on RDCA. USCAR restricts or controls imports in degree, but this authority is rapidly being turned over to the Government of the Ryukyu Islands. The Yen account is contained within the Counterpart Fund. The dollar account is RDCA (Ryukyus Dollar Commercial Account). RDCA gets funds from army expenditures for labor and services. RDCA is used by local merchants to buy foreign goods -- since Yen is not used for foreign purchases. Merchants will spend their Yen to purchase dollars which are in the form of a letter of credit.

GARIOA funds should not be misinterpreted to mean that actual dollars are brought into the Ryukyuan economy. It does mean that Congress appropriates dollars which are used to buy supplies and materials, which are in turn shipped to the Ryukyus. Generally, these imported GARIOA supplies and materials are sold for a cost basis, as much as possible, to the natives. The Counterpart Fund will attempt to get cost value. For example, maybe 10 million dollars of appropriated supplies are brought into the economy, but possibly only seven million dollars will finally end up in the counterpart fund.

A detailed analysis would also reveal that the RRFF and the GDFF are a part of the Counterpart Fund. RRFF (Ryukyu Reconstruction Finance Fund) is used mainly for long-term loans to industry. The minimum duration of a loan is usually about three years, the maximum being about 7 years. GDFF (GARIOA Distribution Finance Fund) is used for short-term loans such as a short-term loan to the Government of the Ryukyu Islands for rice. These loans are made only under conditions where a local firm cannot raise the necessary funds to purchase the rice (or whatever the commodity might be). RRFF can loan to the Bank of the Ryukyus in an emergency if the bank runs short of capital funds.

USCAR collects a set profit from all POL (petroleum, oil, and lubricants) sales in the Ryukyus. This profit from POL sales is in reality a tax revenue which goes into the Counterpart Fund.

A statement of the Ryukyu Dollar Commercial Account (RDCA) for the months April, 1951, through April, 1952, is shown in Appendix C.

TABLE VIII

STATISTICS - RRFF LOANS

Cumulative Amounts Reported

Thousands of Yen

<u>Date</u>	<u>Applications Received</u>	<u>Approved</u>	<u>Disapproved</u>	<u>Loans Pending</u>	<u>Loans in Abeance</u>
<u>1950</u>					
October	102,400	8,500	4,000	88,000	1,900
November	136,500	11,400	5,000	117,000	3,000
December	152,400	13,300	5,000	130,000	4,000
<u>1951</u>					
January	168,400	24,900	51,000	89,000	3,500
February	185,000	33,500	56,000	93,000	2,500
March	225,500	44,300	70,100	102,000	9,100
April	247,300	73,900	74,000	90,000	9,400
May	277,800	111,900	77,900	52,000	36,000
June	362,600	139,500	91,800	112,000	19,300
July	529,500	182,200	98,800	222,000	26,500
August	605,600	226,500	105,300	219,000	54,800
September	693,300	280,700	142,700	199,600	70,300
October	770,500	339,500	158,000	224,000	49,000
November	853,100	394,000	169,000	221,000	69,100
December	1,029,000	459,000	176,000	298,000	96,000
<u>1952</u> Thousands of Yen					
January	1,047,700	556,320	202,100	230,500	58,780
February	1,063,990	578,053	233,232	211,297	41,408
Total (3 Mos) 1950	152,400	13,300	5,000		
Total (1 Yr.) 1951	876,600	445,700	171,000		
Total (2 Mos) 1952	<u>34,990</u>	<u>119,053</u>	<u>57,232</u>		
	1,063,990	578,053	233,232		

TABLE IX

STATUS OF ACTIVE - RRF LOANS

As of February 29, 1952

Cumulative Amounts Reported

Thousands of Ken

<u>Date</u>	<u>Amount Actually Disbursed</u>	<u>Loans Matured</u>	<u>Loans Collected</u>	<u>Loans Outstanding</u>	<u>Interest Earned</u>	<u>Interest Collected</u>
<u>1950</u>						
October	6,800	-	8	6,792	12	12
November	8,700	29	29	8,671	22	22
December	10,900	75	75	10,825	55	55
<u>1951</u>						
January	19,000	91	91	18,909	67	67
February	22,400	192	192	22,208	133	133
March	30,500	339	339	30,161	267	261
April	46,450	476	474	45,976	350	341
May	68,200	1,061	704	67,496	370	440
June	93,400	1,153	1,055	92,345	651	623
July	122,700	1,917	1,800	120,900	1,106	1,037
August	167,052	2,862	2,700	164,352	1,528	1,425
September	229,700	8,600	6,800	222,900	2,029	1,837
October	272,400	11,600	7,900	264,500	2,618	2,312
November	316,000	12,000	10,000	306,000	3,000	3,000
December	375,000	20,000	16,000	359,000	5,000	4,000
<u>1952</u> Thousands of Ken						
January	424,300	34,700	31,900	392,400	6,000	5,500
February	481,863	42,018	39,006	442,857	7,340	6,800
Total (3Mos)	10,900	75	75	10,825	55	55
1951	364,100	19,925	15,925	348,175	4,945	3,945
1952	<u>106,863</u>	<u>22,018</u>	<u>23,006</u>	<u>83,857</u>	<u>2,340</u>	<u>2,800</u>
	481,863	42,018	39,006	442,857	7,340	6,800

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TABLE X

Cumulative Amounts Reported	<u>PURPOSES OF APPROVED LOANS</u>		
	As of February 29, 1952		
Thousands of Yen	<u>Approved Loans For:</u>	<u>Amount</u>	<u>Percentage of:</u>
	House Construction	253,120	.44
	House Repairing	197	-
	Agriculture and Fishery	186,758	.32
	Commercial and Industrial	95,836	.17
	Others - Special	<u>42,142</u>	<u>.07</u>
		578,053	100%

CHAPTER IX

SUMMARY--OBSERVATIONS AND RECOMMENDATIONS

Basic to the United States' economic plan for the Ryukyu Islands is the assumption that it will be accomplished within a framework of free competitive enterprise. This thesis has been concerned with some of the aspects of the historical development of free competitive enterprise in the Ryukyu Islands in the postwar period 1945-1952.

1. SUMMARY

The Ryukyu Islands extend southwest of Japan proper for about 800 miles and consists of some 150 islands or islets. The present population is approximately 917,400 as compared to 759,638 existing in 1940. Natural resources are limited.

Approximately 25% of the land area was cultivated prewar, the potential however, being considerable in excess of this figure. Generally, the soil is only moderately fertile. The waters surrounding the Ryukyus are excellent fishing grounds. In the prewar period, these areas were exploited principally by Japanese.

Mineral resources are poor and unquestionably are inadequate to support any substantial industrial development. Although a considerable number of minerals exist, only phosphate and coal are commercially exploitable. Unimportant quantities of copper, manganese, sulphur and iron also are found in the archipelago. The only other significant mineral resources extant are the plentiful supplies of ceramic clays and building stone.

The prewar economy was predominately of a subsistence agriculture nature. Approximately 75 per cent of the population was engaged in agriculture, 15 per cent in manufacturing, 2 per cent in fisheries, and the remainder in miscellaneous occupations. Moreover, of the 15 per cent in manufacturing, less than 1 per cent was employed in factories of five or more employees, the remainder working in cottage-type industries. Forestry activities were and still are a source of part-time employment for a large proportion of farm families, particularly in the outlying islands and northern Okinawa.

The crop of greatest value produced prewar was sweet potatoes, although it was exceeded in tonnage by sugar cane. Practically no sweet potatoes were grown for sale, however, sugar cane being by far the most important cash crop. Smaller quantities of rice and soy beans were grown, with a number of other crops in relatively small quantities making up the balance of agricultural production. The Ryukyus have been a food deficit area in modern times and from 20 to 25 per cent of the food was imported. Individual farms were very small. In 1939, the average agricultural household worked only 1.6 acres of cultivated land in Okinawa Prefecture.

At the termination of hostilities in 1945 virtually all commercial and industrial establishments of any significance in the Ryukyu Islands had been destroyed. In addition to the loss of physical facilities a substantial portion of the skilled labor and management which operated these facilities disappeared. The more significant industrial establishments were managed by Japanese who were repatriated subsequent to hostilities.

Industrial production in the Ryukyus has always been predominately of the family-shop or cottage type. While in some instances these establishments represent the only feasible method of production and provide an effective utilization of resources, they are often inefficient as to quality,

productivity, and costs.

