

# **The Changing Patterns of Policy Making in Japan**

**Local Policy Initiative  
of Okinawa Prefecture in the 1990s.**

アダム・ミツキエビッチ大学

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## 日本の政策決定過程の変容

1990年代沖縄県のローカル・イニシアティブの事例研究



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BEATA BOCHORODYCZ

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ABSTRACT. Bochorodycz Beata, *The Changing Patterns of Policy Making in Japan. Local Policy Initiative of Okinawa Prefecture in the 1990s*. [Zmieniające się modele polityki w Japonii. Lokalne inicjatywy polityczne w Prefekturze Okinawy w latach 90. XX wieku]. Adam Mickiewicz University Press, Poznań 2010. Seria Orientalistyka nr 2. Pp. 259, tables and figures. ISBN 978-83-232-2164-7. ISSN 1730-8771. Text in English with a summary in Polish.

The research analyzes central-local relations of government in Japan focusing on Okinawa prefecture, and in particular on the process of formulation and negotiation of the Program for Autonomic Modernization of Okinawa (*Kokusai toshi keisei kōsō*) in the 1990s. It was the most comprehensive regional development plan that had ever been proposed by a local government in Japan. The detailed conclusions identify factors that enabled formulation of projects on the local and national levels, their consecutive setting on the central government agenda, and also those factors and assimilation methods, which shaped the final outcome of the local initiatives on the national level. The main hypothesis of the thesis is that the process of globalization and regional integration in East Asia on one hand, and on the other, the activities of local and other political actors aiming at acceleration of decentralization and liberalization of the economy – have had far reaching consequences for the centralized system of the regional development planning in Japan.

Key words: local autonomy in Japan, regional planning in Japan, Okinawa, local and national decision making in Japan, local and national policy making in Japan

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## List of abbreviations

CO	Cabinet Office (Naikakufu)
DFAA	Defense Facilities Administration Agency (Bōei Shisetsuchō)
EA	Environment Agency (Kankyōchō, until 2001)
ev.ed.	Evening edition (of the newspapers; in the references)
FSA	Financial Service Agency (Zaimushō)
Guntenkyō	Council for Military Land Conversion and the U.S. Base Problems (Okinawaken Gunyōchi Tenyō Sokushin Kichi Mondai Kyōgikai)
HC	House of Councillors (Sangiin)
HR	House of Representatives (Shūgiin)
Jichirō	All Japan Local Government Workers Labor Union (Nihon Zenkoku Jichi Dantai Rōdō Kumiai)
JNPEA	Japan Newspaper Publishers and Editors Association (Nihon Shimbun Kyōkai)
LDP Okinawa Special Research Council	Liberal Democratic Party Okinawa Comprehensive Promotion Policy Special Research Council (Okinawa Ken Sōgō Shinkō Taisaku ni Kansuru Tokubetsu Chōsakai)
NLA	National Land Agency (Kokudochō; until 2001)
LDP	Liberal Democratic Party (Jiyū Minshutō, or Jimintō)
METI	Ministry of Economy, Trade and Industry (Keizai Sangyōshō)
MEXT	Ministry of Education, Culture, Sports, Science and Technology (Mombu Kagakushō)
MITI	Ministry of International Trade and Industry (Tsūsanshō; until 2001)
MOAFF	Ministry of Agriculture, Forestry and Fisheries (Nōrin Suisanshō)
MOC	Ministry of Construction (Kensetsushō; until 2001)
MOE	Ministry of Education (Mombushō; until 2001)
MOEv	Ministry of Environment (Kankyōshō)
MOF	Ministry of Finance (Ōkurashō; until 2001)
MOFA	Ministry of Foreign Affairs (Gaimushō)
MOHA	Ministry of Home Affairs (Jichishō)
MOHLW	Ministry of Health, Labor and Welfare (Kōsei Rōdōshō)
MOJ	Ministry of Justice (Hōmushō)
MOLIT	Ministry of Land, Infrastructure and Transport (Kokudo Kōtsūshō)
MOPT	Ministry of Post and Telecommunications (Yūseishō; until 2001)
MOT	Ministry of Transport (Unyushō; until 2001)
MOW	Ministry of Welfare (Kōseishō; until 2001)
NLA	National Land Agency (Kokudochō; until 2001)
ODA	Okinawa Development Agency (Okinawa Kaihatsuchō; until 2001)

