

Okinawa, from A to Z

By *Maedomari Hiromori*

Okinawa, where the G-8 Summit meeting is scheduled to be held this July, is a very unique part of Japan, and one which cannot fail to fascinate the visitor. In both our history and culture, we are distinct from the rest of Japan in many ways. Our islands boast outstanding scenic beauty, and many of the nation's premier tourist resorts are located here. In addition, as home to the largest US military bases in the Far East, we play a key role in the Japan-US security arrangement. As such, the governments of both Japan and the United States cannot afford to remove the "handle with care" label from this important island chain. Welcome to Okinawa, "wonderland" of the East!

1. Geography

The island prefecture

Okinawa Prefecture sits on a chain of approximately 160 islands, reaching from Kyushu in the north to Taiwan in the south. The prefecture stretches some 1000 kilometers west to east (122° to 133° east longitude) and 400 kilometers from south to north (24° to 28° north latitude). This huge maritime territory is big enough to cover the entire southern half of Japan proper.

Keystone of the Pacific

In terms of land area, however, even Okinawa Island covers only a tiny 1,200 km². It doesn't even appear on many world maps. The total land area of Okinawa Prefecture is 2,268 km², a mere 0.6% of Japan as a whole

(377,855 km²).

However, the largest US military bases in the Far East are located here, and we are well known throughout the world as a place of strategic importance in East Asia.

Following the end of World War II, US military forces established bases on Okinawa Island and began calling it "the keystone of the Pacific."



The Subtropical climate attracts a lot of visitors to Okinawa

Photo: Okinawa Convention & Visitors Bureau

Okinawa sits astride sea-lanes that connect it to Japan proper, the Chinese mainland, and the nations of Southeast Asia. It is often pointed out that Okinawa's capital city of Naha lies within a 1,000-kilometer radius of Fukuoka, Shanghai, and Taipei, and within 2,000 kilometers of Tokyo, Seoul, Pyongyang, Beijing, Hong Kong, and Manila.

During the Vietnam War, strategic bombers used to take off for Vietnam from US bases in Okinawa, and from here were able to make round-trip runs to Hanoi and Saigon.

2. Scenery

Islands where it never snows

Okinawa is the only part of Japan that falls within the subtropics. With an average annual temperature of 22.4°C (average annual low of 20.1°C), the islands are delightfully warm throughout the year.

Ours is the only prefecture in Japan where snow doesn't fall, although many in Naha City got into an uproar over the issue this past January - some people claimed they saw snow, while others "hotly" denied the possibility!

Typhoon alley

Unlike the rest of Japan, where people are more likely to build their homes from wood because of the excellent resistance of wood structures to earthquakes, most homes in Okinawa are made of steel-reinforced concrete in order to withstand the typhoons that hit us so often. They call us "Typhoon Ginza," such is

the frequency with which these ferocious storms lash our islands.

Of the 1,206 typhoons that have raged in the South Pacific over the past 44 years, 320 (more than 25%) have hit Okinawa. Most typhoons occur from July through September, so the Okinawa summit in July could very well coincide with one.

Galapagos of the Orient

The subtropical islands of Okinawa are surrounded by coral reefs and cobalt-blue seas, and are home to many rare forms of plant and animal life. On

land we have the *yanbaru kuina* (Okinawan rail), *yanbaru tenagakogane* (long-legged beetle), *noguchigera* (Pryers' woodpecker), and the *Iriomote* wildcat, while our seas feature the dugong and some exceedingly rare colonies of blue coral. This abundance has led many to refer to Okinawa as the "Galapagos of the Orient."

Drinking from the sea?

Okinawa enjoys abundant rainfall, receiving an average of approximately 2,000 ml of precipitation annually (well above the national average of 1,620ml). Nevertheless, we frequently suffer from water shortages. Our mountains are low and our islands narrow, which means that the 300 or so streams in the archipelago are short and don't carry a huge volume of water. Water rationing used to be a common headache for the residents of the main island of Okinawa.

The situation has improved in recent years, however, with the construction of 12 huge dams. In addition, a seawater desalinization plant with a world-class capacity of 40,000 tons per day went into operation in 1997. As a result, the city no longer has any problems meeting its daily demand of 45,000 tons.

3. History

Home of the Ryukyu Kingdom

Humans first settled the islands of Okinawa some 30,000 years ago during the Paleolithic period. In the past the archipelago was once known as the Ryukyus. The earliest known historical records regarding the Ryukyus are Chinese documents that date to the year 605 AD, although the Chinese characters differs slightly from the characters that is used today. In Japan proper, this was the time when the Taika reforms (645) proved to be such a watershed event in Japanese history.

The people of the Ryukyus were already trading actively with Japan and China during the Jomon (8th or 7th millennium BC - c. 250 BC) and Yayoi (c. 30 BC - c. 30 AD) periods.

Archeological finds show that Chinese coins of the second and third centuries B.C. and Japan's Jomon and Yayoi pottery were available in Okinawa.

Sometime between the 10th and 13th centuries AD, small feudal lords (*aji*) had built castles (*gusuku*) throughout the Ryukyus and established rule over their separate domains. In the 14th century, three dominant powers appeared on the main island of Okinawa. These three powers were the Hokuzan principality (northern region), Chuuzan principality (central region), and Nanzan principality (southern region) kingdoms, which is why the 14th century is known to historians as the Sanzan (three principalities) period.

Okinawa's "Warring States" period

The Sanzan period was a time of tremendous warfare, which came to an end when the "three principalities" were unified by Sho Hashi, who hailed from Sashiki in the southern part of the main island. Sho moved his royal palace from Urasoe to Shuri in 1429 and established the first Sho dynasty. This was the founding Ryukyu dynasty. The first Sho king was murdered by his vassal Kanamaru, who subsequently proclaimed himself the second king, Sho En.

Shuri Castle, from whence he ruled, will be the site of a lunch meeting between the G-8 Heads of State. The castle was burned during World War II, and Okinawa subsequently fell under US control until the prefecture was returned to Japanese administration in 1972. Restoration work was completed in 1992 to mark the 20th anniversary of the return.