The physical plant of such industrial capacity as had existed was completely wiped out in the war. Even the household type of production was disrupted by the devastation of homes and equipment, the separation of families, and the elementary pressures for subsistence. With the help of Government And Relief In Occupied Areas (GARIOA) funds and utilization of Army surplus and salvage materials, however, a direction of energies toward the revival of native arts and crafts became possible.

Any sweeping program of industrialization does not, however, appear practicable in the immediate future. Because of the lack of private capital and technological know-how, industrial reconstruction even to the exceedingly modest prewar levels can only be slow and difficult to achieve.

Ice making is now approximately three times prewar activity. A large modern ice plant at the port of Naha was completed in March 1952. Since the export intention of this plant is in the type of fish needed in the United States, there is opportunity for direct dollar export.

A 750 ton sugar refining plant near Naha in southern Okinawa was recently completed. It is estimated that by 1955 the Ryukyuan sugar industry will have attained 60 per cent of its prewar position.

In addition, within a relatively short period of time it is expected that new plants for the following types of operations will be completed: soap manufacturing, textile finishing and straw weaving, rattan and wood-working, saw mill and dry kiln, pharmaceutical manufacturing, pearl and sponge culture, and food processing.

The sale of labor to the Army and Air Forces and to private contractors filling construction contracts for the U. S. Government is by far the

Ryukyus' largest "export." In addition to the dollars earned in this way, benefits will redound to the native economy in the form of increased technological knowledge and the building up of a pool of trained workers. These secondary benefits, if properly developed, may prove to be more valuable to the future of the nation than the immediate dollar earnings. Occupation-generated employment (i.e., in military establishments and construction projects, domestic workers in clubs, billets, and private homes, employees of foreign traders, etc.) was estimated at 72,000 in 1952.

Since the year 1947 millions of U. S. dollars have been appropriated for economic assistance. This money has been used to procure food, lumber, cement, petroleum products, fertilizers, etc. A counterpart fund was established in April 1951 for the deposit of funds obtained from the sale of GARIOA supplies and dollars obtained through yen sales to the Occupation forces for labor, goods, and services. This fund is used to finance grants-in-aid to the various Gunto Governments and to the Government of the Ryukyu Islands, as well as for industrial and individual loans.

Other financing facilities established in the postwar period include: The Bank of the Ryukyus, located at Naha and comprising 14 branch banks throughout the islands; the Ryukyus Reconstruction Finance Fund, for long-term loans; a postal savings system; fire insurance and workmen's compensation.

In the interests of maintaining the Islands' financial structure on a sound basis, procurement has been placed on a cash basis and all credit facilities have been concentrated in the Bank of the Ryukyus and are administered on customary commercial terms. Even though adequate foreign exchange is available, Ryukyuan private enterprise is finding it difficult to meet credit requirements for the establishment of enterprises which

represent considerable capital investment and from which profits are slow to be realized. Instead, Ryukyans with accumulated capital have quite understandably invested in commercial companies trading in imported consumer goods at a quick and profitable turnover. The great bulk of imports consist of processed foods and light consumer goods, rather than raw materials and equipment for productive enterprise. The potential economic dislocation inherent in this situation is obvious. However, at this stage in the introduction of the principles of free enterprise, it has not been considered desirable to adopt such direct remedial courses as imposition of comprehensive import controls or government subsidization of industry. Another impediment to the development of local private enterprise production, not only in industry but in the fields of agriculture and fisheries as well, is the demand for labor and services by the military establishment. Employment on military projects appears to be a more attractive means of earning a livelihood than submarginal farming, fishing, or other productive activities.

The present foreign trade position, supported almost entirely by the artificial "export" of labor and services, must be regarded as precarious. While achievement of a balanced trade is not a practical goal for an economy of scarcity like that existing in the Ryukyus, it is desirable to undertake a program that will lead toward a narrowing of the gap between imports and exports, and away from dependence upon employment by the military forces in order to accomplish this. Continuous effort must be exerted to increase the volume of commodity exports and reduce imports, particularly imports of those consumer goods which can be produced in the Ryukyus.

The leading export commodity is black sugar, which in 1951 accounted for nearly 60 per cent of total exports. Items presently exported generally follow the prewar pattern, except that production and markets for two prewar specialties, adamba hats and tsumugi silk, have been slow to revive.

Trade agreements have been concluded with Japan and Formosa. Practically all exports have gone to Japan, but there has recently been unusual interest in trade with Formosa.

Under the liberal policy established by the Ryukyus Command of encouraging competition and affording equal opportunities and treatment to commercial entrants, approximately 30 foreign firms have been licensed to supply services on a commercial basis. These are distinct from concessionnaires of the Army Exchange Service. Facilities rendered include banking, insurance, automotive and electrical repair, air and sea transport, and communications.

In addition, U.S.C.A.R. has granted import-export licenses to commercial entrants to trade. All but two of these ship at their own risk and credit, and store their goods in Ryukyuan warehouses for future sale to Ryukyuan importers who have valid import licenses granted by the Board of Trade. Commodities include textiles, clothing, beer, processed food, textile machinery; most of these imports originate in Japan. Exports by these firms have been negligible, but it is anticipated that the volume will increase upon the rehabilitation of industries, completion of the modern sugar mill, etc. Foreign investment interest in mineral deposits of manganese, sulphur, copper, phosphate, gold, and ilmenite have recently shown an increased activity. However, no foreign investment will be permitted until it has been shown that native skills or capital are not sufficient to create an equivalent industry. Controls for the remission of profits earned in foreign exchange have been kept at a minimum.

2. OBSERVATIONS AND RECOMMENDATIONS

The nature of the economy is undergoing an inevitable change from a simple subsistence agrarian economy to one in which wage earners constitute a highly significant element. This has several implications: a large class of Ryukyuans is learning a wide variety of skills; wide contact with Americans is producing notable cultural changes; the tastes of the wage-earner will vary from that of the simple farmer in that a greater variety of manufactured goods will be demanded; finally, the economy of the Ryukyus has become dependent upon the continued existence of the military establishment for a very considerable portion of its income.

It has been generally felt that the Ryukyuans have not to date taken advantage of the business opportunities which are practicable of development and which will be absolutely essential to meet domestic requirements in the future, when the present artificial sources of direct aid and foreign exchange have been reduced. Rather, they have tended to restrict their investments and talents to activities which, though yielding quick returns, do not materially contribute to the national product. Investment in such profitable activities as trading and entertainment is understandable; yet some means must be found for providing assistance and the incentive that will encourage entrepreneurs to increase production in present industries and to seek promising fields of expansion. Investments in industries that will produce for domestic consumption and possible export is a necessary step in the achievement of a sound economy. At this stage in the introduction of the principles of free enterprise, Civil Administration has not generally considered it desirable to take direct remedial measures to relieve this situation, such as placing restrictions on private commercial imports, or governmental subsidization of selected industries.

It is the aim of the Civil Administration to give concrete technical and managerial advice and assistance, while being watchful to eliminate influences which may tend to produce a situation of undue dependency. From this point forward, the widest latitude will be given the Ryukyuan population in managing their own affairs. This should be increasingly feasible as the people gain confidence in technological and managerial know-how.

As a result of business and economic questions raised by Ryukyuans during a series of conferences conducted throughout the islands by the University of the Ryukyus in 1951-1952, it has become increasingly evident that there is a need to get the basic business information out to the people. So often the Ryukyuans are familiar with words such as "free enterprise," "letter of international credit," "competition," "credit sales," and so on; but they generally need just a little more information to realize the full significance of the definitions.

The main so-called interest-group in the islands is generally the family group which sometimes extends to the village level. Usually one family or one village will not be particularly interested in what some other group is doing in the Ryukyus. An efficient transportation and communication system connecting the islands would help considerably in developing this appreciation of what is going on throughout the Ryukyu Islands. Mention has been made of this problem of lack of interest and participation on the part of most Ryukyuan families and villages in their national affairs, because it has a direct affect on business and economic conditions. The Ryukyuans have been criticized for not taking full advantage of business opportunities which are practicable of development and which will be absolutely essential to meet domestic requirements in the future.

It must be remembered that these people are not familiar with the potential of the Ryukyus. These people need information describing what the economic potential is throughout the Ryukyus and how a division of labor and an exchange of products between the islands are essential to a higher standard of living. This information might serve to stimulate people to develop a broader economic perspective, as well as stimulate imagination and action on the local level.