Okinawa Development Law	Special Measures Law for Okinawa Promotion and Development ( <i>Okinawa shinkō kaihatsu tokubetsu sochihō</i> )
Okinawa Development Plan	Okinawa Promotion and Development Plan ( <i>Okinawa shinkō kaihatsu keikaku</i> )
Okinawa U.S. Military Land Reversion Law	Special Measures Law Concerning the Return of Land Used by the U.S. Military in Okinawa Prefecture ( <i>Okinawaken ni okeru chūryū gunyōchi no henkan ni tomonau tokubetsu sochi ni kansuru hōritsu</i> or <i>Gunten tokusohō</i> )
OPC	Okinawa Policy Council (Okinawa Seisaku Kyōgikai)
OSK	Okinawa Seisaku Kyōgikai (Okinawa Policy Council; used in the references)
OT	<i>Okinawa Times</i>
PA	Police Agency (Keisatsuchō)
PMO	Prime Minister Office (Sōrifu; until 2001)
RSH	<i>Ryūkyū Shimpō</i>
SAF	special adjustment fund
SDPJ/SDP	Social Democratic Party of Japan/Social Democratic Party (Shakai Minshutō)
SOFA	Status of Forces Agreement
SOMU	Ministry of Internal Affairs and Communications (Sōmushō)
STA	Science and Technology Agency (Kagaku Gijutsuchō; until 2001)
Tochiren	Okinawa Prefecture Union of the Owners of Military Land ( <i>Okinawaken Gunyōchi Nado Jinushi Rengōkai</i> )
Tōzeichō	The Liberal Democratic Party Research Commission on the Tax System ( <i>Jimintō Zeisei Chōsakai</i> )
UERI	Urban Economic Research Institute (Kokusai Toshi Keizai Kenkyūjo)
Zensō	Comprehensive National Development Plan ( <i>Zenkokudo sōgō kaihatsu keikaku</i> )



# Introduction

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The processes of globalization and of regional integration have intensified since the end of the Cold War (Hurrell 1998: 53-38). In East Asia,<sup>1</sup> they manifested themselves in various forms of macro-level intergovernmental arrangements,<sup>2</sup> as well as in micro-level economic zones. The latter embraces parts of sub-national regions across borders.<sup>3</sup> The processes also stimulated interest in local tradition, customs, and language, leading further to a revival of local and ethnic identities that were previously often ignored or stigmatized as “parochial.”

In comparison to Europe, the regional integration in East Asia has been proceeding much slower. Several factors can be accounted for this situation. The region covers a vast area and encompasses diverse people, religions and socio-political and economic systems. More significantly, acute threats to regional security exist in the region. The two most important of these threats arise from the unresolved divisions of the Cold War era and the related focuses of tension. One is on the Korean Peninsula owing, in particular, to the policy of communist North Korea (e.g., development program of nuclear

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<sup>1</sup> Following the usage by the UN and other international organizations, this thesis adopts the broader definition of East Asia (Gawlikowski 2004: 18-21).

<sup>2</sup> The inter-governmental organizations include: Asia-Pacific Economic Cooperation (APEC, 1989), ASEAN Free Trade Area (AFTA, 1992), East Asian Economic Caucus (EAEC, 1993), ASEAN Regional Forum (ARF, 1994), ASEAN + 3 (Japan, PRC, South Korea), East Asia Summit (ASEAN + Japan, PRC, South Korea, Australia, New Zealand, India), and previously established: Association of South-East Asian Nations (ASEAN, 1967), Pacific Free Trade and Development Conference (PAFTAD, 1968), Pacific Basin Economic Council (PBEC, 1968) and Pacific Economic Co-operation Conference (PECC, 1980). For the discussion of institutional arrangements in the region, see Halizak (1999: parts III and IV).

<sup>3</sup> The sub-regions include: Greater South China Economic Zone (Guangdong and Fujian in PRC, Hong Kong), Baht Economic Zone (or Indochinese Economic Zone; Vietnam, Laos, Cambodia and Myanmar), Japan Sea Rim Zone (or Japan Sea Rim Economic Zone; Japan, South Korea, Russian Far East, PRC), Taiwan West Coast Economic Zone (Taiwan, Fujian in PRC), Yellow Sea Rim Economic Zone (North PRC, South Korea, North Korea), and Growth Triangle (Indonesia, Malaysia, Thailand).

weapons). The other is in the Taiwan Strait, where both sides (Taiwan and PRC) substantially increase their armaments (Halizak 2004: 34-74). There are also numerous unresolved border conflicts. Nevertheless, the process of regional integration, which has been labeled as “soft” (focused on economic relations) – has had far-reaching consequences for national policies (Scalapino et al. 1988).

