

Okinawa: The Economic Repercussions for Closing the U.S. Bases

Subject Area Topical Issues

EWS 2006

Okinawa: The Economic Repercussions for Closing the U.S. Bases
EWS Contemporary Issue Paper
Submitted by Captain RD Michael
to
Major J. Gelerter, CG 1
February 2006

Report Documentation Page

Form Approved
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE 2006		2. REPORT TYPE		3. DATES COVERED 00-00-2006 to 00-00-2006	
4. TITLE AND SUBTITLE Okinawa: The Economic Repercussions for Closing the U.S. Bases				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) United States Marine Corps, Command Staff College Marine Corps, University, 2076 South Street, Marine Corps Combat ,Development Command, Quantico, VA, 22134-5068				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

The United States military bases are the third single largest contributor to Okinawa's economy. The United States military bases contribute this money to the Okinawan economy through base revenue (revenues generated through military-related transactions). Base revenues consist of salaries and wages paid to Japanese base employees, rental fees paid to Japanese landowners for land used by military facilities and money spent by status of forces agreement (SOFA) personnel on the local economy.¹ The Japanese government should resist any suggestion of closing the United States military base on Okinawa. The closing of the United States military bases on Okinawa will cause an economic burden for the citizens of the prefecture because of the loss of income for Japanese base employees, land rent, and money spent by SOFA personnel on the local economy.

Background

On May 16, 1972, the administrative control of Okinawa was reverted back to the Japanese government from the United States. However, as part of the Treaty of Mutual Cooperation, the United States maintained its military bases to provide an offensive military capability for the government of Japan. Most politicians refer to the U.S. government's presence in the

¹ "Percentage of Land Area for U.S. Military and Self Defense Force Bases in Comparison to the Land Area of Okinawa", Okinawa Prefecture Homepage, <<http://www3.pref.okinawa.jp/>> (1 February 2006).

Pacific Rim as "necessary because it demonstrates a visible political commitment by the United States to peace and stability in the region."² The United States military bases include 38 facilities and makes up 10.5 percent of the total land area of the Okinawa prefecture.³ As of the end of March 2001, the Naha Defense Facilities Administration Bureau reported that 24,860 United States personnel were stationed within the Okinawa prefecture.⁴

In recent years, some have called for an immediate reduction of United States facilities and personnel in Okinawa citing safety and economic concerns, noise pollution, and moral infractions of servicemembers. There is no doubt that the Okinawa population carries the burden of the United States military bases. The Marine Corps Air Station Futenma's heavy air traffic surrounds the city of Ginowan, which has a population of 90,000. In August 2004, a CH-53E helicopter crashed into Okinawa International University. Fortunately, no one was seriously injured including the helicopter crew. More seriously, the Okinawans have endured isolated acts of sexual misconduct that has ranged from cases of sexual abuse to the

² GAO report to the Honorable Duncan Hunter, Overseas Presence: Issues Involved in Reducing the Impact of the U.S. Military Presence on Okinawa, March 1998, 15 & 24.

³ "Percentage of Land Area for U.S. Military and Self Defense Force Bases in Comparison to the Land Area of Okinawa", Okinawa Prefecture Homepage, <<http://www3.pref.okinawa.jp/>> (1 February 2006).

⁴ "Number and Land Area of Facility and Number of Personnel by Forces", Okinawa Prefecture Homepage, <<http://www3.pref.okinawa.jp/>> (1 February 2006).

1995 rape of a 12-year old girl by three servicemembers.

However, the Okinawan population has become so engrossed by the negative aspects of the military bases that they have forgotten the benefits.