Invisible exports, most of which consist of the export of labor to the Military, are the source of about 80 per cent of the total dollar earnings. It is this fact which will make possible the achievement of the substantial degree of Ryukyuan self-support contemplated. However, labor requirements of the armed forces in the future are very uncertain. It is essential, therefore, to develop productive skills, crafts, abilities, and services which will uphold the economy when the artificial occupation supports have been withdrawn.

To consider an immediate benefit to our government, the training of Ryukyuans to assume positions in the military establishment would allow for the replacement of military personnel, Department of the Army civilians (DAC's), and Philippine labor. This replacement by Ryukyuan personnel would represent a significant dollar-saving in comparatively high wages presently paid to "imported" employees.

Major General Robert S. Beightler, Commanding General of the Ryukyus Command and Deputy Governor of the Ryukyu Islands, made the following statements during a speech delivered at the inauguration of the Ryukyuan legislature on 1 April 1952 at the University of the Ryukyus, Okinawa.

"Over the past six years I consider that advancements have been made in all fields of our relationships. In some fields rapid and lengthy forward strides have been made, while in others,

progress has not come up to the expectations.

Perhaps the problem which should be considered most seriously at this time is the economic one... The goal of the new Government should be toward a self-sufficient economy. More exports must be developed. Local manufacture and production must be increased for both export and to reduce imports. Complete economic dependency must not be placed on one or two commodities such as at present in the case of sugar. It is both unsound and unstable.

Development in other fields should be your objective. Although your islands are not blessed with any considerable amount of valuable resources the maximum development of this limited potential should be made."

The future course of the Ryukyuan economy will be determined largely by the type of management, both industrial and governmental, which develops within the next few years. Parallel maturity of these two groups, as well as their complete cooperation are essential. Past efforts of Civil Administration have been absorbed almost completely in providing basic production facilities. Attention must henceforth be directed to the training and development of management skills.

APPENDIX A

OKINAWA: U. S. GIBRALTAR OF THE PACIFIC

By Major General Robert S. Beightler

OKINAWA: U. S. GIBRALTAR OF THE PACIFIC

By Major General Robert S. Beightler

A typhoon-lashed island formed of jagged coral crags and weathered limestone escarpments, Okinawa currently is being built into a key American defense base in the Far East.

Captured from the Japanese in World War II, Okinawa's strategic location was emphasized when trouble started brewing in the Orient following the Communist seizure of China. Recognizing the island's importance to the defense of the free world, the U. S., late in 1949, began a multi-million dollar construction and rehabilitation program designed to build the island into one of the most powerful advance bases in the Pacific. This program, which now has lasted over two years, is more than half completed.

Okinawa primarily is a bomber base. The Army's mission, in addition to providing logistical support for the Air Force, is to defend the island, to help stabilize the Ryukyuan economy and to guide the people toward democratic self-government.

From Okinawa, U. S. bombers can dominate every potential target area on the East Asian land mass. Island based B-29's, present "work-horse" medium bomber of the U. S. Air Force, are within striking distance of all Southeast Asia, the whole of modern China, the Lake Baikal industrial region, Eastern Siberia and the southern tip of the Kamchatka peninsula. Airfields on the island now can handle the U. S. Air Force's largest strategic long-range bombers as well as the latest jet fighters and bombers.

The build-up of Okinawa has been given a high priority in military plans and spending in the Far East. Already more than 250 million dollars has been expended to make the island outpost one of the strongest ones outside the continental United States. Another 100 million has been appropriated to see the job through.

To understand the reasons behind the tremendous building program, all that is necessary is a quick glimpse at the map. Okinawa, largest island of the Ryukyu chain, which stretches in a 790-mile arc from the southern coast of Japan to the seas off Formosa, lies midway between Japan and the Philippines. It is 350 miles east of Taipeh and less than 400 miles from Shanghai and the shores of Red China. As a strategic U. S. advance base in the Far East, Okinawa acts as a powerful deterrent to further communist expansion in the Orient which might threaten the security of Southeast Asia, the Philippines or Japan. Both of the latter countries now are linked with us in mutual security pacts.

Prior to April 1, 1945, when American combat troops landed on the island's reef-protected beaches under cover of an intense air and naval bombardment, few people had ever heard of Okinawa. Even if they had they probably weren't impressed. It was just another lonely, subtropical island defended by more than 100,000 Japanese soldiers. Nevertheless, it had to be wrested from the enemy's grasp if we were to launch a successful invasion attempt against the Japanese mainland defenses on Kyushu, lying only 450 miles to the north.

Americans paid heavily for Okinawa. During the 91-day campaign, which ended officially on the 30th of June, the island rocked under tons of exploding artillery, land mines, mortar rounds, rockets, demolition charges, 16-inch naval shells and 1,000-pound delayed action bombs.

Casualties on both sides were tremendous. The Japanese alone lost more than 110,000 troops killed while combat losses of the six American divisions and their supporting air and naval units including dead and wounded were nearly 50,000.

Those who fought this last and bloodiest battle of World War II's Pacific campaigns would have difficulty recognizing the island today. Just a few years ago Okinawa still was a barren island littered with the rubble of war and the wreckage of typhoons which sweep over this sweltering, rain-drenched outpost several times each year. Men stationed on the island referred to it as "The Rock" and considered their assignment, though important, as highly undesirable.

A little more than two years ago officers and men still were living in tents and families were quartered in small, often inadequate, quonsets. Recreational facilities were extremely limited. Okinawan villages were off limits and fraternization with the natives was strictly prohibited. With poor living conditions, hot humid weather, damp rot and frequent typhoons, life on Okinawa, at best, was a lonesome dreary existence.

Okinawa was piled high with abandoned military equipment. Millions of dollars worth of tanks, guns, vehicles and other war materials massed for the intended invasion of Japan lay unprotected and unguarded in high "dumps," exposed to rust, wind damage and looting.

In the space of two short years all this has been changed. The southern half of the island today is one vast construction project. It is significant to note that while this huge building program has been in progress, Okinawa has been on a fulltime operation basis. Since June 25, 1950, when the Communists invaded South Korea, it has been one of the main B-29 bases in support of the United Nations forces on the Korean battlefield.

Japanese, Okinawan and American construction firms, working around the clock on contracts let and supervised by U. S. Army engineers of the Okinawa Engineer District, still have a long way to go to complete the building program. Night and day, above the roar of bomb-laden B-29's and the whoosh of sleek jet fighters, the sounds of bulldozers, concrete mixers, earth movers, dump trucks and construction crews can be heard over the island.

Many concrete two and three-story typhoon-proof barracks are in the process of construction and several already are occupied by military personnel. All these are large permanent buildings complete with spacious dining rooms and modern recreation lounges. Concrete, typhoon-resistant homes for families of enlisted personnel, officers and civilian employees of the Army and Air Force are being constructed. Many already are occupied and more will soon be available for occupancy. Where only a few years ago war-scarred fields and rice paddies lay fallow and untended, compact military "cities" now are rising.

The huge stockpiles of military equipment that were left on Okinawa or shipped here from Korea, the Philippines and the Marianas-Bonins, have been sorted and inventoried. Much of this equipment now is stored in large new warehouses although some materials remain outside, carefully stacked and protected by tarpaulins, in fence-enclosed guarded storage areas. Records show the exact location and quantities of hundreds of thousands of separate items. Okinawa's "Operation Roll-Up," one of the largest programs for the rehabilitation of World War II military equipment ever undertaken by the Army, has been a great success. Tons and tons of military equipment has been salvaged, repaired or rebuilt and shipped to Korea for the use of American combat forces, representing a saving of millions of dollars to taxpayers of the United States.

The build-up of Okinawa, when completed, will result in one of the biggest U. S. air bases anywhere in the world. The island, in short, is destined to become one of the strongest defense bastions of the United Nations in the unsettled and troubled Orient.

Militarily, Okinawa's value lies in its triple capacity to support air, naval and ground operations against any would-be aggressor in the Far East. As an offensive bomber base or as a potential staging area for amphibious or airborne operations, Okinawa is indeed a valuable asset.

From the standpoint of strategic bombardment, for example, Okinawa-based medium bombers have a far greater flexibility in the selection of possible target areas than do those located in Japan or in the Philippines. Japan-based medium bombers may reach farther into Siberia but are denied targets in Southeast Asia. Philippine-based medium bombers have closer range to Southeast Asia but are denied all targets in Siberia. Okinawa-based medium bombers, however, can reach all important target areas in an arc stretching northward from Singapore to the Kuriles.