These processes were very important for Japan as a great economic power operating in the region and in the world. Already in the mid 1980s, the Japanese central government<sup>4</sup> reoriented its development policy, putting forward the goal of “internationalization” (*kokusaika*) (Halizak (1991: 81-98). The national strategies for development, which are formulated in the National Comprehensive Development Plan (*Zenkokudo sōgō kaihatsu keikaku*, known under the abbreviation *Zensō*), reflected that policy shift. The Fourth *Zensō* adopted in 1987 set the target of creating “multi-polar land structure” (*takyoku bunsan kokudo*). According to that plan, particular regions were to foster local economic development, taking advantage of the cross-border exchange.

Following the centrally-set directives, local governments implemented the “internationalization” policy that resulted primarily in the development of infrastructure (e.g., for transport). In terms of creating a basis for autonomous development, the outcomes were disputable. Nevertheless, the ideas of “internalization,” “globalization,” and “integration” have taken deep roots both in national policies as well as in popular perception. Furthermore, local communities realized that globalization and regional integration create opportunities for autonomous development of local economy, particularly for peripheral communities bordering neighboring countries. Economic development, on the other hand, meant for the local governments also decreasing financial dependency on the central authorities.

At the same time, on the domestic front in Japan, other correlated processes of decentralization, administrative reforms, and deregulation have been gaining momentum. Japan, like several other East Asian countries, has been categorized as a “developmental state” (Johnson 1995; Gilpin: 2001: 316-333). The term implies that the central government plays a crucial role in planning national development strategies, as well as shaping social and economic policies (Gawlikowski 2004: 24-27). This centralized system of government in Japan was established in the Meiji era (1868-1912), and in a

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<sup>4</sup> In Japanese, following the Anglo-American tradition, the term “government” (*seifu*) in a broad sense signifies the executive, legislative and judicial branches of government, including (the Cabinet, bureaucracy, and the ruling party), while in a narrow sense, only the executive (Cabinet). The usage in this thesis follows the broader meaning of the term.

slightly modified form (although under constitutionally very different framework), survived postwar reforms of the American occupation authorities. The first signs that the system became dysfunctional became visible in the late 1980s. The corruption scandals that erupted, such as the Recruit scandal in 1987<sup>5</sup> or Sagawa Kyūbin in 1992,<sup>6</sup> revealed the existence of cozy relations between bureaucracy, politicians and big business. Many people started questioning the morals of bureaucrats, traditionally trusted and respected, as well as of the politicians. And finally, in the beginning of the 1990s, the “bubble economy” burst (Wood 1993), plunging Japan into the most severe and prolonged recession since the Pacific War.<sup>7</sup>

The government introduced several measures to tackle the situation,<sup>8</sup> and further initiated other reforms aimed at transformation of the system. The legislative process directed at reforming central-local relations and increasing local autonomy began in 1993. The Diet adopted the policy of the Promotion of Local Decentralization (*Chihō bunken suishin*). The issue was set thereby on the governmental agenda, and the consecutive discussions and consultations resulted in approval of Decentralization Laws (*Chihō bunken ikkatsuhō*) in July 1999. The decentralization reforms were implemented on 1 April 2000, but the situation of local governments has not changed dramatically since the introduction of the reforms. For example, the most disputed issue of transferring a larger portion of centrally-collected taxes to local governments for their discretion, remained unresolved. Nevertheless, the need for further decentralization and an increase of local autonomy has

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<sup>5</sup> The Recruit scandal was an insider trading and corruption scandal that involved many prominent politicians (Prime Minister Takeshita Noboru, former Prime Minister Nakasone Yasuhiro, and Chief Cabinet Secretary Fujinami Takao) and business leaders. The chairman of Recruit – the real estate and telecommunications company based in Tokyo – offered a number of shares in a Recruit subsidiary, Cosmos, to politicians and others shortly before Cosmos went public in 1986. Following the public offering, each individual involved in the scheme gained average profits of ¥66 million. As a result of the scandal disclosed in 1988, Takeshita’s Cabinet was forced to resign.