"The American military presence [in Okinawa] is a confidence-building measure, and if that presence were withdrawn, the countries in [Southeast Asia] would feel less confident that no threat to their [economic] security would appear".⁵ Although this is a regional consideration the withdrawal of the United States military should be a concern for the Japanese government. According to Okinawa's 1999 data, the United States military bases on Okinawa contribute 1.831 billion yen or 5 percent of the Okinawan gross prefecture expenditure.⁶ "The value of base revenues has approximately doubled from 78 billion yen at the time of reversion to 183.1 billion yen in 1999. Thus, base revenues still remain a large source of income for Okinawa's economy as one of the essential element in the prefecture's economic activities."⁷ The largest contribution of the United States military base is rental fees paid to the Japanese landowners for the land that the military uses.

⁵ Michael Mandelbaum, *The Case for Goliath: How America Acts as the World's Government in the 21st Century* (New York: Public Affairs, 2005), 40.

⁶ "Impact on the Prefecture Economy," Okinawa Prefecture Homepage, <<http://www3.pref.okinawa.jp>> (1 February 2006).

⁷ "Number and Land Area of Facility and Number of Personnel by Forces", Okinawa Prefecture Homepage, <<http://www3.pref.okinawa.jp/>> (1 February 2006).

Land Rent

In 1972, when the United States dissolved its occupational government returning Okinawa to Japanese jurisdiction but retaining conditional rights to all U.S. military installations. The Japanese government rents the property from the original landowners, lending it to the United States forces. If the United States bases close the landowners will lose this guaranteed rental income.

The loss of income for the land rent, the rental fees paid to Japanese landowners for land used by military facilities will cause the greatest impact to the Okinawa economy. According to the Naha Defense Facilities Administration Bureau (as of March end, 2001), individual citizens own 33 percent of the land occupied by the U.S. military bases.⁸ Since 1971, the land rent has increased by 668 million yen. By 1999, the land rent had increased to 794 million yen, or 7.1 million dollars. This figure represents 2.3 percent of the total gross prefectural domestic expenditure.⁹ This one element of base revenues is higher than the total amount of Okinawa's net product from agriculture (including forestry and fisheries), which is Okinawa's fourth largest industry.

⁸ "Land Area by Type of Ownership," Okinawa Prefecture Homepage, <<http://www3.pref.okinawa.jp/>> (1 February 2006).

⁹ *ibid.*

The opponents of the United States military bases cannot claim that commercial interests would adequately compensate the landowners for their land. In fact in the September 9, 2003 issue of the *Okinawa Times*, an article titled, "Okinawa Land Prices Still Sinking", stated the following:

In its announcement on land prices for this year, the Okinawa Prefectural Government stated that real estate prices fell an average of 4.7% from last year, continuing a trend for the past ten years with this year's decrease the largest since the survey started in 1976. Housing lots were 3.3% cheaper than last year and land for commercial use had fallen by 7.6%. Within the downward trend, areas around monorail stations had smaller rates of decrease. Residential land prices have shrunk for five consecutive years. The rate of decrease was 1.5% less than the national average, but Okinawa's rate was highest in the Kyushu area. Due not only to a business slump in real estate, the decrease was also caused by extra land availability from land reclamation in the southern and central areas of the Okinawa main island. High rates of decrease were as follows: Nishihara 11.5%, Yonabaru 9.8%, Ginowan 9.4%, and Haebaru 9.3%. The marginal drop in commercial land prices, having fallen for twelve consecutive years, was the highest in the nation, exceeding the 7.4% national average. Supermarkets moved to the outskirts of municipalities, so inner city shopping area land prices kept falling. The biggest fall was in Kitanakagusuku with 13%, followed by Nago at 11.6%, Hirara at 11.5%, and Itoman at 11.1%. The highest residential land price was 170,000 yen per square meter in the Naha Shintoshin (New City Center) Area and 600,000 yen for commercial land by the Chiyoda Seimei building in the Matsuyama area of Naha City along Route 58.¹⁰

¹⁰ "Okinawa Land Prices Still Sinking," *Okinawan Times*, 9 September 2003, retrieved from <http://www.okinawatimes.co.jp/eng/20030927.html> on 1 February 2006.

Therefore, the landowner's opportunity to make a profit on their land lies in the United States military bases.