Bankoku Shinryo

In the Shuri Castle of old there hung a bell, which survives to this day, and on this bell there is a famous inscription - expressive of the golden age of Ryukyus - that reads as follows:

"The maritime kingdom of the Ryukyus enjoys an extremely favorable geographic location. Here there are to be found many precious treasures from

Korea. The Ryukyus are supported by the great Ming empire and maintain close relations with Japan. These prosperous isles owe their good fortune to their position between the Ming and Japan. Ships from throughout the world call at port here..."

We understand from the inscription on the bell that the tiny Ryukyu Kingdom, by leveraging the advantages afforded by its excellent geographical location, became a vigorous trading nation that acted as a bridge between China and Japan as well as many other nations.

It is said that the bell was cast by Sho Taikyu, sixth king of the first Sho dynasty, and the inscription describes the situation in the mid-1400s.

The principal venue of the Okinawa summit will be the Bankoku Shinryo Hall, an international conference facility on Cape Busena just south of Nago City. The name of this facility commemorates this famous inscription and marks Okinawa's intention to regain its past glory by becoming one of the world's biggest convention centers.

From Ryukyu to Okinawa

The Ryukyu dynasty prospered thanks to its tribute trade with China, but it came under attack by the Satsuma clan (modern-day Kagoshima Prefecture) in the early 17th century after the Tokugawa shogunate succeeded in imposing its unified rule over all of Japan. The Ryukyu Kingdom was annexed by the Satsuma in 1609.

While the Satsuma allowed Ryukyu to continue its tributary relationship with China, it forced the Ryukyu dynasty to pay tribute to itself as well. The Satsuma exercised control over the foreign trade of the Ryukyus and reduced the Ryukyu kings to the status of puppet rulers.

The Ryukyus remained under the control of the Satsuma until the new Meiji government was established in 1869 and the Ryukyu Kingdom was first recognized as a feudal domain directly under the government. The country was later divided into

prefectures, and Ryukyu was renamed Okinawa Prefecture in 1879. This development placed Okinawa squarely within the mainstream of the Japanese political system and spelled the end of the 400-year-old Ryukyu Kingdom.

Loyalty to China?

Although the establishment of Okinawa Prefecture made the Ryukyus part of Japan, most of the Ryukyu people at that time considered themselves subjects of the Chinese emperor. Unwilling to accept Japanese control of their island, many Ryukyu people sought to restore Chinese sovereignty. They were called "runaways to China (*dasshin-nin*)."

There were negotiations between the Chinese and Japanese governments concerning the issue of sovereignty over the Ryukyus, but the question became a moot point after Japan defeated China at war in 1895. Its rule over Okinawa was never again challenged by China.

The Japanese government has worked continuously over the years to support economic development in Okinawa, beginning with a major project launched in 1932.

The storm of steel

World War II then broke out, and Okinawa suffered the dubious distinction of being the only part of Japanese territory where combat occurred. After US troops landed on Okinawa in April 1945, the islands were the scene of more than three months of fierce combat. The Japanese Imperial Army lost 66,000 men in the fighting, while the American death toll came to 12,500. Okinawans, however, were the biggest losers of all. In addition to 28,200 Okinawan soldiers and other military-related personnel, 94,000 non-combatants died in the tragedy, including many women, children, and elderly citizens. To add insult to injury, many of these deaths were the result of murders by Japanese soldiers. These tragic events laid the seeds for major problems in later years, and local citizens have gone to court

over the way the battle has been described in textbooks.

The Battle of Okinawa wiped out entire families and killed up to 80% of the inhabitants in some areas. For the people of Okinawa, who have long been accustomed to the region's frequent typhoons, it was natural to use typhoon imagery to describe the conflagration, which has come to be known locally as "the storm of steel."

Day of shame

After Japan's defeat in World War II, Okinawa came under the control of the US armed forces, which turned Okinawa into their largest military outpost in the Far East and settled in for a long stay.

US control of Okinawa and the Amami Islands was formalized in 1951 by Article 3 of the San Francisco Peace Treaty. Japan abandoned Okinawa when the treaty went into force on April 28, 1951, and many will always call this day "a day of shame."

We have since learned that the emperor Hirohito had already informed the General Headquarters (GHQ) of the allied occupation forces in September 1947 that he believed long-term American occupation of Okinawa would prove useful to the United States and would also provide Japan with the benefit of US military protection. When this message, now known as "the emperor's message," came to public notice in 1979, the Okinawan people were incensed to learn that the US occupation of Okinawa had first been suggested by the Emperor.

Billeting the troops

The US military forces built numerous airstrips at airfields in Kadena, Futenma, and elsewhere on the main island of Okinawa after the war, and then deployed strategic bombers at attack bases. In the beginning, this arrangement was intended to fill the military vacuum created by the collapse of Japan's Imperial Army. These forward-deployed bases provided protection for the Japanese mainland, and they also served to prevent a

resurgence of Japanese militarism.

The role of the military bases was transformed, however, by subsequent events. With the establishment of the People's Republic of China and the outbreak of the Korean War, the United States came to look upon Okinawa as a forward base for the forces of freedom. It was at this time that the US began calling Okinawa "the keystone of the Pacific."

The same geographical location that had once proved so advantageous for Okinawa in maritime trade now made the islands important from a military standpoint. In the early years of the occupation, the United States dispatched troops from Okinawa to wars in Korea and Vietnam. More recently, troops stationed here have played roles in the Iran-Iraq War and the Gulf War.

Guns and bulldozers

When Okinawa was returned to Japan in 1972, 87 US military facilities covered 287 km², or one-quarter, of the prefecture's total land area. To build these facilities, the US forces had expropriated farm fields and homes by guns and bulldozers.

Over the opposition of local residents and without paying adequate compensation for the losses inflicted, the US military forces demanded 20-year leases on the land. Okinawan residents rose up in bitter opposition, and in some places there were bloody conflicts between heavily armed US troops and local citizens. The latter sent representatives to Washington, DC to protest directly to the US government.

The citizens of the United States, who regarded their country as a "global policeman," acting always in defense of fairness and justice, knew nothing at all about what their troops were doing in Okinawa. It wasn't until 1949 that the US media first focused on the situation here, when Frank Gibney wrote in *Time Magazine*, "On a small island in the Far East, terraced fields that took Okinawans over a century of back-breaking labor to build have been

flattened by American bulldozers in mere minutes.”

Return to Japanese administration

US control over Okinawa came to an end when the islands reverted to Japanese administration. Okinawans call this 27-year period “the time of foreign control.”

