

December 12, 1966

MEMORANDUM FOR

Mr. Thad Holt  
Deputy Under Secretary of the Army  
for International Affairs

What's your judgment on this?

Harry C. McPherson, Jr.  
Special Counsel to the President

Attachment

~~Deputy Under Secretary of the Army~~  
/rq

# RYUKYU DEVELOPMENT LOAN CORPORATION

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December 9, 1966

The Honorable Harry C. McPherson, Jr.  
The White House  
Washington D. C.  
U. S. A.

My dear Mr. McPherson:

It has been a long time since I met you last and I feel rather hesitant to write this letter. However, the problem I have now is quite serious, so I wanted to solicit your special favor for solving it.

The Ryukyu Development Loan Corporation (RDLC) is currently experiencing a persistent cash shortage, partly because no capital augmentations have been made since 1963 from the United States Civil Administration of the Ryukyu Islands (USCAR) and partly because demands for capital loans have been very strong owing to the unprecedentedly high economic growth in recent years. The Ryukyuan economy attained an 18 percent GNP growth rate in FY 1966.

In October 1965 the RDLC requested a U.S. Treasury loan in the total amount of \$20 million drawable over a five year period. However, the request was apparently turned down.

The RDLC has taken several expedients such as the sales of outstanding seasoned loans, extension of guarantees in lieu of cash loans and "fill-gap" financial arrangements with local banks to tide over the cash difficulty. All available ways and means at present have been exhausted, but the situation has not been sufficiently improved yet.

Accordingly, the RDLC decided to tide over the problem by issuing bonds in the local market. We believe the issuance of bonds is a very appropriate measure, for idle money in the local economy can be pooled together and channeled for the purpose of capital formation. Quite oddly, however, Department of the Army (DA), Washington, advised USCAR that such issuance of bonds was subject to approval by the Bureau of Budget (BOB), on the basis of a DA letter dated back 1957, which stated that the Civil Administration should refrain from borrowing or any form of deficit financing.

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Although the RDLC is an instrumentality of USCAR, it is not USCAR per se and is legally an entirely different, separate and independent entity. If Washington imposes the same requirement on RDLC as on USCAR, then there is no sense of having established RDLC as a separate corporation. Above all, the RDLC is essentially a development bank and hence borrowing and lending should be permitted as its normal functions. We feel positively that it is reasonable for the RDLC to borrow funds within a certain banking limitation without referring to BOB in order to properly carry out the development financing.

Anyhow, the High Commissioner of the Ryukyu Islands sent a request through DA for approval of BOB of the issuance of RDLC Bonds in September this year. But we have heard nothing from Washington yet. I do not think that it is a good policy at all to discourage local initiative when the people are eagerly doing their best to develop the economy and to improve their living standards with their own ways and means. From this consideration, I would like to solicit your special help on this matter.

It would be very much appreciated if you would personally look into this matter to expedite the solution of this pending problem. The problem has now reached an intolerable point from the local development viewpoint.

Colonel John D. Sitterson, Jr. is now on Okinawa as the Commander of the 30th Artillery Brigade. We often see each other and always remember you.

May I send my warmest and most sincere Christmas greetings to you and yours. May all the true happiness of the day be yours, and may it continue with you throughout the coming year.

With best personal regards,

Sincerely yours,

Nobuo Takaramura  
President

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