Considered as a potential staging area for amphibious or airborne operations in the Orient, Okinawa likewise is ideally located. Protected on its southern flank by the democratic government of the Philippines and on the north by a new, free Japan, the island has been forged into a defensive union of strength whose mutual support facilities provide additional protection for the free nations in the Pacific area. With the improvements that have been made in port facilities, road nets, utilities, communications, storage areas and airfields--and there are numerous Japanese-built airstrips on the island which, though not in use, still are in good condition--the number of troops which could be staged through Okinawa far surpasses the total stationed here during World War II.

The biggest industry on Okinawa today is the U. S. military establishment. Nearly 75,000 Okinawa natives are working for Army and Air Force activities, including construction, their wages representing the most important contribution to the Ryukyuan economy. But not to be overshadowed by the vast military construction program now in progress on Okinawa are the improvements being made by the U. S. on behalf of the Ryukyuan people.

In 1945 during the invasion of the island, the natives suffered heavily. Caught between the defending Japanese and advancing Americans, thousands of their number were cut to pieces in the furious fighting. In the pre-invasion bombardments and in the course of the battle itself their prized and ancient landmarks, their homes and villages, their small industries and their lands were completely devastated. Thousands of families were separated; a large segment of the island's population was wounded and without food or shelter; and many aged men and women together with young children, who were orphaned during the assault, wandered dazedly through the debris-littered streets of their burned and flattened villages searching for loved ones, salvagable items and food.

The fighting resulted in complete disruption of native life. No central government and virtually no local government remained, since nearly all Japanese civilian officials had fled before the withering fire of advancing U. S. combat forces. The ravages of war made it impossible to immediately set up any sort of workable governmental machinery.

Okinawa's economy likewise was completely shattered. Farmlands which once provided natives their only means of livelihood were ruined and crops lay wasted and decaying. Records of property ownership were completely destroyed during the bombing of Naha, the capital city, and other major towns and villages on the island. Fishing craft and trade schooners

were blasted or sunk. There was no business activity of any kind, and few buildings were left standing. The littered wreckage which remained in war's wake was strewn all over the southern part of the island.

In the years intervening since the Japanese surrender many important and far-reaching changes have been wrought on Okinawa.

Cities and villages have been rebuilt. Many concrete, typhoon-resistant buildings have been erected. New schools have risen. Roads have been constructed and native industry has been revived. Agriculture has been improved, public health measures have been adopted and the island's economy has been expanded and stabilized. Under a democratic and responsible self-government, the people today are enjoying a standard of living roughly equal to pre-war levels.

The U. S. Civil Administration of the Ryukyu Islands (USCAR), which replaced Military Government in December 1950, has been diligently working to restore the Ryukyuans to self-sufficiency. The mission: to promote democratic government; to rehabilitate the Ryukyuan economy through maximum use of their own resources; to effect the consolidation of the Ryukyu Islands into a unified political, social and cultural entity; and to demonstrate and teach the population the value of freedom, cooperation and unity in accordance with democratic ideals and principles. The Commander-in-Chief, Far East Command, is Governor of the Ryukyu Islands and the Commanding General of the Ryukyus Command is Deputy Governor.

During the past five years, U. S. Civil Administration has made notable progress in the establishment of a sound political structure in the Ryukyu Islands. The responsibility for certain governmental functions was passed on to the four Guntos (four main island groups)—Amami Oshima, Okinawa, Miyako, and Yaeyama—as soon as the people were ready to accept these new responsibilities. In September 1950, for the first time in

their history, the people went to the polls to elect Gunto governors and assemblymen of their own choice.

The establishment of a Provisional Central Government, patterned after the American system of democratic society, was a major step taken by USCAR in April 1951 toward cementing the four Guntos together. But, on March 2, 1952, the people again went to the polls to elect candidates of their own choice to a Ryukyuan-wide legislature. This legislature officially went into office April 1st, the long-anticipated date when the Government of the Ryukyu Islands became a reality. Later this year, probably in October, a new Governor of the Ryukyus will be elected. In the interests of economy and efficient operation, the four Gunto governments are gradually being phased out of existence and will have disappeared entirely by July 1, 1952.

The economic side of the picture is improving, although the economy will always be a deficit one because of a lack of worthwhile resources and only limited exportable products.

As rapidly as permanent and consolidated military installations are completed, land no longer needed by U. S. armed forces is being returned to its proper owners. Small local industries have developed in surprising numbers and have found markets for their goods in Japan, Formosa, and the United States as well as within the Ryukyu Islands themselves. Although crop production of sugar, rice and sweet potatoes--the island's main farm products--still lags behind pre-war levels, better use of fertilizers has increased farm yields substantially. Many improvements in the Ryukyuan economy are traceable directly to recommendations made by military and civilian economic experts working under USCAR or in cooperation with local Ryukyuan government officials.

Despite the fact that America paid heavily for Okinawa and currently is spending millions of dollars to build the island into a formidable weapon against aggression, the investment has proven to be a sound one.

When the Korean war began, Okinawa's value was brought sharply into focus. While the U. S. scrambled to get supplies and military equipment to the United Nations combat forces in Korea, Okinawa, only 850 miles from the battlefield, stood poised with ready-made airfields and with a gigantic roll-up stock of war materials originally earmarked for the invasion of Japan. American combat troops stationed on the island sailed for Pusan to help bolster the crumbling defenses of the Republic of Korea less than a month following the outbreak of hostilities.

Regardless of what may be decided about the future political status of Okinawa, it would appear that permanent U. S. bases here are certain. Whether U. S. claims to base rights will be protected through United Nations trusteeship or by a special defense agreement, whether bases will be bought outright or leased from the Ryukyuan Government, or whether the island will be returned to the Japanese and U. S. bases retained under treaty rights, remains as yet undetermined. By 1953 Okinawa will have been built into a key American base in the Pacific--and at a total cost of less than 400 million dollars.

U. S. military and civilian personnel stationed on Okinawa believe that they are making a real and tangible contribution to the free world's struggle for lasting peace. Their duties here, practically at the fringe of Communism's greatest territorial spearhead, are as important to America's security as any in the Far East.

No longer an unmarked dot on the broad surface of the Pacific, no longer an unwanted scrap heap acquired as a stepping-stone to Japan, Okinawa already

has proven its worth as an important deterrent to further Communist aggression in this part of the world.

A relatively small island, just 67 miles long and 3 to 10 miles in width, Okinawa not only has been an active proving ground for democracy, it is rapidly becoming America's key defense outpost in the Orient--a modern "Gibraltar of the Pacific."

APPENDIX B

GOVERNMENT AND RELIEF IN OCCUPIED AREAS

(GARIOA Expenditures)

GOVERNMENT & RELIEF IN OCCUPIED AREAS
RYUKYU ISLANDS

GARIOA Expenditures -- Fiscal Year 1951

The following is a statement of GARIOA Funds committed for the Ryukyu Islands during Fiscal Year 1951. The figures are based on the records of Finance Department, U.S.C.A.R., as of 17 April 1952. Minor changes will be realized as certain contractual instruments may be defaulted; and actual expenditures will not in all cases coincide with amounts obligated. Figures shown as committed in Japan and Okinawa are based upon actual contracts, purchase orders, and standard forms 1080 (transfer of funds between governmental appropriations), whereas those for ZI (Zone of the Interior -- The United States of America) are based upon logistic memoranda and recapitulations from DA (Department of the Army). An absolutely accurate and final statement cannot be made for some time since expenditures will probably not be completed before the expiration date of Fiscal Year 1951 funds (30 June 1953). However, for most purposes, this statement may be considered final.