Japanese National Salaries

The second largest revenue generated by the U.S. military bases is the salary paid to the local national hires. The U.S. military base employs approximately 8,700 Okinawans. The annual salary for these local national hires is 10 percent higher than those jobs with the central government. In 1999, the salary paid to the Japanese base employees was 523 million yen or 4.7 million dollars.

In an article published by Japan, Inc., a network industry publication, it stated the following:

Okinawa has been coaxing [information technology] companies to come to the island by offering them several incentives. For example, 30 percent of [Okinawa's] young employees' salaries are subsidized by the Japanese Government. The Okinawa government also covers 80 percent of companies' telecommunications expenses. The central government has recently decided on several new policies for Okinawa, making it a tax haven for the financial industry and reducing fuel tax on flights between Okinawa and Japan's mainland.¹¹

Although the government is attempting bring in industry, some argue that these are not the type of jobs the Okinawans need. In fact, "most call center salaries are often less than 150,000

¹¹ Takehiko Kambayashi, "Okinawa: A Trouble Island has Visions of IT Paradise," *Japan, Inc.*

month."¹² Furthermore, within a three year span from 1999 to 2002 only 3,500 jobs have been created.

The mercantile industry which has been suggested as an alternative to base employment is concentrated in nearby countries. "Okinawa salaries are far higher than those of nearby Philippines, Taiwan, and mainland China. [Okinawa] can not compete for industrial investment which flows to countries with cheaper labor."¹³ Furthermore, the base jobs are not comparable to positions offered by private firms or those within the central government. A base closure would require the base personnel to train for competitive positions in private firms, an expense which would likely have to be paid for by the Japanese government.

Expenditures by SOFA Status Personnel

Base revenues also include the money spent (expenditures) of the estimated 25,000 SOFA personnel on the local economy. SOFA personnel account for approximately 4.6 million dollars in purchases or approximately 2 percent to Okinawa's gross prefectual expenditure. These expenditures constitute monies spent at restaurants, clothing shops, and language instruction.

The implications of losing this percentage of gross prefectual expenditure would create a void in the economy. The

¹² *ibid.*

¹³ Ezra F. Vogel, "The Case for U.S. Troops in Okinawa," Retrieved from <http://aasianst.org> on 30 November 2005

implications for the restaurants, arcades, and clothing shops would cause an adverse reaction within the economy. This situation would lead to increased unemployment and inflation.

Conclusion

In conclusion, Okinawa should consider all the consequences of urging the removal of the United States military bases. The prefecture will lose a large part of its economic foundation when the United States military bases leave. The implications are increased unemployment, loss of income for landowners who's land the bases occupy, and an economic burden for the citizens of Okinawa. Although the opposition may claim to have a plan to employ these workers, the reality is that Okinawa is not going to attract industrial firms that compete with the wages earned by base employees. Furthermore, the Japanese government will have to consider an alternative to the Treaty of Mutual Cooperation. After all, this is the document that provides Japan with an offensive military capability. Unfortunately, once the United States military departs, Japan will be much more dependent on United States government than now.

Word Count: 1,588

Bibliography

GAO report to the Honorable Duncan Hunter, Overseas Presence: Issues Involved in Reducing the Impact of the U.S. Military Presence on Okinawa, March 1998, 15 & 24.

Mandelbaum, Michael. *The Case for Goliath: How America Acts as the World's Government in the 21st Century* (New York: Public Affairs, 2005).

Okinawa Prefecture Homepage, (2005), Retrieved on 30 November 2005 from <http://www.pref.okinawa.jp/english/index.html>.

Okinawan Times. "Okinawa Land Prices Still Sinking," 9 September 2003, retrieved from <http://www.okinawatimes.co.jp/eng/20030927.html> on 1 February 2006.

Takehiko Kambayashi, "Okinawa: A Trouble Island has Visions of IT Paradise," *Japan, Inc.*

Vogel, Ezra. "The Case for U.S. Troops in Okinawa," Retrieved from <http://aasianst.org> on 30 November 2005