Under the military government, known as the United States Civil Administration of the Ryukyu Islands, the commanding general ruled with autocratic powers. Faced with demands from local residents for the establishment of a legislature and elections for a governor, Paul W. Caraway (High Commissioner, 1961-64) declared, “The idea of self-rule in Okinawa is a myth.”

Okinawa’s severely restricted judicial, legislative, and administrative organs were powerless to put a stop to crime by American soldiers. Local residents suffered many indignities at the hands of their protectors. A six-year-old girl named Yumiko was raped and

murdered in 1955. An American fighter jet crashed into Miyamori Elementary School in 1959, killing 128 children. In 1965, a trailer from a US military base killed an elementary school student playing in her own yard. Lethal gases escaped from a US ammunitions factory in Chibana. In spite of all these incidents, however, the US never made satisfactory efforts to prevent the recurrence of such accidents and crimes, compensate the victims, or punish the criminals.

The Okinawan choice - Return to Japan!

The residents of Okinawa began pressing in the 1960s for home rule and respect for their fundamental human rights, and it was at this time that a serious movement for return to Japanese administration got under way. The movement involved mass demonstrations with as many as 100,000 participants, and at times escalated to the point of violence, as in the “Koza incident,” in which US military vehicles in Koza City (now

part of Okinawa City) were set ablaze. The movement finally yielded success when Okinawa was returned to Japanese administration on May 15, 1972, thus putting an end to 27 years of control by the US military.

At the time of the movement for return to Japanese administration, a high-ranking US government official once asked, “The US is a liberating force. We put an end to the Japanese control over the Ryukyus that began with the annexation of the islands by the Satsuma. We have made a great contribution to Okinawa, so why do the Ryukyus want to return to Japan?” To be sure, immediately after the war many Okinawans felt more positively toward the American soldiers than they did toward the Japanese troops, but the abusive government subsequently imposed by the Americans changed people’s minds, and Okinawa decided it would rather be administered by Japan than the United States.

The return of Okinawa to Japan marked one of the few times in history that territory lost in war has ever been returned to the original country as the result of a citizens’ movement. With the return, Okinawans regained home rule and respect for their basic human rights.

4. US military bases

Okinawa does its share-and then some

The US Navy, Air Force, Army, and Marine Corps all maintain bases in Okinawa, and they bring with them to the islands (as of 1999) over 50,000 people, including 28,000 soldiers, 1,500 other military personnel, and 23,000 family members. There are thus about as many Americans in Okinawa as there are in Nago City (pop. 54,000), the largest city on the northern part of the main island of Okinawa.

The total area of US military facilities in Okinawa has declined slightly since the return to Japanese administration, but they still occupy a total of 238 km² (23,800 hectares). The facilities occupy 19% of the main island of Okinawa, where most of them are



Futenma Air Station, whose return was agreed at the SACO in December, 1996

Photo : Ryukyu Shimpo



Photo : Ryukyu Shimpo

Camp Schwab (in Nago City); an alternative site for the Futenma Air Station

located.

Furthermore, 75% of all facilities used exclusively by the US Forces in Japan are located in Okinawa, and even when facilities loaned to the United States for a limited time are included this figure is still 24%. In either case, this is a whopping percentage for a prefecture that only accounts for 0.6% of Japan's total land area.

US military facilities occupy 83% of Kadena (home to Kadena Air Station), 60% of Kin, 56% of Chatan, and 51% of Ginoza Village. Even larger urban areas are very much affected. Military facilities occupy 36% of Okinawa City, the second-largest city in the prefecture, and 33% of Ginowan City, which ranks number four in the prefecture.

Stirrings of discontent

In the view of the people of Okinawa, the fact that US military bases occupy choice urban real estate hampers economic development. Moreover, the roar of aircraft, crimes committed by American soldiers, and accidents during military exercises are all big problems. In order to reduce these headaches, the local populace has been working to convince the governments

of both Japan and the United States that it is necessary to reduce the scale of US military bases in Okinawa, and in the future to remove the bases completely.

At the same time, landowners whose land was expropriated over 50 years ago have grown old. The US military pays out more than ¥70 billion per year in rent for the use of their land, and some landowners, not wishing to lose this income in their old age, are now reluctant to see the land returned.

SACO

Crimes by US soldiers, which occurred at the rate of 300 per year under US administration, dropped off after the return to Japanese control. US soldiers now commit about ten crimes per year in Okinawa. A particularly heinous case occurred in September 1995, however, when three soldiers raped a schoolgirl. The opposition of local citizens to the US bases, which had long been at a low ebb, flared up once more.

The incident could not have occurred at a more untimely moment, for it coincided precisely with negotiations on the extension of contracts for use of military bases by the United States. Ota Masahide, then governor of

Okinawa Prefecture, demanded that the Japanese government take steps to prevent the recurrence of such an incident, and called upon Minister of Foreign Affairs Kono Yohei to revise the Agreement on the U.S. Armed Forces, which governs the use of the bases.

Kono refused, however, and angered Governor Ota by calling it "farfetched" to suggest that it would be necessary to revise the Agreement on the U.S. Armed Forces in order to prevent further instances of serious crime. Many land-owners refused to sign lease extensions to allow continued use of their land by the US military. The governor was instructed by the national government to sign the extensions in place of the landowners, but Ota refused to do so.

The governor's refusal to sign made it legally difficult to maintain the military bases, which constitute the centerpiece of the Japan-United States Security Treaty. The national government filed a lawsuit against the governor for refusing to cooperate with an assigned function of the State.

The national government was taken aback when 80,000 persons took part in the largest demonstration against the bases since Okinawa's return to Japanese administration. To assuage the anger of the local residents, the national government undertook negotiations with the US government on base reductions. These negotiations resulted in an agreement to return 11 facilities. Included among them was Futenma Air Station, whose return had been demanded by Okinawa with special insistence. This agreement was published as the Final Report of the Special Action Committee on facilities and areas in Okinawa (SACO) in December 1996.

The national government subsequently won its lawsuit against Governor Ota, and the SACO agreement in any case pointed the way to resolution of the base issue (a success attributable to the resistance of the governor and citizens of Okinawa), so Governor Ota agreed in the end to

sign the land use contracts.