(Where Purchased)

<u>Commodity or Service</u>	Japan (C&F Ryu)	Okinawa	ZI (FOB - ZI)	<u>Total</u>
<u>Project 116 - Food, Grain and Kindred Products</u>				
Rice	*9,177,841.09			9,177,841.09
Flour	327,500.00		294,000.00	621,500.00
Lard			533,421.00	533,421.00
Wheat			1,631,380.00	1,631,380.00
Soybeans			1,917,607.00	1,917,607.00
 TOTAL	 9,505,341.09		 **4,376,408.00	 13,881,749.09

* Committed in Japan, but source of item Burma, Thailand, and Formosa

** Plus \$565,228 transportation - Project 426

<u>Commodity or Service</u>	<u>Japan (C & F Ryuk)</u>	<u>Okidnawa</u>	<u>ZI (FOB - ZI)</u>	<u>Total</u>
<u>Project 126 -- Fertilizer and Seed Material</u>				
Fertilizer	283,400.00			283,400.00
Irish Potato Seed	109,982.78			109,982.78
Misc. Vegetable Seeds	809.30			809.30
TOTAL	394,192.08			394,192.08
<u>Project 136 -- Petroleum, Oil, Lubricants</u>				
TOTAL			*1,334,742.00	1,334,742.00
*Port Credit				
*Plus \$226,000 transportation -- Project 426				
<u>Project 146 -- Raw and Semi-Finished Materials</u>				
<u>Building Materials:</u>				
Nails	146,773.09			146,773.09
Glass	140,215.89			140,215.89
Lumber	2,110,493.14		505,494.00	2,615,987.14
Plywood	100,414.92			100,414.92
Paint	56,071.00			56,071.00
Cement	884,423.30			884,423.30
Structural Steel & Wire	481,871.46			481,871.46
Wallboard (fiber)	60,989.84			60,989.84
Pipe and Plumbing Supplies	2,930.75			2,930.75
Electrical Fixtures	162.27			162.27
TOTAL Building Materials	3,984,345.66		505,494.00	4,489,839.66

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<u>Commodity or Service</u>	<u>Japan</u> (C & F Ryuk)	<u>Oklnawa</u>	<u>ZI</u> (FOB - ZI)	<u>Total</u>
<u>Project 146 -- Raw and Semi-Finished Materials (Cont'd)</u>				
<u>Industrial Materials:</u>				
Tatami Supplies	7,478.40			7,478.40
Textile Supplies	217,447.95			217,447.95
Industrial Chemicals	529.90			529.90
TOTAL Industrial Materials	225,456.25			225,456.25
Fisheries Supplies	135.00	4,674.49		4,809.49
Insecticides	49,000.00			49,000.00
TOTAL	4,258,936.91	4,674.49	*505,494.00	4,769,105.40
* Plus \$226,000 transportation -- project 426				
<u>Project 176 -- Machinery, Repair and Replacement Parts</u>				
Industrial Machinery (Misc.)	24,805.73			24,805.73
Sugar Mill		*350,285.00		350,285.00
Engine Parts			**490.00	490.00
Spare Parts and Engineer Items			***100,000.00	100,000.00
Construction, Oklnawa, Staff Engr.		110,143.00		110,143.00
Construction, Outer-Is., Staff Engr.		65,299.80		65,299.80
Construction, Integrated, OKED		12,285,895.00		12,285,895.00
TOTAL	24,805.73	12,811,622.80	100,490.00	12,936,918.53
* Committed in Oklnawa but procured from Hawaii				
** Plus \$120 transportation, Project 426				
*** Port Credit				

<u>Commodity or Service</u>	<u>Japan (C & F Ryuk)</u>	<u>Okinawa</u>	<u>ZI (FOB - ZI)</u>	<u>Total</u>
<u>Project 186 --- Miscellaneous Supplies, Services and Equipment</u>				
<u>Communications:</u>				
Electrical	569,012.20	116.00		569,128.20
Postal	3,617.30			3,617.30
TOTAL Communications	572,629.50	116.00		572,745.50
<u>Water Transportations:</u>				
Harbor Tugs	117,000.00			117,000.00
Ship Repairs & Harbor Improvements	116,242.55	1,317.13		117,559.68
Hirara City Pier	199,005.70			199,005.70
TOTAL Water Transportation	432,248.25	1,317.13		433,565.38
<u>Public Works:</u>				
General Pub Works Supplies	1,975.58	8,193.21	80.00	10,248.79
Land Development	15,314.90			15,314.90
Hirara City Electric Power	59,329.99			59,329.99
Hirara City Water Works	125,655.57			125,655.57
Ishigaki City Water Works	347,507.03			347,507.03
TOTAL Public Works	549,783.07	8,193.21	80.00	558,056.28
<u>Public Safety:</u>				
Police	4,630.50			4,630.50
Fire	472.62			472.62
TOTAL Public Safety	5,103.12			5,103.12
Medical Supplies	31,262.79	4,300.00		36,189.41
Veterinary Supplies	18,291.00			18,291.00
Agricultural Supplies	12,819.31			12,819.31
Fishery Supplies	1,341.22			1,341.22
Forestry Supplies		1,480.42		1,480.42

<u>Commodity or Service</u>	<u>Japan</u> (C & F Ryuk)	<u>Okinawa</u>	<u>ZI</u> (FOB - ZI)	<u>Total</u>
<u>Project 186 -- Miscellaneous Supplies, Services and Equipment (Con'd)</u>				
Misc. Industrial Supplies	17,311.70			17,311.70
Newsprinting Supplies	127,392.94			127,392.94
Consumer Goods	1,440.00			1,440.00
Furniture (OHC)	371,891.78	36,840.72		408,732.50
Misc. Small Purchases	716.00	587.00	5,340.00	6,643.00
TOTAL	2,142,230.68	49,161.10	*9,720.00	2,201,111.78

* Plus \$110.00 Transportation, Project 426

Project 196 -- Motor Vehicles and Parts

Trucks	290,622.17			290,622.17
Truck Parts	37,025.76			37,025.76
Busses	265,777.86			265,777.86
Bus Parts	459.60			459.60
Trimobiles	23,079.20			23,079.20
Trimobile Parts	26,159.69			26,159.69
Tires & Tubes	48,759.36			48,759.36
License Plates	936.20			936.20
TOTAL	692,819.84			692,819.84

Project 426 -- Transportation of Commodities

Shipment GARIOA Goods from ZI

Project 116	565,228.00	565,228.00
" 136	226,000.00	226,000.00
" 146	226,000.00	226,000.00
" 176	120.00	120.00
" 186	110.00	110.00

<u>Commodity or Service</u>	<u>Japan (C & F Ryuk)</u>	<u>Okinawa</u>	<u>ZI (FOB - ZI)</u>	<u>Total</u>
<u>Project 426 -- Transportation of Commodities (Cont'd)</u>				
Project 166			1,592.00	1,592.00
" 436			2,340.00	2,340.00
SUB TOTAL			1,021,390.00	1,021,390.00
<u>Shipment Excess and Donated Goods from ZI:</u>				
Reorientation and Reeducation Items			20,067.00	20,067.00
Other			101,711.00	101,711.00
SUB TOTAL (Non-Cumulative)			121,778.00	121,778.00
<u>Port Terminal and Misc. Shipping Charges at Okinawa and Japan</u>				
	1,818.71	240,988.38		242,807.09
TOTAL	1,818.71	240,988.38	1,143,168.00	1,385,975.81
TOTAL - ECONOMIC AID	17,020,145.04	13,106,446.77	7,470,022.00	37,596,613.81
<u>Project 166 -- Reorientation and Reeducation</u>				
Radio Station Equipment	37,043.29	24,680.00		61,723.29
Printing Supplies	93,657.70			93,657.70
Manual Training Supplies	327.23		2,837.00	3,164.23
Audio-Visual Supplies	1,869.92	348.68	16,239.00	18,457.60
Magazine and Publications	12,118.50		548.00	12,666.50
Textbooks	184,932.69		45,266.00	230,198.69
Musical Instruments			4,791.00	4,791.00
Photographic Supplies			945.00	945.00
Buildings and Facilities (School)		5,500.00	3,945.00	9,445.00
Personnel Salaries (Native)		30,010.92		30,010.92
Misc. Educational Supplies			258,613.17	258,613.17
TOTAL	329,949.33	60,539.60	*333,184.17	723,673.10

* Plus \$1,592 Transportation, Project 426

<u>Commodity or Service</u>	<u>Japan (C & F Ryuk)</u>	<u>Okinawa</u>	<u>ZI (FOB - ZI)</u>	<u>Total</u>
<u>Project 415 -- Travel of Employees</u>				
TOTAL	*	3,801.72	48,398.28	52,200.00
* Absorbed within Okinawa figure				
<u>Project 416 -- Pay of Employees</u>				
TOTAL	106,000.00	1,992,741.38	158,943.62	2,257,685.00
<u>Project 436 -- Incidental Operating Expenses</u>				
Repairs & Utilities		132,900.98		132,900.98
Communications (Tel & Radio)		55,963.01		55,963.01
Postage Stamps		227.60		227.60
Maintenance of Vehicles		23,000.00		23,000.00
POL		20,000.00		20,000.00
Port Movement Control		1,000.00		1,000.00
Official Entertainment		1,528.46		1,528.46
File Cabinets	621.00			621.00
Statistical Bulletins	806.00			806.00
Census Forms	1,596.00			1,596.00
Jap-English Dictionaries	34.80			34.80
Drafting Supplies	66.23			66.23
Checks for Funding Officer	63.33			63.33
Station Wagons			14,400.00	14,400.00
Customs Periodicals			55.00	55.00
Miscellaneous		3,363.80		3,363.80
TOTAL	3,187.36	237,983.85	**14,455.00	255,626.21