<sup>6</sup> The Sagawa Kyūbin scandal involved a Tokyo-based parcel delivery and courier service company, Sagawa Kyūbin, that has been linked to *yakuza*, the organized crime syndicate in Japan. Company officials provided an illegal contribution of ¥4 million to the LDP Vice President Kanemaru Shin, a political patron of the Prime Minister Miyazawa Kiichi. The scandal forced Japan’s most powerful politician, Kanemaru, to resign from his party post and leave his seat in the House of Representatives.

<sup>7</sup> Following the Japanese historiography, the term “Pacific War” (*Taiheiyō sensō*) refers here to military operations in the Asia-Pacific initiated by the Japanese attack on Pearl Harbor on 7 Dec. 1941 (8 Dec. in Japan). The operations ended with Japan’s surrender on 15 Aug. 1945. The term “Second World War (WWII)” signifies the military operations in Europe and Northern Africa between 1 Sept. 1939 and 9 May 1945.

<sup>8</sup> In Aug. 1992, the Miyazawa Cabinet announced a 10 trillion yen emergency stimulus package to boost the economic recovery.

become widely accepted among political actors and the general public. And if the processes of globalization and regional integration provided strategies for development for sub-national regions, the process of decentralization, or more precisely, the argument for a need to decentralize and to increase local autonomy has become widely used for legitimizing various political actions.

In the context of these two powerful forces at work, the Program for Autonomic Modernization (*Kokusai toshi keisei kōsō*, literally, Program of the international city formation)<sup>9</sup> undertaken by the Okinawa prefecture is of special importance. In the early 1990s, the prefectural government formulated the long-term Program for Autonomic Modernization, and partially succeeded in implementing it due to several factors discussed in the consecutive chapters. In light of existing theories of central-local relations in Japan, it was difficult, however, to explain the Okinawan initiative. According to the prevailing theories, which are referred to as the vertical control model and the interdependency model,<sup>10</sup> there was no room in the Japanese decision-making system for such an undertaking.

According to the vertical control model, which is associated with the early postwar studies of a prominent Tokyo University professor, Tsuji Kiyoaki (1953; 1992: 144), local governments are controlled by the central bureaucracy via several means. These include: (1) the authority ascribed by provisions of law, which requires the governors and mayors to carry out the centrally-decided policies; (2) centrally-distributed finances; (3) issuing of approvals and permissions; (4) dispatch of personnel from the central ministries and agencies (hereafter referred to as “ministries”) to the prefectures for a certain period of time, which helps to administer local implementation of the national standards (Tsuji 1983: 37-55); and (5) better access to information, technical expertise, research facilities, and also better-educated personnel (discussed further in chap. 1). According to this model, therefore,

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<sup>9</sup> The name *Kokusai toshi keisei kōsō* was used by the prefectural office to designate the entire set of projects discussed below. The literal translation in English is unclear, and for that reason, the name “Program for Autonomic Modernization” was adopted (see Fig. A-1 for the outline of the Program).

<sup>10</sup> Both terms of vertical administrative control and interdependency model (also called “overlapping authority,” “horizontal” or “lateral political competition”) were coined and elaborated by Muramatsu (1997: 27-54, 124-144). Muramatsu distinguishes also a sub-model of horizontal political competition, which was juxtaposed by the horizontal political cooperation model by Richard Samuels; but as Samuels (1983: 244) explains, the main difference between his and Muramatsu’s model is the emphasis on lateral cooperation rather than competition in trans-local relations. Because that distinction does not directly relate to the discussion of local autonomy in this thesis (since both models focus on local-local relations), for purposes of clarity, discussions of both sub-models were omitted from this paper.

the local governments function as executive branches of the central authorities.

On the other hand, the interdependency model advocated by another well-known Japanese scholar, Muramatsu Michio,<sup>11</sup> posits that, within the above-mentioned legal and administrative constraints, local governments can exhibit independence. In other words, it is possible to have structural centralization and local autonomy (Muramatsu 1997: 139). According to Muramatsu, local governments can exhibit independence in decision-making by selecting subsidized projects and later modifying those projects according to their preferences at the implementation stage.

The autonomy of local governments in policy making in the second model mainly involves, therefore, the decision whether to respond to the centrally-formulated policies, or whether to modify those policies during their implementation. Such autonomy, however, seldom involves decisions to formulate “purely local policies” (Reed 1986: 165) – that is, policies created *by* the local governments in response to local needs, which are referred to as “autonomy of policy initiative.” In consequence, as Muramatsu comments himself, the localities are predominantly concerned with distributive policies,<sup>12</sup> especially in the form of subsidies.