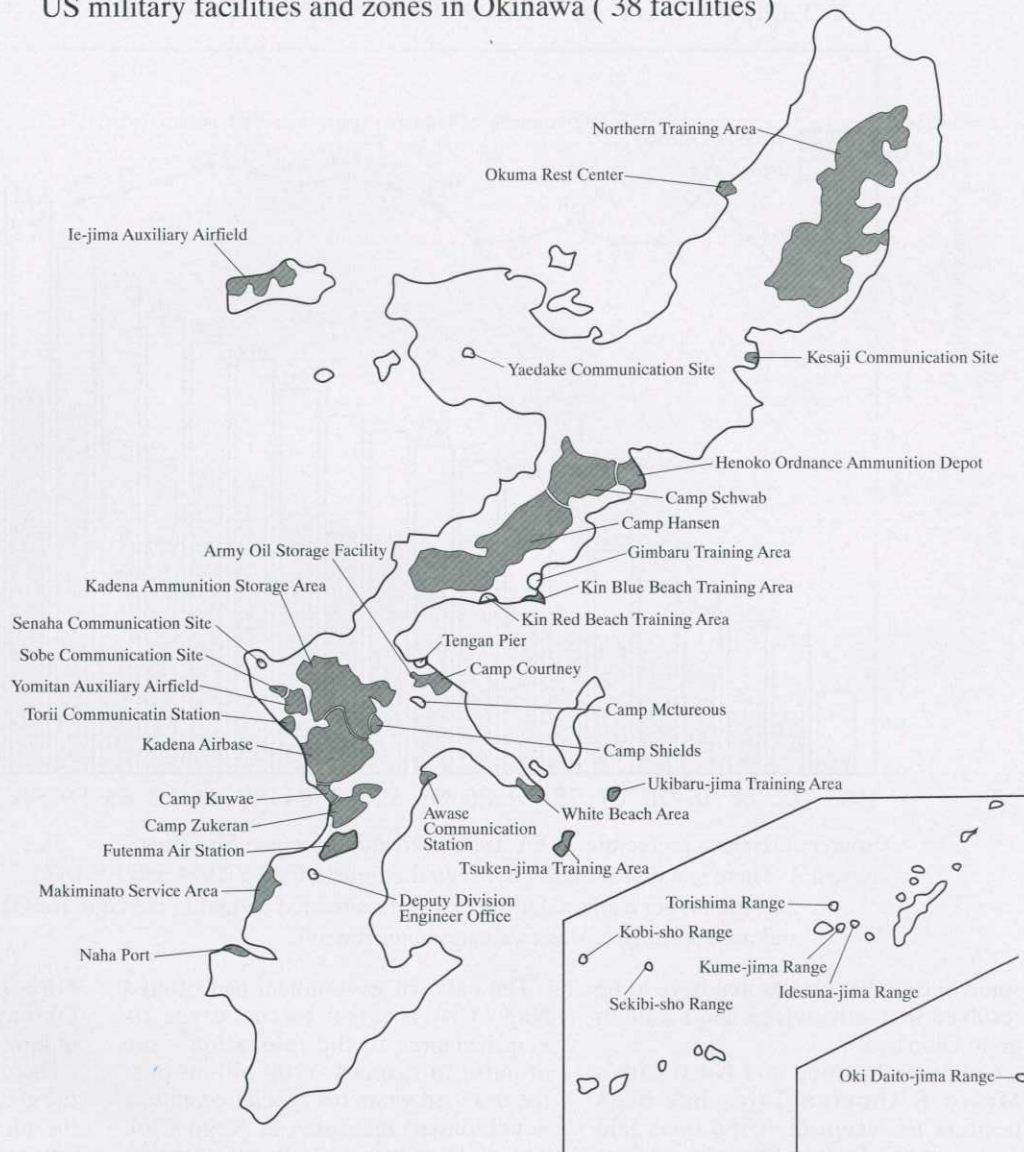
The SACO agreement, however, included a provision that 7 of the 11 facilities covered by the agreement would only be moved on the condition that they were to remain located within Okinawa Prefecture. This condition applied to Camp Schwab, a facility in Nago City on the eastern seacoast. Camp Schwab belongs to Futenma Air Station, and when local residents think of Futenma Air Station, Camp Schwab is the image that most often comes to mind. It later proved difficult to persuade local residents in other areas to welcome relocated facilities, and a rising tide of opposition put the implementation of the agreement into doubt.

The Okinawa summit

The G-8 summit will be held July 21-23, 2000 in Nago City, which is located in the northern part of Okinawa Island. Until the day the decision was made on April 29, 1999, no one at all had been expecting the summit to be held in Okinawa. Just before the decision was made, a major Japanese news organization even reported that the conference would be held in Fukuoka.

The people of Okinawa were elated, and the mass media described the last-minute turnaround from hardship using metaphor as "a home run with two outs in the bottom of the ninth for a come-from-behind win." Others, drawing on sumo imagery, likened the decision to a wrestler getting pushed back to the edge of the ring before defeating the opponent with one final twisting throw. Just prior to the decision, oddly enough, the national government had

US military facilities and zones in Okinawa (38 facilities)



Source: Defence Facilities Administration Agency (1. October, 1999)

Note: Names of facilities taken from the SACO Final Report

been enumerating Okinawa's shortcomings - no facility for the summit had even been built, there were not enough suites in local hotels, there was not enough lodging for the 10,000 security personnel who would descend on Okinawa, the press center was too far away from the proposed site of the summit...