** Plus \$2,340 Transportation, Project 426

<u>Commodity or Service</u>	<u>Japan (C & F Ryuk)</u>	<u>Okinawa</u>	<u>ZI (FOB - ZI)</u>	<u>Total</u>
Project 456 -- Exchange of Persons				
TOTAL		17,674.50	265,574.50	283,249.00
TOTAL -- REORIENTATION & REEDUCATION AND ADMINISTRATION				
	439,136.69	2,312,741.05	820,555.57	3,572,433.31
GRAND TOTALS	17,459,281.73	15,419,187.82	8,290,577.57	41,169,047.12

	<u>Japan</u> (C & F Ryuk)	<u>Okidnawa</u>	<u>ZI</u> (FOB - ZI)	<u>Total</u>
<u>RECAPITULATION</u>				
116	9,505,341.09		4,376,408.00	13,881,749.09
126	394,192.08			394,192.08
136			1,334,742.00	1,334,742.00
146	4,258,936.91	4,674.49	505,494.00	4,769,105.40
176	24,805.73	12,811,622.80	100,490.00	12,936,918.53
186	2,142,230.68	49,161.10	9,720.00	2,201,111.78
196	692,819.84			692,819.84
426	1,818.71	240,988.38	1,143,168.00	1,385,975.09
<u>TOTAL - Economic Aid</u>				
	17,020,145.04	13,106,446.77	7,470,022.00	37,596,613.81
166	329,949.33	60,539.60	333,184.17	723,673.10
415		3,801.72	48,398.28	52,200.00
416	106,000.00	1,992,741.38	158,943.62	2,257,685.00
436	3,187.36	237,983.85	14,455.00	255,626.21
456		17,674.50	265,574.50	283,249.00
<u>TOTAL - Admin. & Reorientation</u>				
	439,136.69	2,312,741.05	820,555.57	3,572,433.31
<u>GRAND TOTALS</u>				
	17,459,281.73	15,419,187.82	8,290,577.57	41,169,047.12

APPENDIX C

RYUKYUAN DOLLAR COMMERCIAL ACCOUNT (RDCA)

OHC - Okinawa Housing Corporation

CAFO - Civil Administration Fiscal Officer

Invisible Exports (Yen Sales)

Individual - When Occupationnaires spend money in villages for purchases, pay extra wages to maids, etc.

Category II - Maids (a set pay-scale)

Commercial - Construction projects employing natives.

Category I - Ryukyuans hired by the Army and Air Forces to drive and wash vehicles, work in mess halls, etc.

The Military pays dollars for yen which is used to pay Ryukyuan employees.

Ryukyuan wages are taxed. (A withholding tax which goes into the Miscellaneous Account)

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
April, 1951

Beginning Cash Balance \$10,254,769.15

<u>Increases</u>	
OHC Remittances	\$ 19,937.36
Caltex Dist. Income	-0-
Invisible Exports (Yen Sales)	
1. Individual	\$376,854.39
Category II	176,216.15
Commercial	188,994.64
Category I	<u>509,415.68</u>
2. Remittances to Ryukyuan Exports	1,251,480.86
Miscellaneous Yen Sales	5,525.83
Miscellaneous	357,957.85
	29,685.27
TOTAL INCREASES	<u>550.38</u>
	\$1,665,137.55

<u>Decreases</u>	
OHC Contracts, etc.	-0-
Yen Purchases (visible Imports)	635,350.85
Yen Purchases (Invisible Imports)	34,774.60
C.A.F.O. Yen Purchases	
1. Imports	-0-
2. Other	-0-
Miscellaneous	400.00
Advance to CADO	<u>157,694.40</u>
	828,219.85
Increase for month	
CAF & DO Cash Balance *	836,917.70
Cash in Hands of Agents**	11,091,686.85
Unliquidated Obligations	750.00
Contracts OHC, HDCA, Etc.	
Outstanding I/C	
Outstanding Licenses	3,375,616.00
Special Deposits and Trust Funds	<u>1,048,291.00</u>
GARIOA Warehousing	4,423,907.00
	1,630.81

Funds Available \$6,666,149.04

* CADO account contains \$1,000,000.00 as of 30 April 1951. This figure is not included in this report.

** Dollars with Bank of Ryukyus as agent for USCAR included in CAFO figures so imports figures, and export, can be shown.

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
May, 1951

\$11,091,686.85

Beginning Cash Balance			
<u>Increases</u>			
OHC Remittances	\$ 23,308.45		
Caltex Dist. Income	-0-		
Invisible Exports (Yen Sales)			
1. Individual	\$369,938.72		
Category II	153,955.29		
Commercial	82,850.86		
Category I	<u>313,668.24</u>		
2. Remittances to Ryukyans	920,413.11		
Exports	24,870.42		
Miscellaneous Yen Sales	667,046.38		
Miscellaneous	189,336.99		
Returns from CADO	4,257.68		
TOTAL INCREASES	<u>1,000,000.00</u>	\$2,839,233.03	
<u>Decreases</u>			
OHC Contracts, etc.	-0-		
Yen Purchases (Visible Imports)	1,355,218.33		
(Invisible Imports)	<u>111,339.15</u>		
CAFO Yen Purchases			
1. Imports	-0-		
2. Other	23.52		
Miscellaneous -- Advance to CADO	35,547.73		
Advance to Special Agent	<u>950.00</u>	1,503,078.73	
TOTAL DECREASES			
Increase for Month			1,336,154.30
CAF & DO Cash Balance			12,427,841.15
Cash in Hands of Agents*			1,450.10
Unliquidated Obligations			
Contracts OHC, RDCA, Etc.			
Outstanding L/C			
Outstanding Licenses			
Special Deposits and Trust Funds			
GARIOA Warehousing			
<u>Funds Available</u>			5,242,715.00
			2,015.81
			7,183,110.34

*Dollars with Bank of Ryukyus as Agent for USCAR included in CAFO figures so imports and exports can be shown.

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
June, 1951

Beginning cash balance					\$12,427,841.15
INCREASES					
OHC Remittances				\$ 145,361.56	
Caltex Dist. Income				-0-	
Invisible Exports (Yen Sales)					
1. Individual	\$167,791.04				
Category II	167,422.78				
Commercial	316,748.27				
Category I	<u>464,115.02</u>				
2. Remittances to Ryukyans					
Exports					
Miscellaneous Yen Sales				1,116,077.11	
Miscellaneous				43,814.60	
Agent Returns				403,575.93	
				36,894.48	
				62.34	
				<u>662.63</u>	
TOTAL INCREASES					\$1,746,448.65
DECREASES					
OHC Contracts, etc.				186,530.03	
Yen Purchases (Visible Imports)				1,355,030.92	
(Invisible Imports)				23,639.36	
CAFO Yen Purchases					
1. Imports				-0-	
2. Other				229.25	
Miscellaneous				18,208.66	
Advances to Agents				<u>425.00</u>	
TOTAL DECREASES					1,584,063.22
Increase for Month					162,385.43
CAF & DO Cash Balance					12,590,226.58
Cash in Hands of Agents*					750.00
Unliquidated Obligations					
Contracts OHC, RDCA, Etc.					403,915.09
Outstanding L/C					
Outstanding Licenses					4,230,123.00
Special Deposits and Trust Funds					2,078.14
GARIOA Warehousing					<u>14,631.25</u>
Funds Available					7,939,479.10

* Dollars with Bank of Ryukyus as agent for USCAR included in CAFO figures so imports and exports can be shown.

