

## VIEWPOINT

# Okinawa's Great Trading Renaissance

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**I**N COMPARISON WITH the mainland of Japan, the economy of Okinawa has been severely depressed. This can be seen from the unemployment figures, which have shown a rise to 8.2%, and those for youth unemployment in particular which are standing at 19.2%, according to statistics available for the year 1999. These unemployment rates are two and three times higher, respectively, than the averages for the rest of Japan. The reasons that lie behind Okinawa's economic problems, and that have acted to hinder its development and its self-reliance, are fourfold, and need to be understood in any description of the islands' economy.

Firstly, Okinawa is remote. It is farther from the large economic conurbations (for example the Metropolitan area around Tokyo, and the Hanshin region around Osaka) than any of Japan's other regions. The second factor is also geographical: Okinawa is surrounded by the ocean, and is only accessible by sea or by air. Thirdly, Okinawa is small. Its population is about 1.3 million, and the inhabitants are somewhat spread across

many relatively isolated islands. Finally, Okinawa experiences another form of limitation. About 75% of all US military installations in Japan are concentrated on the main island of Okinawa, the largest island in the Ryukyu archipelago. Indeed, about 19% of the land area on the island of Okinawa is occupied by US military bases.

Yet, despite these four important factors hindering Okinawa's development, I believe that there is an opportunity, which may come only once in every one or two hundred years, for Okinawa to develop its economy, its industry, and its business activities successfully from now on. This optimistic interpretation is based initially on changes which are taking place in the external economic environment. The trend towards globalization and the growth of a borderless economy can provide Okinawa, the southernmost islands in Japan, and the region of the country closest to Taiwan and the south-east coast of China, with a golden opportunity to turn this proximity into an economic advantage. This contrasts with the relative disadvantage that being remote from the economic centers of Japan has meant for Okinawa. In this sense, the renaissance of the "Golden Age of the Ryukyu Traders" (see *Pacific Friend*, April, 2000), is a definite possibility, and hence the title of this article.

Further optimism can be derived from changes occurring in the market environment. Diversification of consumption patterns and the appearance of niche markets are both trends which mean that Okinawan businesses can gain footholds in the markets in the rest of Japan itself. In addition, the reorganization of small and medium-sized businesses in Okinawa, in line with new economic thinking which places emphasis on the region and regional cooperation, rather than the conventional thinking about economies of scale, may well be a direction worth taking. Although Okinawa will continue to carry the burden of hosting US mili-

tary facilities, it will be eligible for tax incentives from the Japanese government in order to promote new businesses in the information and communications sectors, for example call centers.

In these ways, Okinawa is poised to liberate itself from the fourfold burden described above, and to enter a new era of economic possibility. In brief, Okinawa will now be in a position to make the following important changes: (a) from being a remote area to becoming Japan's new frontier; (b) from being isolated by the ocean to entering a maritime economic sphere; (c) from being a small economy to becoming part of a networking economy; and, (d) in the process of this, erasing the negative legacy of the US bases.

### Proposal for a Grand Design

**G**IVEN THE prevailing conditions, I would like to indicate in a concrete way the economic and industrial sectors that should be developed, and to outline a grand design for achieving this. This will comprise a new theory of Okinawan industry, on which the Okinawan economy can develop.

In the future, all industries in developed countries will be based on several important premises. These are: (a) optimum worldwide procurement, (b) breaking away from the sole reliance on manufacturing, (c) development-based manufacturing and services, and, (d) a differentiated market strategy. All these conditions apply in the case of Okinawa.

With the industries and businesses discussed in this issue in mind, it is possible to postulate a strategy of trade-based industries for Okinawa, which capitalizes upon the island's geographical position as a transit point in Asia, and upon the internationalization of the production process and the global distribution system.

An example can be found in Ryukyu glass, a very popular Okinawan handicraft. The craftsmen involved in the production were adamantly opposed to mechanization, yet the industry was suffering from rising labor costs and a limited production volume. These apparently incompatible influences were



solved by assigning all production planning and design work to Okinawa, while the manufacturing was transferred to Hanoi in Vietnam. This not only reduced the labor costs, as Vietnam is a lower cost economy, but also helped to raise production levels.

Meanwhile, Taiyo-no-Hana, an agricultural cooperative association, grows chrysanthemum seedlings, requiring strict temperature controls, in the highlands of tropical Indonesia. These seedlings are then imported into Okinawa where their value increases as they are nurtured, before they are shipped to the rest of Japan.

Also, industries which are unique to Okinawa and use its natural and cultural environments, are beginning to flourish. A good example of this is natural salt, which has a high mineral content. The producers of this salt add to its perceived value by capitalizing on Okinawa's image as a prefecture where people are healthy and live to an advanced age. This factor also appears to be at work for the producers of health foods such as *utchin* or *ubon* (turmeric) and *agarisuku* mushrooms. Sales of 10 billion yen have been achieved by strongly emphasizing Okinawa as a brand name.

In another field altogether, Okinawan pop and music culture has gained a significant market share by both remaining true to its traditional cultural base, and by reinterpreting itself as a part of the global musical culture. In this way, the Okinawan music industry moves beyond Japan's own musical genres, and the purely contemporary field of pop music. The economic importance of Okinawan music can be illustrated by noting that revenue from the sales of CDs by Namie Amuro is about equal to that of Okinawa's famed sugar cane industry.

The remote islands of Okinawa are no more disadvantaged than other parts of the prefecture. A contributory reason is the "Multimedia Islands" concept, which attempts to foster new industries that do not have to rely upon Japan's complicated distribution system. The Multimedia Islands concept is also making efforts to design multimedia productions for computers which are based



upon Okinawa's culture and natural environments. The concept will become a way of implementing an Okinawan policy of strategic industries, and also creating a more positive ethos than the negative legacy sometimes associated with the presence of the US military bases.

I believe that the three types of industry discussed here, trade-based, specialty-based, and strategic policy-based, will be the leading industrial concepts in the years ahead. An industrial development policy will be required to promote this new way forward, but it is very important to let all of Japan, Asia, and the world, know that a once-in-a-hundred-year opportunity has arrived in Okinawa, and that the region is welcoming the future.

#### Coexisting with Asia

**J**APAN AND the whole of Asia will be seriously influenced should there be major social change in China, which is home to a quarter of the global population. Okinawa's proximity to China means that any such influence would be felt strongly there. However, by being able to capitalize on this proximity, in both geographical and historical terms, Okinawa will also be able to contribute to China's economic growth and stability in a significant way. I believe that it will be necessary to establish a relation-

ship of interdependence for Okinawa, the rest of Japan, Taiwan, and China, that can transcend national boundaries and social systems, and the creation of a symbiotic economic sphere will be an integral part of this structure.

Naturally, it is unreasonable to expect that this can be achieved overnight. Yet from the 16th century to the latter half of the 19th century, Okinawa did maintain a tributary relationship with China, through the connections with Fujian Province. This historical tie has seen its modern counterpart in the Okinawa-Fujian Summits, which have been held annually since 1995, and in 1998, the Okinawa Friendship Hall was built in Fuzhou as a center for cultural exchange and trade.

In an age where economic activity is becoming much less defined by national borders, and globalization is proceeding apace, regions are assuming greater importance than nation states. Arguing about the costs and benefits of internationalization from behind a barrier of nationalism appears pointless. It will become necessary to replace conventional notions of the nation state with a concept of statehood based on the region or regional state. The Okinawa-Fujian Economic Sphere concept is a sign of things to come, and it is precisely because Okinawa is geographically located in a frontier region of Japan that this has been possible. ■