The case of the Program for Autonomic Modernization demonstrates, however, that the local initiative in policy making of comprehensive regional development is, indeed, viable. Questions therefore arise about the factors that contributed to the initiative, and the methods of policy formulation used by the local government, which is not normally equipped for this kind of undertaking. The case also poses questions about the strategies employed by the local actors existing under the centralized system of policy making, vis-à-vis the central authorities, to implement the local policies.

The research embodied in this paper attempts to provide answers to these questions, setting forth the hypothesis that the processes of globalization and regional integration in East Asia, as well as of decentralization domestically, are having far-reaching consequences to the centralized sys-

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<sup>11</sup> The proponents of this model include: Aqua (1980: 353), Flanagan (1980: 427-444), Samuels (1983: 243-247). Even the more recent research of the local-central relations in Japan, such as, for instance, the policy network analysis by Hiromoto Masayuki (1996, 1997), is based on the Muramatsu’s model of interdependence.

<sup>12</sup> Muramatsu actually uses the term “policies of redistribution” without specifying its meaning. The inclusion of subsidies under this term, however, indicates that he means “distributive policies” (Muramatsu 1987: 164), as that term is most commonly defined by policy process theorists. For the definition of distributive and redistributive policies, see for example, Lowi (1972: 298-310, 1964: 677-715, 1970: 314-325); Ripley (1985: 57-91); Ripley et al. (1991: 16-24).

tem of decision-making in Japan. The study also aims to illustrate how the local governments function in Japan, and what their relations are like with the central authorities.

The significance of the Program for Autonomic Modernization as a case study can be summarized as follows. First, it provides a test case for the prevailing explanation that local governments follow the centrally-formulated policies rather than initiate their own policies for comprehensive regional development. Second, the case is instructive for investigating and identifying conditions under which an independent local policy making – that is, formation of a policy concerning local community *by* the local government on its own initiative – is viable. Third, a study of the broad scope of issues involved in the policy making process for Okinawa allows for a thorough examination of assimilation strategies that the central government employed towards demands made by local actors. The broad scope of issues studied here concerns regional economy, history, culture, society, national security affairs, as well as the variety of policy initiatives contained in the Program that were successfully carried into implementation. Fourth, the proposals of the Program for Autonomic Modernization influenced national policy making. It provided, for instance, the idea for special zones (*tokku*) for structural reforms, one of the landmarks of the Koizumi Junichirō Cabinet (2001-2006). Hence, this case study is also instructive for investigating the origins and characteristics of the present trends for structural reforms, and more generally, for investigating local influences on national policy.

Finally, the existing research on the Program for Autonomic Modernization is limited at present to description of the policy content,<sup>13</sup> or to the economic aspects,<sup>14</sup> while the policy process has been omitted. This first detailed examination of the policy process for the Program for Autonomic Modernization illuminates the origins of the Program, the participating actors and the conflicts among them, the bargaining strategies, and the final outcomes. It also identifies a set of factors that influenced the policy on particular stages. The research therefore attempts to fill the gap in the academic literature on the Program for Autonomic Modernization, and furthermore, contribute to a theoretical understanding of policy process and local autonomy in Japan.

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<sup>13</sup> For the content description of the Program for Autonomic Modernization, see Ōshiro (1997: 139-151), Sakaguchi (1997: 151-168), Shiroi (1997: 169-202).

<sup>14</sup> An economic analysis of the Program for Autonomic Modernization has been undertaken by: Shinjō (1998: 359-385), Makino (1997: 197-283), Momose et al. (2002: 81-118), Miyagi (1998: 30-34).

## Studies of Japanese Politics, Foreign Relations, and Economy in Poland

The issue of central-local relations in Japan – the subject of this thesis – has not yet drawn much attention of researchers in Poland. With the exception of the description of the Japanese constitutional framework by Krzysztof Karolczak in *System konstytucyjny Japonii* (1999: 47-50), which among others, introduces the articles of the Japanese Constitution relating to local autonomy (art. 92-95), not much more has been published on the subject (Leszczyński 1996: 97-99). Similarly, the literature on Okinawa has been scarce, with only two monographs written in the early 70s and 80s (Pawlak 1971, Wolny 2004). By contrast, there is a wealth of literature on Japanese domestic politics on the national level, the foreign policy, and particularly, the economy.