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
July, 1951

Beginning Cash Balance					\$12,590,226.58
INCREASES					
OHC Remittances				\$ 40,409.74	
Caltex Dist. Income				-0-	
Invisible Exports (Yen Sales)					
1. Individual	\$302,347.07				
Category II	176,665.73				
Commercial	719,838.15				
Category I	<u>437,041.44</u>				
2. Remittances to Ryukyans					
Exports					
Miscellaneous Yen Sales		1,635,892.39			
Miscellaneous		29,878.58			
Agent Returns		183,536.29			
		9,998.18			
		6,545.57			
		<u>4,514.30</u>			
TOTAL INCREASES					\$1,910,775.05
DECREASES					
OHC Contracts, etc.		32,569.55			
Yen Purchases (Visible Imports)		2,120,536.06			
(Invisible Imports)		13,159.05			
CAFO Yen Purchases					
1. Imports		-0-			
2. Other		2,719.83			
Miscellaneous		<u>2,309.69</u>			
				2,171,294.18	
Decrease for Month					
CAF & DO Cash Balance					260,519.13
Cash in Hands of Agents*					12,329,707.45
Unliquidated Obligations					750.00
Contracts OHC, RDCA, Etc.					
Outstanding L/C					263,664.43
Outstanding Licenses					
Special Deposits and Trust Funds					3,241,237.00
GARIOA Warehousing					1,676.23
					<u>14,262.94</u>
Funds Available					8,808,866.85

* Dollars with Bank of Ryukyus as agent for USCAR included in CAFO figures so imports and exports can be shown.

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MONTHLY REPORT OF CASH POSITION — DOLLAR FUNDS
August, 1951

\$12,329,707.45

Beginning Cash Balance
Increases
OHC Remittances
Caltex Dist. Income
Invisible Exports (Yen Sales)
1. Individual
Category II
Commercial
Category I
2. Remittances to Ryukyuan
Exports
Miscellaneous Yen Sales
Miscellaneous
TOTAL INCREASES

\$ 16,658.02

-0-

\$392,780.48
176,381.41
803,124.06
322,929.18

1,696,215.13
38,787.90
165,438.99
17,401.13
26,443.85

\$1,960,945.02

Decreases
OHC Contracts, etc.
Yen Purchases (Visible Imports)
Yen Purchases (Invisible Imports)

32,253.68
1,738,274.57
30,969.03

CAFO Yen Purchases

1. Imports
2. Other

-0-

1,193.45
35,358.72

1,838,049.46

TOTAL DECREASE

Increase for Month
CAF & DO Cash Balance
Cash in Hands of Agents*
Unliquidated Obligations
Contracts OHC, RDCA, Etc.

122,895.56
12,452,603.01
750.00

Outstanding L/C

218,221.67

Outstanding Licenses

2,662,634.00

71.82

13,379.49

2,155,449.00

507,185.00

Special Deposits and Trust Funds
GARIOA Warehousing

Funds Available

9,558,296.03

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* Dollars with Bank of Ryukyus as agent for USCAR included in CAFO figures so imports and exports can be shown.

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
September, 1951

Beginning Cash Balance		\$12,452,603.01
<u>Increases</u>		
OHC Remittances	\$ 22,930.65	
Caltex Dist. Income	-0-	
Invisible Exports (Yen Sales)		
1. Individual	\$301,124.03	
Category II	269,025.56	
Commercial	778,749.00	
Category I	<u>433,172.36</u>	
2. Remittances to Ryukyans		
Exports		
Miscellaneous Yen Sales	1,782,070.95	
Miscellaneous	60,466.86	
Agent Returns	229,204.94	
	63,567.35	
	3,046.89	
	<u>5,006.20</u>	
<u>Total Increases</u>		\$2,166,293.84
<u>Decreases</u>		
OHC Contracts, etc.	109,819.93	
Yen Purchases (Visible Imports)	1,323,773.83	
(Invisible Imports)	38,917.77	
CAFO Yen Purchases		
1. Imports	-0-	
2. Other	52.52	
Miscellaneous	<u>12,208.09</u>	
<u>Total Decreases</u>		1,484,772.14
Increase for Month		
CAF & DO Cash Balance		681,521.70
Cash in Hands of Agents*		13,134,124.71
Unliquidated Obligations		750.00
Contracts OHC, RDCA, Etc.		
Outstanding L/C		103,209.21
Outstanding Licenses		
Special Deposits and Trust Funds		3,588,122.00
GARIOA Warehousing		2,051.37
		1,171.41
<u>Funds Available</u>		9,439,570.72

129

* Dollars with Bank of Ryukyus as agent for USCAR included in CAFO figures so imports and exports can be shown.

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
November, 1951

\$13,384,623.52

Beginning Cash Balance

Increases

OHC Remittances

Caltex Dist. Income

Invisible Exports (Yen Sales)

1. Individual

Category II

Commercial

Category I

2. Remittances to Ryukyans

Exports

Miscellaneous Yen Sales

Miscellaneous

Total Increases

\$713,669.36

299,496.33

821,329.02

400,547.16

\$ 75,590.92

-0-

2,235,041.87

-0-

506,889.46

18,811.74

3,698.00

\$2,840,031.99

Decreases

OHC Contracts, etc.

Yen Purchases (Visible Imports)

(Invisible Imports)

CAFO Yen Purchases

1. Imports

2. Other

Miscellaneous

Total Decreases

5,568.68

1,949,145.99

20,898.81

3,000.00

175.48

10,277.77

1,989,066.73

Increase for Month

CAF & DO Cash Balance

Cash in Hands of Agents*

Unliquidated Obligations

Contracts OHC, RDCA, Etc.

Outstanding I/C

Outstanding Licenses

Special Deposits and Trust Funds

GARIOA Warehousing

Funds Available

850,965.26
14,235,588.78
750.00

80,788.94

5,396,455.00
71.82

396.58

8,757,876.00

* Dollars with Bank of Ryukyus as Agent for USCAR included in CAFO figures so imports and exports can be shown.

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
December, 1951

\$14,235,588.78

Beginning Cash Balance
Increases
OHC Remittances
Caltex Dist. Income
Invisible Exports (Yen Sales)
 1. Individual
 Category II
 Commercial
 Category I
 2. Remittances to Ryukyuan
 Exports
 Miscellaneous Yen Sales
 Miscellaneous
Total Increases

\$790,583.52
250,809.09
1,149,536.38
530,331.20

\$2,721,260.19
50,707.54 (1-20 Dec. 51)
175,695.02
12,154.72
8,143.07
\$2,967,960.54

Decreases
OHC Contracts, etc.
Yen Purchases (Visible Imports)
Yen Purchases (Invisible Imports)
CAFO Yen Purchases
 1. Imports
 2. Other
Miscellaneous
Total Decreases

-0-
2,450,923.82
38,845.14

5,462.20
20.00
4,371.05

2,499,622.21

Increase for Month
CAF & DO Cash Balance
Cash in Hands of Agents*
Unliquidated Obligations
 Contracts OHC, RDCA, Etc.
 Outstanding L/C
 Outstanding Licenses
 Special Deposits and Trust Funds & Contingency Fund
 GARIOA Warehousing

468,338.33
14,703,927.11
750.00

80,789.94
6,105,240.00
71.82
30,365.10

Funds Available

8,487,460.25

* Dollars with Bank of the Ryukyus as agent for USCAR included in CAFO figures so imports and exports can be shown.

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
January, 1952

\$14,703,927.11

Beginning Cash Balance			
<u>Increases</u>			
OHC Remittances	\$ 26,689.90		
Caltex Dist. Income	-0-		
Invisible Exports (Yen Sales)			
1. Individual	\$ 806,333.29		
Category II	229,619.01		
Commercial	1,130,061.65		
Category I	<u>484,567.04</u>		
2. Remittances to Ryukyans			
Exports	2,650,580.99		
Miscellaneous Yen Sales	78,399.86		
Miscellaneous	329,552.50		
	258,652.67		
	<u>8,613.51</u>		
<u>Total Increases</u>		\$3,355,489.52	
<u>Decreases</u>			
OHC Contracts, etc.	5,396.59		
Yen Purchases (Visible Imports)	4,235,745.75		
(Invisible Imports)	26,897.28		
CAFO Yen Purchases			
1. Imports	-0-		
2. Other	-0-		
Miscellaneous	9,194.89		
Skim Milk purchase	<u>258,900.57</u>		
<u>Total Decrease</u>		4,536,135.08	
Decrease for Month			
CAF & DO Cash Balance			1,180,645.56
Cash in Hands of Agents*			13,523,281.55
Unliquidated Obligations			-0-
Contracts OHC, RDCA, Etc.			
Outstanding I/C			40,285.31
Outstanding Licenses			5,693,459.00
Special Deposits and Trust Funds			82.88
GARIOA Warehousing			20,396.59
<u>Funds Available</u>			7,769,058.37

*Dollars with Bank of the Ryukyus as agent for USCAR included in CAFO figures so imports and exports can be shown.