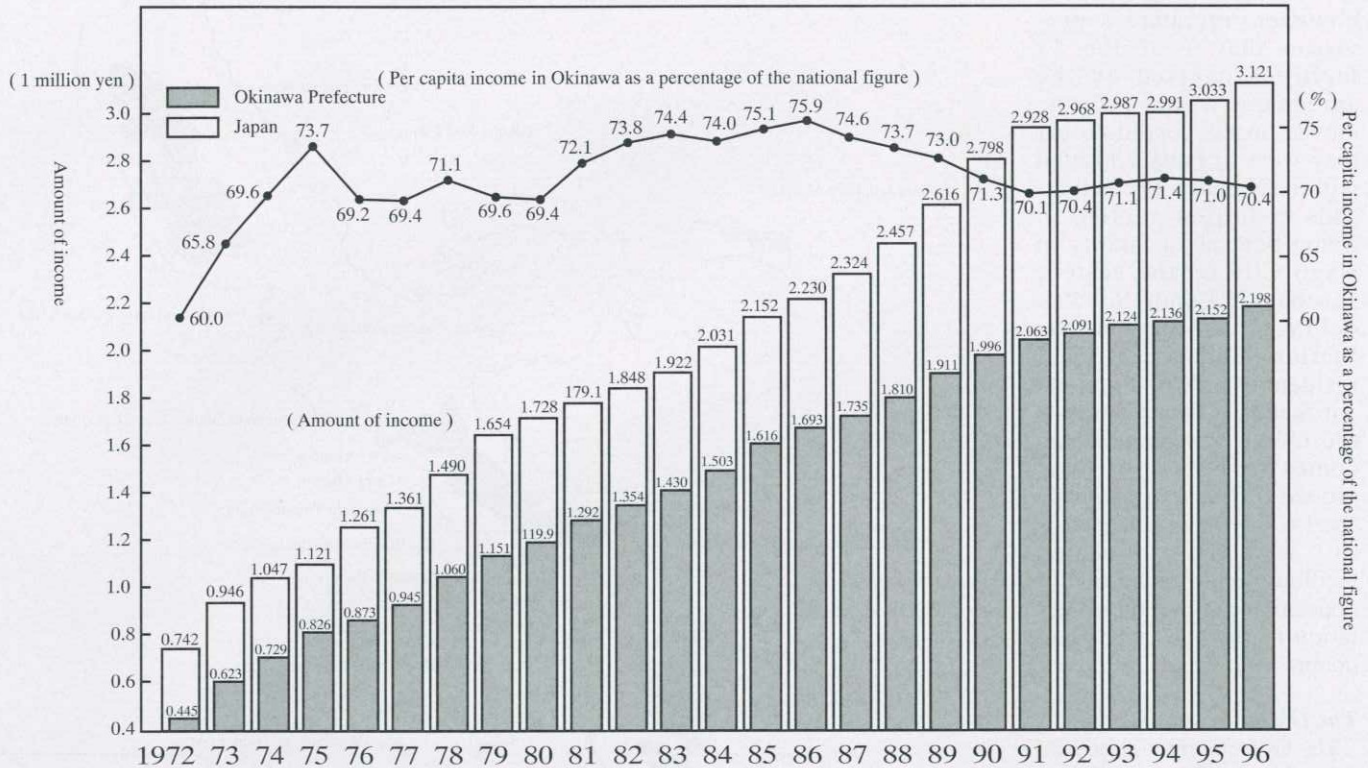
Even Okinawa's Governor Inamine

Keiichi was rendered speechless after Prime Minister Obuchi Keizo called to inform him that Okinawa had been chosen to host the summit.

Almost everyone in Okinawa rejoiced as if they had won a million-dollar lottery.

The rejoicing did not last long, however, for US President Bill Clinton remarked a few weeks later, "There are

Per capita GDP in Okinawa and Japan, 1972-96



Source: Okinawa prefecture, "FY 1996 Prefectural Income Statistics"

Notes: 1. There is a discontinuity between the figures for FY 1974 and FY 1975.

2. National per capita GDP figures were obtained by taking the GDP for Okinawa Prefecture and not factoring in stock valuation adjustments.

some outstanding issues that have to be resolved first, otherwise I don't want to go to Okinawa."

Governor Inamine and Nago City's Mayor Kishimoto Tateo had been hesitant to accept the conditions laid down by the United States regarding the transfer of Futenma Air Station, but now they were facing direct pressure from the President of the United States. The summit created a deadline for resolution of the issue.

In November 1999, Governor Inamine announced his agreement to the US terms regarding the base relocation, and Mayor Kishimoto followed suit in December, thus clearing the way for President Clinton to visit Okinawa without controversies to cloud the atmosphere.

The national government had offered Nago City a carrot to encourage its acquiescence to the relocation - the promise to earmark ¥100 billion over the next ten years for special economic development measures in Nago City. The "bill" comes due after the summit is finished.

A peace-loving people

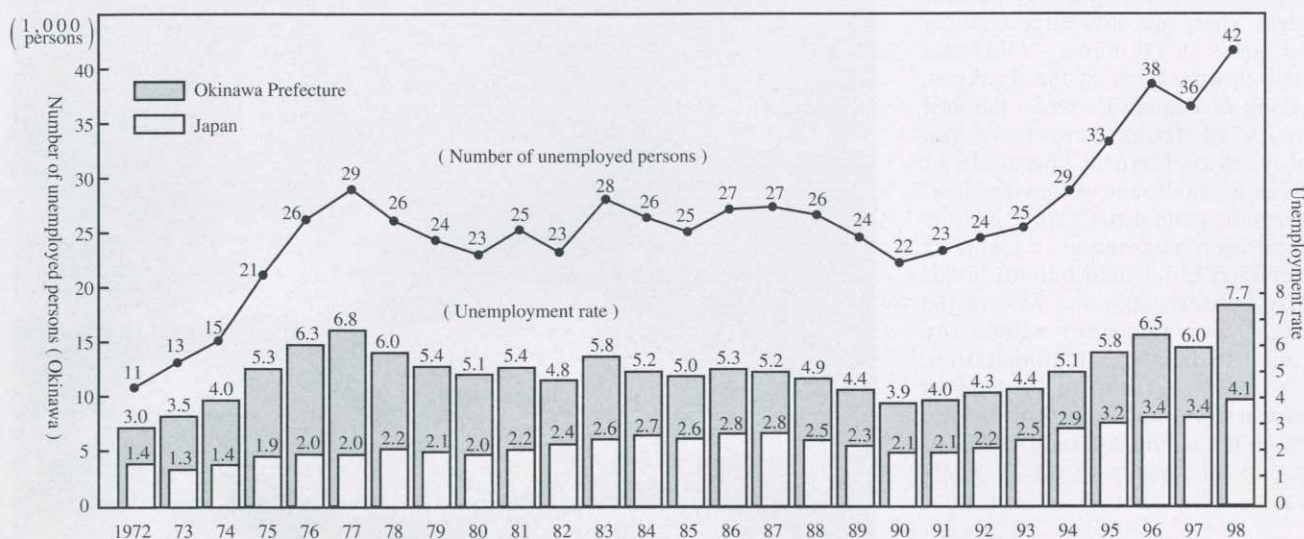
Once the summit had become a certainty, a question arose: "With the eyes of the world upon us, what aspects of Okinawa do we want to stress to our visitors?" When this question was put to the public in a poll carried out by Jiji Press in July 1999, 45% of the respondents felt that there should be a special emphasis on "the issue of US military bases," and 33% pointed to

"the peace-loving nature of the Okinawan people" and "Okinawa's unique culture and arts."