First, in the area of domestic politics, recent research has been focused on such issues as: the development of the Japanese political system, its characteristics, and the structural reforms of the 1990s. The most comprehensive account of Japanese political, economic, and social development since the Meiji era is presented by Ewa Pałasz-Rutkowska and Katarzyna Starecka in *Japonia* (2004). The authors discuss the process of introducing modern Western-style institutions in the late nineteenth century (constitution, parliament, political parties), the rise of militarism in the 30s and 40s, as well as the evolution of the so-called “55 system” (*gojū gonen taisei*) during which the conservative Liberal Democratic Party (LDP; Jiyū Minshutō) held power from 1955 until 2009 only with short breaks.<sup>15</sup>

The Japanese political system has been given considerable attention partly due to the fact that the Western-style institutions were introduced in a culturally different environment. The features of the political system include: the existence of power elite referred to as the “iron triangle” of the ruling LDP politicians, bureaucrats and big business, as well as a “small triangle” of the LDP intra-party factions, parliamentary groups of specialists in certain areas (so-called “policy tribes” or *zoku giin*), and powerful party individuals (Karolczak 2004). Given the different cultural background, Krzysztof Karolczak argues that democratic institutions introduced after the war by the American occupation authorities have functioned as a façade, or *tatema*, without true substance of *honne*, although the author also warns

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<sup>15</sup> On the Japanese party system see: Shibata (2000), Starecka (1999).

against applying western concepts indiscriminately to non-western societies (Karolczak 1998: 67-76).<sup>16</sup>

One of the most controversial issues relating to the Japanese political system has been the role of the state. The traditional school of interpretation, based on the idea of a strong state, is presented by Anna Ząbkiewicz in *Institucje i wzrost gospodarki Japonii* (2006). The author concludes that, in spite of the present economic problems that call for drastic reforms, especially in finances and banking, the introduction of liberal Anglo-American systems might be difficult due to the slow process of changes in mentality that ultimately determines functioning of institutions. On the other hand, Jolanta Młodawska challenges the idea of the strong state (Młodawska 1999: 235-246, 2001, 2002: 173-181), contending that the influence of the central government varies across policy areas.<sup>17</sup> The author points out that while the bureaucracy provides general direction for development, it is the interaction between politicians and business representatives that shapes the practical realization strategies.

Recently, the topic of structural reforms has become one of the most dominant in light of the serious political, economic, and social problems that Japan has been facing since the beginning of the last decade of the twentieth century. Krzysztof Jasiecki (1998: 77-100) points out that, politically, the ongoing changes involve a shift from a homogeneous to a more pluralistic society, while economically, the changes demonstrate a weakening of the role of the bureaucracy and a strengthening of the private sector. In the case of the administrative reforms, Sławomir Wysocki (2002: 149-155) demonstrates that the changes involve a shift of power from bureaucratic agencies to politicians, particularly to the Prime Minister and his office.

Second, in the area of Japanese foreign policy and international relations, generally two issues have received focus: Japan's priorities in foreign policy, and relations with specific partners (USA, China, Russia, South and North Korea, and Poland). Japan's foreign policy, according to Władysław Góralski, has been relatively stable since the end of the Pacific War, dominated by the efforts to protect the Japanese national economic interests. Furthermore, the second important feature of Japan's foreign policy relative to national security has been the centrality of the Japan-US security alliance, which has been evolving towards a greater partnership that is more "equal burden-sharing," with increased independence of decision-making on the part of Japan

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<sup>16</sup> For a discussion of western concepts in relation to Asian-Pacific cultures and the problems they create (although not specifically Japan), see Gawlikowski (1998: 9-52).

<sup>17</sup> The particular area of technology import during the high-speed economic development that was supervised by the Ministry of International Trade and Industry (MITI) is analyzed by Romanowski (1999).



