

Okinawa – Look to Singapore! by Grant Newsham

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Okinawa remains central to both the US-Japan security alliance and to the overall US strategic posture in the Asia-Pacific. It provides the essential platform for combined defense of Japan's vulnerable "Nansei Shoto" (southwest islands) area, to include disputed territories in the East China Sea. Equally important, it provides a launch pad for US regional crisis response for flashpoints such as Korea and Taiwan, and for humanitarian assistance/disaster response missions.

However, local concerns regarding the US military presence on Okinawa continue to challenge alliance managers. For decades, the US government, the Japanese government, and the Okinawa Prefectural Government (OPG) have been unable to move forward with plans to reduce the US footprint on Okinawa. Many security experts believe that this controversy threatens the sustainability of the alliance, which in turn undermines the US forward presence in Asia.

Local opposition to US military bases is premised on two basic issues: quality-of-life concerns (i.e., stifled economic development, safety, noise, crime, and environment) and ideology (pacifism, anti-militarism, and historic resentments). Some of these issues present daunting challenges; some present unique opportunities.

The economic development opportunity gives the OPG its best chance to positively shape its own future. By implementing suitable policies, premised on recommendations herein, Okinawa can become economically vibrant while remaining a desirable place to live. A prosperous economy invariably helps smooth over political and social problems. Thus, a strong Okinawan economy will likely make the bases less of an issue and easier to resolve. Also, a solid, diversified economy might lessen the perceived need by some to exaggerate opposition to the bases to extract greater subsidies from the central government, which has been one factor delaying resolution of base issues.

To its credit, Okinawa has encouraged economic development in certain areas. But government and industry have failed to provide a realistic, comprehensive business plan for a diversified economy that weans Okinawa off its unhealthy reliance on government payments and keeps young Okinawans from fleeing for opportunities elsewhere.

Okinawa can look to Singapore as a model. There are notable similarities. Both islands were colonized, and both suffered at the hands of the Imperial Japanese Army. Both lacked natural resources and were 'burdened' with military

bases, and both were relatively poor. Nonetheless, Singapore boomed after independence, while Okinawa has done comparatively little since Reversion in 1972.

There are seven steps Okinawa should consider in building its own model for Singapore-style economic success:

First, create an environment that attracts business investment. Businesses exist to make money. Okinawa must be allowed to create a unique regulatory and incentive structure that attracts Japanese and foreign business. Businesses will not come if there is no advantage over setting up in Kanagawa Prefecture near Tokyo or Hyogo Prefecture near Kobe and Osaka. The US South used this approach over the last four decades, and has attracted many prominent companies such as BMW, Mercedes, Nissan, and Intel.

Second, identify and highlight Okinawa's competitive advantages. Okinawa's location is convenient for accessing Asian markets and is near shipping routes. Moreover, it should aggressively contrast itself to its neighbors in ways that businesses value. For example, unlike the People's Republic of China, Okinawa has a functioning legal system; a transparent and predictable business environment; political, social, and labor stability; intellectual property protection; and minimal corruption. Taiwan awaits an uncertain reckoning with China. Okinawa needs to attract Taiwanese businessmen wanting to hedge their bets; however, in the 1990s, Okinawa attempted to lure Taiwanese investors, who ultimately gave up in frustration over regulatory and other challenges that made it impossible to make money. Okinawa does not have the Philippines' corruption, crime, political instability, and infrastructure problems, nor an insurgency. Finally, the Republic of Korea can be a tricky place to do business and North Korea is next door.

Third, attract the right kind of investment. Okinawa already has many lower-skill service industry jobs, and prefectural government plans seem to call for creating more. Instead, Okinawa needs to attract light manufacturing and high-tech, higher end production that create higher wage, higher skill jobs. Besides Singapore, Penang in Malaysia offers a good example of what is possible.

There have been promising initiatives in pharmaceutical industry investment in Okinawa. Also, businesses looking to establish a regional hub might be attracted, though it's worth remembering that Federal Express rejected Okinawa in favor of the Philippines. A more attractive environment might get FedEx and others to look again at Okinawa. International law firms and business advisory firms might also consider Okinawa. It's cheaper than Hong Kong and other major Asian cities, while only a short flight away, and the air is breathable. Okinawa's small size is an advantage, and a few successes will go a long way.

The comparatively high-cost environment can be overcome by Japanese manufacturing efficiency and productivity. If industry can make chips and flat panels in rural Kyushu and Honshu, it is possible on Okinawa. Okinawa has a relatively well-educated work force, but does need to upgrade its education system.

Fourth, regenerate and expand tourism. Tourism is an important pillar of an economy, but it must not be the only one. Travelers need a reason to go in the first place, and then to come back. Cost and convenience are major impediments. Make Okinawa easy and cheap to get to, affordable to stay, and convenient to get around. Who would go to Okinawa when they can go to Bali for less? The outer-islands in particular offer a magical environment not found elsewhere in Asia, but little has been done to develop these as tourist destinations. The new Ishigaki airport is a step in the right direction – but just a step.

Fifth, don't get sucked into faddish projects. Silver bullet concepts abound. Okinawa's Free-Trade Zone has produced little. A Cayman Islands-type financial center and casinos would mostly benefit shady accountants and *yakuza*. Also, young Okinawans might aspire to more than becoming blackjack dealers and cocktail waitresses. The jury is still out on the Okinawa Institute of Science and Technology. And more recently, the Naha Airport 'second' runway is proposed as a magic solution Okinawa's problems.

Another common mantra is 'shops' and 'mansions,' based on a six-year old study that claims replacing bases with shops and mansions produces many times more income than bases. This is routinely cited, while offering few specifics. What sorts of jobs – particularly what wage levels and career and management opportunities -- do shops and mansions produce? And what about educational requirements? Alex Kerr's book "Dogs and Demons" depicts the futility of expecting construction and pouring concrete to bring prosperity.

"IT" is another magic solution that may or may not be real. A recent article by the Okinawa Prefectural Government claimed Okinawa's "IT industry" employs 22,000 people. If so, the island's IT Industry seems well hidden. There are prospects for this sector, but more work is necessary.

Sixth, promote what is unique about Okinawa's human capital. There is no reason Okinawa does not produce a Bill Gates or a Richard Branson. Okinawans were traders and sailors throughout Asia back when it was dangerous, and are savvy businesspeople. Okinawans are more comfortable dealing with foreigners than most other Japanese. Okinawa's leaders should be looking out two or three generations and have a clear plan for developing the economy and keeping young people on the island.

Seventh, accept military bases as an economic resource, as one pillar of a diversified economy. Military bases offer a steady income – regardless of cyclical downturns. A positive vision to build for Okinawans is that of a vibrant Okinawan economy thriving *alongside* the US and Japan Self-Defense Force (JSDF) bases. The Kanto Plain has four major US bases (in addition to JSDF bases), and these are part of a prosperous diversified economy. In Hawaii, a historically leftist state governor recognizes the value of bases to Hawaii's economy,

and is working feverishly to attract more Marines for whom he wants to build a massive new base.

The parallels between Singapore and Okinawa as they emerged from WWII and Reversion, respectively, are not perfect. But Singapore still provides Okinawa a powerful model for how to think about revitalizing its economy, even if the ultimate outcome is prosperity in a different form. Instead of yearly pilgrimages to Washington, DC hoping for sympathy and frequent missions to Tokyo demanding money, Okinawa should send a delegation to Singapore to learn their secret – and then apply it in Okinawa.

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