There is a saying in Okinawa: "Life is the greatest treasure." This saying is all the more meaningful in these islands, where so many died in the Battle of Okinawa. Our people have long been described as peace-loving and harmonious by nature. Indeed, there is an oft-repeated story about how surprised Napoleon was when he learned of a place called the Ryukyu Kingdom where no one had any weapons.

How, one wonders, will the G-8 leaders react to the desire of the Okinawan people to spotlight the base issue during the summit?

Full unemployment, 1972-1998



Source: Management and Coordination Agency, Statistics Bureau: "Annual Report on the Labor Force Survey"

5. Economy

Population

The population of Okinawa Prefecture stands at over 1.3 million as of 1999. The population has thus grown by a factor of about 2.5 since a century ago, when the prefecture was home to some 480,000 persons at the beginning of 1900, in the Meiji era.

About 90% of the people live on Okinawa Island, and are concentrated in the south-central part of the island. In addition, there are about 50,000 people each in the Miyako Islands and the Yaeyama Islands.

The people of Okinawa Prefecture are noted for their longevity, and there is a higher percentage of centenarians among the general population here than in any other prefecture in Japan. Okinawa also has the nation's highest rates of fertility and population growth.

Okinawa's version of "the 3 K's"

Prior to World War II, Okinawa's economy was based on agriculture, with sugar cane ranking as the most important crop. Primary industry has declined steadily since the war, however, due partly to the conversion of scarce farmland to military use. The

agricultural sector accounted for 7.2% of the prefecture's total economic output when the prefecture reverted to Japanese administration in 1972, and this figure had dropped to 2.4% by 1997.

Japan is a highly industrialized nation, and Okinawa Prefecture ranks last in terms of the percentage of industry structure accounted for by the manufacturing sector. The national average is 24%, but in Okinawa it is a mere 6%. The economy here rests instead on three main pillars: (1) public works spending; (2) the US military bases (substantial land leases are paid by the huge US military bases, and approximately 8,000 local residents are employed at the bases); (3) and tourism (which has grown rapidly since reversion to Japanese administration and now brings in some ¥400 billion to the local economy every year). The locals humorously refer to these three mainstays of the prefectural economy as "the three K's" in reference to the Japanese terms for "public works" (*koukyou jigyou*), "military bases" (*kichi*), and "tourism" (*kankou*). This is a double pun, because "the three K's" is a common phrase normally used in everyday Japanese conversation to refer

to an entirely different economic concept - the kinds of work that nobody wants to do, namely, jobs that are physically demanding (*kitsui*), dirty (*kitanai*), or dangerous (*kiken*).

Low income, high unemployment

Okinawa Prefecture has the highest unemployment rate in Japan. Over the same period that the national unemployment rate rose from 2% to 4%, the rate in Okinawa Prefecture was rising from 4% to 8%. The most recent figures are 4.9% for the nation as a whole, and 8.7% for Okinawa Prefecture (as of July 1999).

There are two main factors behind this high unemployment rate. First, outside firms do not locate here in great enough numbers and the local economy does not create jobs quickly enough to keep pace with our high fertility rate and rapidly growing labor force. Second, young Okinawans are loath to leave the prefecture.

Unemployment in Okinawa is especially high among people between the ages of 15 and 28 (inclusive). The national figure for this age group is 6.7%, but it stood at 14.4% in Okinawa Prefecture in 1998.

There are few manufacturing firms or

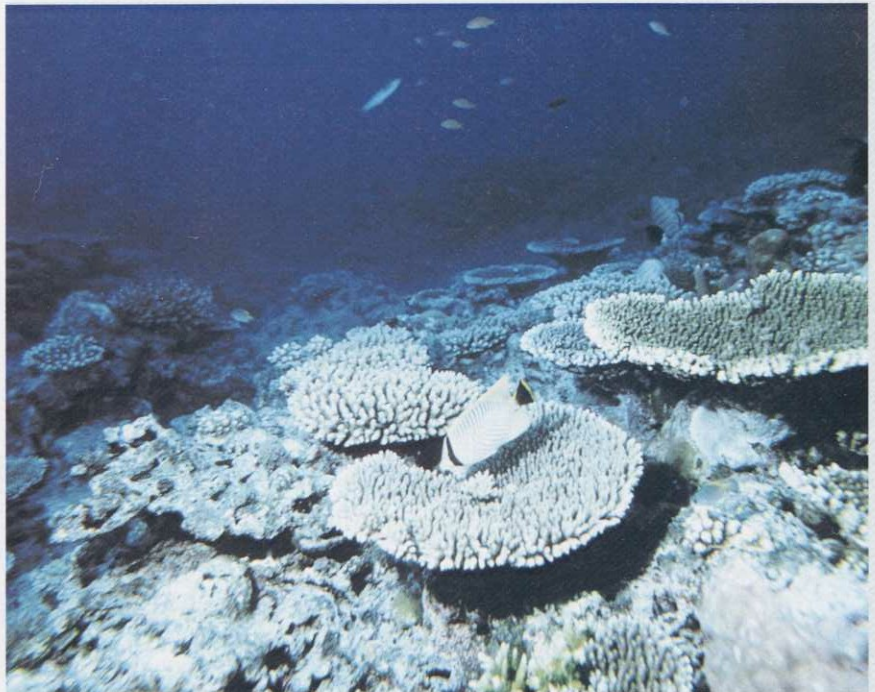
other companies in the prefecture that are capable of providing a large number of jobs. There are only three publicly listed firms in Okinawa - Okinawa Electric Power, Bank of the Ryukyus, and Bank of Okinawa - while the vast majority of firms here have ten employees or fewer. The scale of business is small, and wages are low. As a result, annual per capita income for total economic output in Okinawa Prefecture (¥35 hundred billion) in has hovered between 60% and 75% of the national average ever since the reversion to Japanese administration. In FY 1997, per capita income in Okinawa stood at ¥2.16 million, the lowest in the nation and only 69.8% of the figure for Japan as a whole (¥3.09 million).