(Góralski 1998: 101-130, Halizak 1999: 150-166). Such continuity of policy, as posited by Edward Halizak, was due to Article 9 of the Japanese Constitution, which renounces Japan's right to war as a way of solving international disputes, and the possession of an army (Halizak 2004: 99). The end of the Cold War, the diminishing role of the US as the Japanese "defense umbrella," as well as the perceived threat of growing Chinese influence, led Japan to reorient its foreign policy, giving rise to its aspiration of becoming a leading regional political player (Potocka 2004: 90-110). Such aspirations, however, are undermined by several unresolved issues related to Japan's territories and its wartime activities (e.g., the colonization of Asia, the Nanking massacre, and "comfort women"; Rowiński 2004: 123-160). Another barrier for assuming such a role, as Halizak argues (2004: 135, 1999: 150-166), is Japan's "ambiguously defined identity," which can be explained as Japan's negation of being an "Asian" nation, but its not being a "Western" one either. Ultimately, this ambiguous identity undermines Japan's legitimization for assuming the role of a regional leader.

If Japan's relations with the United States, built on the mutual security alliance, have been relatively stable since the Pacific War and are predicted not to substantially change in the future (Góralski 1984, 1976), Japan's relations with China have been dominated by the economy, particularly after signing the Peace Treaty in 1978 (Jakimowicz 1999: 33-48, 2002: 124-139). The political relations between the two neighbors have stayed "cool," as asserted by Robert Jakimowicz (2004: 199-211), occasionally becoming "hot," stirred by the issues of Japan's war responsibilities, history textbooks or the territorial dispute over the Senkaku (Chin. Diouytai) islands (Halizak 2004: 67-69). The territorial dispute over another group of islands, the southern Kurile, has become the core of Japan's problems with Russia, which ultimately prevents normalization of relations between the two neighbors that have not yet signed a peace treaty (Potocka 1999: 49-79, Wojtkowiak 2000, Halizak 2004: 65-67, Rowiński 2004: 130-132).

In comparison to the stable military alliance with the US, strengthened by a strong economic and cultural exchange, and dynamic economic relations with China and other countries in East Asia (Potocka 2004: 105-110), Japan's interest in Poland has been relatively limited (Pałasz-Rutkowska et al. 1996; Pałasz-Rutkowska 1998). The situation will probably not dramatically change in the future, although Góralski posits that further intensification of relations could occur in the areas of trade and investment if Polish authorities undertake proper steps (Góralski 1998: 101-130).

Third, among the three areas of domestic and foreign politics and economy, the economy has been given utmost attention, with three issues being of particular interest: (1) the factors contributing to Japan's "economic

miracle” and stagnation in the 1990s; (2) international economic policy; and (3) Japan’s management style. Among the factors that contributed to Japan’s spectacular economic growth, Jerzy Grabowiecki (2000) names: postwar reforms of the socio-economic system and government economic policy that led to the accumulation of high savings and investment, gradual liberalization of economic relations with foreign countries, and the international situation (Drelich-Skulska 2002: 166-176). The burst of the “bubble economy” caused by speculations on the price of land and stocks, and the prolonged recession, weakened the country (Bilski 2002; Jackowicz 2001), but Japan still remains one of the leading economies in the world (Kaja 1996).

Japan’s foreign economic policy has undergone significant changes, as argued by Jan Bossak and Bogusława Drelich-Skulska (1990), from protectionism, particularly during the high-speed growth era (from mid 1950s to early 1970s), to the gradual liberalization that began in the second half of the 80s. In addition, Halizak (1991) contends that the following added to gradual liberalization: structural reorientation from exports towards stimulation of domestic demand, private consumption, and increasing imports, foreign direct investments and aid. The position of Poland in those relations, as noted, has been small, and to improve the situation, Drelich-Skulska (2004: 325-336) suggests that Polish companies would have to develop new means to attract Japanese capital and learn business strategies to enter the Japanese domestic market. The companies would also have to transform their offers that, at present, consist of standard products for which international competition is very high.<sup>18</sup>

Finally, one of the major factors contributing to Japanese economic success has been the Japanese work organization and management style. As to the significant features of the Japanese work organization, Jarosław Witkowski (1998, 2003) points to the underlying philosophy of continuous improvement, or *kaizen*, as well as the structure of *keiretsu*, which are enterprise groups of large manufacturers, their suppliers and distributors, and big banks. Furthermore, *keiretsu* operate based on such systems as: just-in-time (JIT), total quality management (TQM), and distribution signaling system, or *kamban*. In addition to the philosophy of *kaizen* (Wasilewski 1997), Lesław Wasilewski (1992) discusses several other methods that are commonly used in Japanese organizations: the bottom-up initiative and approval system of *ringi*, consensus-seeking through informal discussions of *nemawashi*, the importance of middle-rank managers, and long-term planning. If the cultural elements of the Japanese system are difficult to transplant to a cultur-

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<sup>18</sup> On earlier Polish-Japanese economic relations, see Bossak (1978); Łukaszuk (2004: 256-258).

ally different environment, the other methods (e.g., JIT, TQM) have already proven to be of universal value, increasing the competitiveness of various companies around the world.