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
February, 1952

\$13,523,281.55

Beginning Cash Balance
Increases
OHC Remittances
Caltex Dist. Income
Invisible Exports (Yen Sales)
1. Individual
Category II
Commercial
Category I
2. Remittances to Ryukyans
Exports
Miscellaneous Yen Sales
Miscellaneous
Total Increases

\$ 731,495.76
192,817.23
1,547,744.85
508,357.06

\$ 114,969.77
-0-

2,980,414.90
70,459.22
261,348.46
35,025.35
58,046.00

\$3,520,263.70

OHC Contracts, etc.
Yen Purchases (Visible Imports)
(Invisible Imports)
CAFO Yen Purchases
1. Imports
2. Other
Miscellaneous
Total Decreases

5,871.35
2,636,189.99
63,068.45

-0-
-0-
2,185.31

2,707,315.10

Increase for Month
CAF & DO Cash Balance
Cash in Hands of Agents*
Unliquidated Obligations
Contracts OHC, RDCA, Etc.
Outstanding I/C
Outstanding Licenses
Special Deposits and Trust Funds
GARIOA Warehousing
Funds Available

812,948.60
14,336,230.15
-0-

109,403.62

5,756,350.00
52,590.82
20,396.59
8,397,489.12

134

* Dollars with Bank of the Ryukyus as agent for USCAR included in CAFO figures so imports and exports can be shown.

MONTHLY REPORT OF CASH POSITION -- DOLLAR FUNDS
March, 1952

\$14,336,230.15

Beginning Cash Balance

Increases

OHC Remittances

Caltex Dis. Income

Invisible Exports (Yen Sales)

1. Individual

Category II

Commercial

Category I

2. Remittances to Ryukyans

Exports

Miscellaneous Yen Sales

Miscellaneous

Agents Returns

Total Increases

\$ 72,076.00
200,000.00

\$ 681,852.84
182,120.26
1,249,768.61
575,900.44

2,689,642.15
53,359.99
551,918.24
143,101.24
1,607.70
8,352.20

\$3,720,057.52

Decreases

OHC Contracts, etc.

Yen Purchases (Visible Imports)

(Invisible Imports)

CAFO Yen Purchases

1. Imports

2. Other

Miscellaneous

Total Decreases

32,782.62
2,518,913.84
86,724.59
-0-
-0-
-0-
-0-

2,638,421.05

Increase for Month

CAF & DO Cash Balance

Cash in Hands of Agents*

Unliquidated Obligations

Contracts OHC, RDCA, Etc.

Outstanding L/C

Outstanding Licenses

Special Deposits and Trust Funds

GARIOA Warehousing

Funds Available

1,081,636.47
15,417,866.62
-0-

109,404.00

4,555,220.00

5,500.00

20,396.59

10,727,346.03

* Dollars with Bank of Ryukyus as Agent for USCAR included in CAFO figures so imports and exports can be shown.

MONTHLY REPORT OF CASH POSITION --DOLLAR FUNDS
April, 1952

Beginning Cash Balance

Increases

OHC Remittances

Caltex Dist. Income

Invisible Exports (Yen Sales)

1. Individual

Category II

Commercial

Category I

2. Remittances to Ryukyans

Exports

Miscellaneous Yen Sales

Miscellaneous (Agents Returns)

Total Increases

Decreases

OHC Contracts, Etc.

**Yen Purchases, (Visible Imports)
(Invisible Imports)**

CAFO Yen Purchases

1. Imports

2. Other

Miscellaneous

Total Decreases

Increase for Month

CAF & DO Cash Balance

Cash in Hands of Agents*

Unliquidated Obligations

Contracts OHC, RDCA, Etc.

Outstanding I/C

Outstanding Licenses

Special Deposits and Trust Funds

CARLO Warehousing

Funds Available

**** Dollars with Bank of Ryukyus as Agent for USCAR included in CAF & DO figures so imports and exports can be shown.**

\$15,417,866.62

\$43,026.46
-0-

\$ 878,663.76
171,091.59
1,721,140.06
488,113.47

3,259,818.88
105,859.47
479,940.15
134,689.61
1,500.00

\$4,024,834.57

2,726,535.76
136,358.45
-0-

0-0-14.31

2,862,908.52

1,161,926.05
16,579,792.67
-0-

75,000.00

7,794,244.00
-0-
-0-

8,710,548.67

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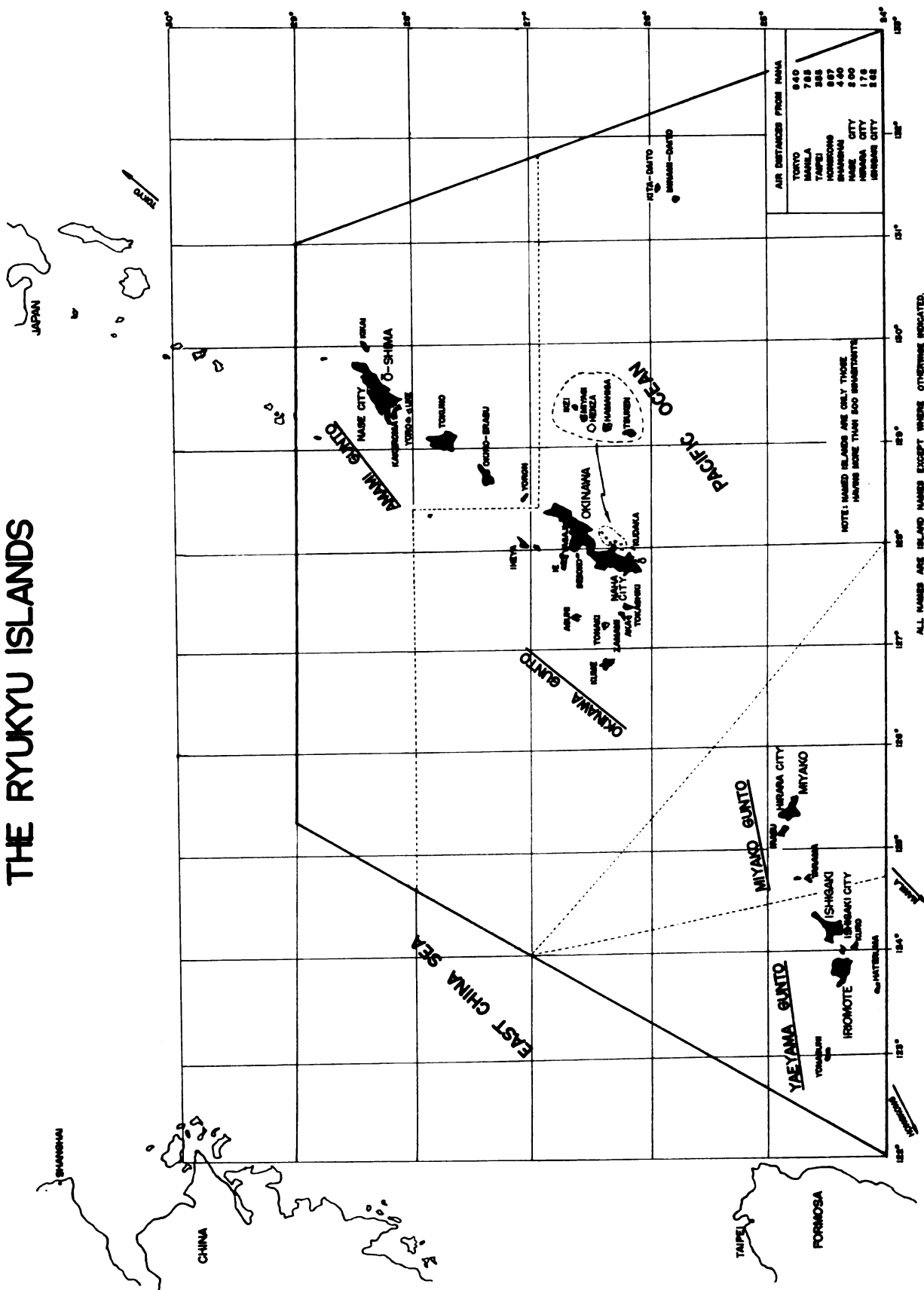
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