Self-sufficiency

Okinawa Prefecture has sought to achieve a self-sufficient economy ever since the end of World War II.

When the prefecture reverted to Japanese administration, the national government created the Okinawa Development Agency, an external organ of the Prime Minister's Office headed by a cabinet-level minister who is responsible for development planning in Okinawa. The Okinawa Development Agency formulates and administers the Okinawa Promotion and Development Plan. In order to bolster projects administered directly by the national government, and to supplement the limited funds of Okinawa Prefecture, 90 - 100% of the funds for this agency's projects are provided by the national government. In addition, the national government has taken a number of other measures over the years (including special tax reductions and exemptions and incentives) in an effort to accelerate development of the prefecture's lagging social overhead capital and industrial infrastructure, and to encourage outside firms to locate in Okinawa.

The Okinawa Promotion and Development Plan was established in order to achieve two goals: (1) a narrowing of the economic gap between Okinawa and the rest of Japan;



Coral reefs surround the subtropical islands of Okinawa

Photo : Okinawa Convention & Visitors Bureau

and (2) creating the conditions for a self-sufficient economy. The results, however, have been frustrating. We are now eight years into our third ten-year plan, and nearly ¥6 trillion has been spent over the past 28 years, yet we have precious little to show for our efforts. Development of the manufacturing sector has been the main thrust of our effort to achieve economic self-sufficiency, but the manufacturing sector has not expanded. On the contrary, it has actually shrunk. Whereas it accounted for 10.9% of the prefecture's economic output in 1972, it now only accounts for 5.5% as of 1997. Moreover, even as the national government directed a disproportionately large chunk of its public works expenditures to Okinawa Prefecture, our construction sector (which has presumably been the main benefactor of this public spending) now accounts for only 12.3% of total economic activity in the prefecture, down from 16.4%. Tertiary industry (the service sector), by contrast, has raced ahead from 67.3% to 83%. This level of service-sector predominance is

normally only seen in a major metropolis like Tokyo, not in a provincial location like Okinawa.

The prefecture is actually less self-sufficient than it was 28 years ago. Public spending as a percentage of private-sector spending rose from 23.5% in 1972 to 32.7% in 1996, even as unemployment rose, in round figures, from 3% to 8%. Okinawa is now more dependent on public spending than it was to start with.

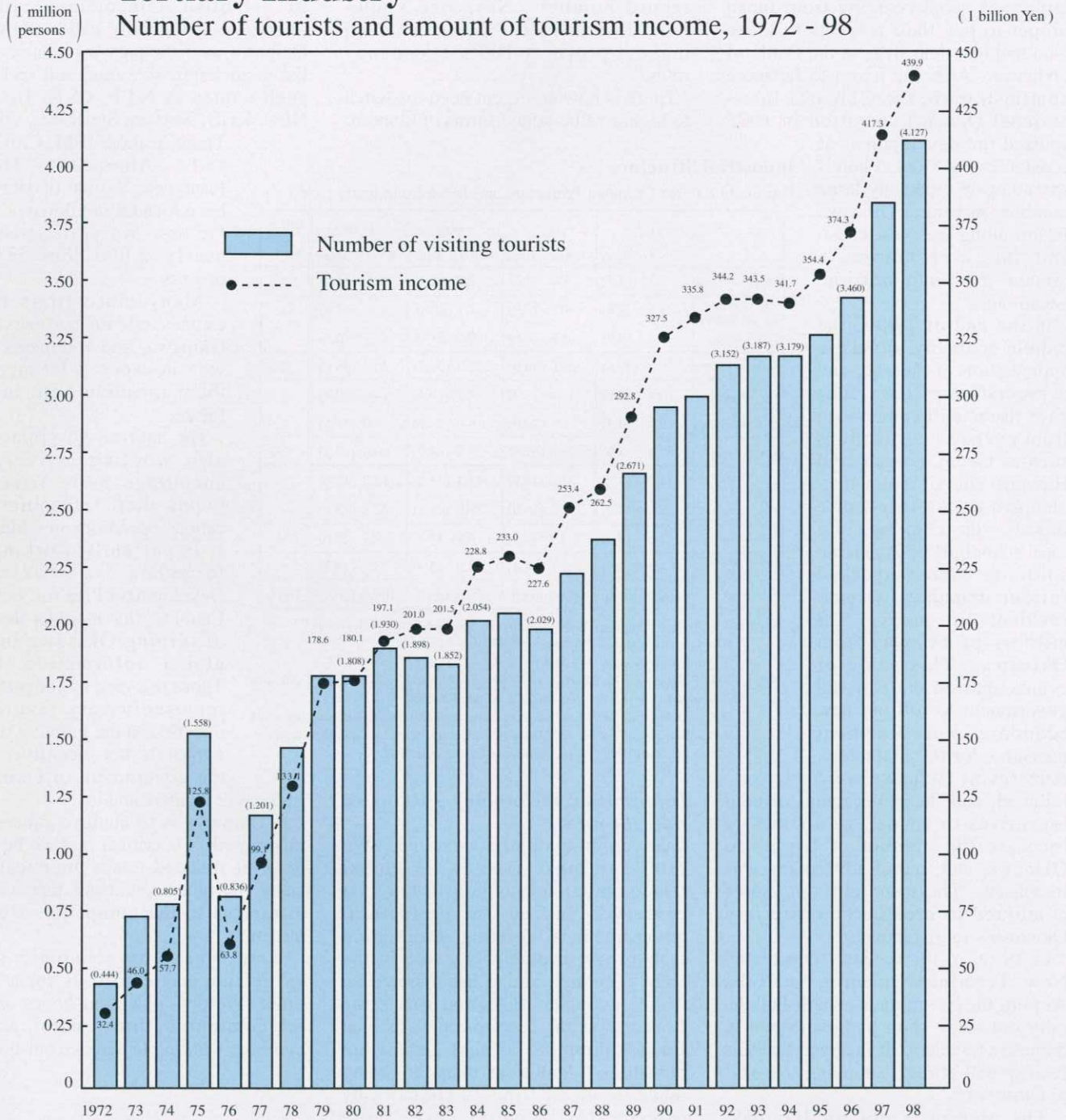
Economy based on tourism

Cobalt-blue seas and sky, white sand beaches, colorful coral reefs, and islands covered with verdant vegetation... Okinawa's warm subtropical climate and sunny skies have made it home to the largest tourist resorts in Japan.

Okinawa welcomes more and more tourists every year, and the number topped 4.5 million for the first time in 1999, a ten-fold increase from the 440,000 who came here 28 years ago. Income generated by tourism has also skyrocketed, rising 14-fold from ¥32.4 billion to approximately ¥450 billion.

Tertiary Industry

Number of tourists and amount of tourism income, 1972 - 98



Source: Okinawa Prefecture, "Tourism in Okinawa"

The first wave of visitors consisted largely of people coming from Japan proper to pay their respects to those who had lost their lives in the Battle of Okinawa. After the return to Japanese administration, the Okinawa International Ocean Exposition in 1975 spurred the development of coastal resorts. Resort hotels sprang up in especially large numbers in central Okinawa Island along the west coast, and this area became a mecca for summertime vacationers.

In the end of 1980s, the bubble economy, dramatic appreciation of the yen, and depreciation of the dollar gave rise to stiff competition from overseas destinations such as Guam, Saipan, and Hawaii. The situation then changed as the result of a tragedy - the 1995 rape of a local schoolgirl by American soldiers, which sparked furious demands by local residents to move US military bases away from Okinawa. This chain of events spurred the national government to roll out new economic development measures for the prefecture. Airfares to Okinawa were reduced, and the government offered incentives to encourage airlines to increase the number of flights to Okinawa, and tourist advertising was increased. These and other measures combined to breathe new life into Okinawa's tourist industry.

In 1999, in the recently completed New Terminal Building at Naha Airport, the government established the only duty-free shop in Japan open to domestic travelers. It is hoped that this facility will attract "shopping tourists" to Okinawa.

The picture is not totally rosy, however, for the revival of tourism here has been triggered in part by price wars. In addition to slashed airfares, hotels are also engaged in fierce price competition in spite of the fact that

tourists are pouring into Okinawa in record numbers. Says one knowledgeable insider, "You can't even make a profit at 100% occupancy rates."

There is now an urgent need to switch to higher value-added forms of tourism.

Industrial Structure

Nominal GDP for Okinawa Prefecture and Japan by Industry (Unit : %)

| | 1972 | | 1982 | | 1992 | | 1996 | | 3rd Promo & Dvpt Plan |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------------------|
| | Okinawa | Japan | Okinawa | Japan | Okinawa | Japan | Okinawa | Japan | |
| Primary Industry | 7.3 | (5.6) | 5.0 | (3.4) | 2.7 | (2.3) | 2.3 | (1.9) | 3% |
| Agriculture and forestry | 5.5 | (4.6) | 4.1 | (2.8) | 2.1 | (1.8) | 1.8 | (1.6) | - |
| Fisheries | 1.8 | (0.9) | 0.9 | (0.6) | 0.6 | (0.4) | 0.5 | (0.3) | - |
| Secondary Industry | 27.9 | (43.6) | 22.1 | (38.6) | 21.3 | (37.7) | 20.3 | (35.0) | 22% |
| Construction | 16.4 | (8.4) | 14.4 | (9.2) | 14.5 | (10.4) | 14.0 | (10.3) | - |
| Manufacturing | 10.9 | (34.5) | 7.3 | (29.0) | 6.6 | (27.1) | 6.0 | (24.5) | - |
| Tertiary Industry | 67.3 | (54.9) | 75.2 | (61.8) | 79.0 | (64.9) | 80.6 | (67.2) | 75% |
| Wholesale & Retail | 14.2 | (14.2) | 15.5 | (14.9) | 14.3 | (13.5) | 13.2 | (12.0) | - |
| Services | 19.8 | (14.8) | 23.8 | (18.0) | 29.9 | (21.1) | 32.4 | (23.1) | - |
| Import duty | 1.6 | (0.6) | 1.1 | (0.5) | 0.9 | (0.6) | 0.7 | (0.6) | - |
| Minus imputed interest, etc. | 4.1 | (4.6) | 3.3 | (4.3) | 3.9 | (5.4) | 3.9 | (4.7) | - |
| Total | 100.0 | (100.0) | 100.0 | (100.0) | 100.0 | (100.0) | 100.0 | (100.0) | 100% |

Sources : Economic Planning Agency, "Annual Report on National Accounts" Okinawa Prefecture, "System of Prefectural Accounts (Prefectural Income Statistics)"

Notes : 1 GDP figures are for calendar years (not fiscal years). Conflicts in the statistics are due to the fact that they include imputed interest.

2 Figures are rounded off, which may cause apparent discrepancies in the totals.

3 Baseline figures for the 3rd Okinawa Prefecture Promotion and Development Plan are from 1990. Target figures are for the year 2001.

Information technology - Okinawa rides the wave

Governor Inamine has stated, "We intend to make Okinawa a global telecommunications hub in the 21st century." Indeed, the prefectural government is targeting information technology to play a key role in the local economy, and it has adopted an "International Information Zone Concept" as the centerpiece of its plan for development of next-generation industries. Ambitious plans are being made to attract firms to Okinawa by offering tax incentives even more attractive than those to be found in Malaysia (in connection with the Multimedia Super Corridor [MSC] project) and Singapore.

A large number of well-known firms

from both Japan and abroad have opted to establish telecommunications operations (especially call centers) in Okinawa over the past two years. The list is an impressive one, and includes such names as NTT, CSK, Itochu, NEC, KDD, Nomura Securities, ORIX,

TransCosmos, IBM, Citibank, and American Home Insurance. A total of 19 firms have located in Okinawa over the past two years, creating nearly 2,000 jobs in the process.

Many more firms have expressed an interest in Okinawa, and it appears that we can expect a lot more of them to move here in the future.

The national government is also working actively to encourage more firms to locate their telecommunications operations in Okinawa. It is currently working to formulate an "Okinawa Development Plan for the 21st Century" that includes the aim of turning Okinawa into a global information hub. Those drawing up the plan are reportedly very favorably disposed to the granting of the corporate tax incentives that the government of Okinawa

Prefecture is interested in.

If Okinawa is to achieve success in this regard, it is critical that we be able to offer reduced telecommunications costs and other conditions that will be attractive to the companies we are targeting.

Our dream of economic self-sufficiency has eluded us for a long time. We now place our hopes on the telecommunications sector as we continue working to achieve our goal.

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