## The Methodology

For the reconstruction of the political processes involved in the elaboration of the Program for Autonomic Modernization, this study applies the revised model of the multiple streams. This model was originally used by John Kingdon (1995) to analyze the policy making in the U.S. at the national level (Zahariadis 1999: 73-93), but in this research, it is extended to the local and central-local levels.<sup>19</sup> Kingdon's model is particularly useful for logically organizing facts, and for explaining factors related to policy initiation and agenda setting. Its explanatory power has been successfully tested on case studies outside the United States (Zahariadis 1995), but not yet on Japan.

According to Kingdon's model, policy is a collective output formed by the push and pull of several factors that can be categorized into three streams: (1) the politics stream that consists of elections, public mood, interests group campaigns, partisan or ideological distribution in legislative organs, and changes of administration; (2) the problems stream that is data about various problems facing a given community, which are brought into focus by routine monitoring (e.g., changes in governmental expenditures), research studies, political pressure, or dramatic events; and (3) the policy stream that includes various ideas and solutions to policy problems.

The streams are independent unless a "policy window," also called a "window of opportunity"<sup>20</sup> opens and permits the "policy entrepreneurs"<sup>21</sup> to couple the streams and push with their policy initiatives. This results in setting the issues on the governmental decision agenda.<sup>22</sup> Hence, in addition

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<sup>19</sup> The research does not discuss in detail the implementation and evaluation stages, but focuses only on the first stages of problem recognition, agenda setting, policy formation, and policy approval (legitimization or decision-making). For a discussion of the policy stages, see for example, Lasswell (1956: esp. 1-23), Dror (1989: 32-57), Miyakawa (2000: 145-147, 169-204).

<sup>20</sup> A policy window (window of opportunity) is a temporal stimulus for choice or an opportunity for advocates of proposals to push their pet solutions, or to draw attention to their special problems (Kingdon 1995: 154).

<sup>21</sup> Policy entrepreneurs are advocates of certain policies who are "willing to invest their resources (time, energy, reputation, and money) to promote a position in return for anticipated future gain in the form of material, purposive, or solidary benefits" (Kingdon 1995: 179).

<sup>22</sup> The decision agenda is a list of items the government is planning to execute. Kingdon differentiates it from the public agenda, which consists of items that are of concern to the wider

to the coupling of the three streams, the existence of “policy entrepreneurs” becomes a *sine qua non*. Within the local policies covered in this study, the “policy entrepreneurs” included both local and national actors. The former were the initiators of a given policy (policy as a solution to a particular local problem). The latter, however, represented local policies on the national level as “acting policy entrepreneurs,” being involved in the process for political reasons (e.g., meeting local demands under political pressure). As a result, the local policies, as the subsequent chapters demonstrate, often changed to suit the personal, partisan or other organizational interests of national actors. Nevertheless, in the absence of a national “policy entrepreneur” in support of a local policy, the chances of that policy being set on the governmental decision agenda decreased, even when a policy window was open.

The policy windows are opened by compelling problems in the stream of problems or by events in the stream of politics (Kingdon 1995: 172-179). They close when policymakers feel that they have addressed the issue sufficiently, that they have failed to generate action, or that there is no available alternative. Closing of policy windows also happens when the persons whose presence opened the window are no longer in power, or when the crisis or focusing event has expired (Kingdon 1995: 168-172). In the case of the Program for Autonomic Modernization, the analysis shows that, while focusing events and changes in administration opened policy windows, compelling problems related to the U.S. military bases provided the prefectural government with bargaining cards vis-à-vis the central government. Those cards allowed setting the locally-initiated policies on the governmental decision agenda. Furthermore, the study demonstrates that once a policy window was opened, the success of the locally-initiated policies was determined by three factors: the interaction between the governmental decision-making structures (the bureaucracy and the ruling party), the will of the national executive leaders to exercise political leadership, and the negotiation skills of local actors.

## Materials and Sources

The reconstructions and analysis of the policy process for the Program for Autonomic Modernization have been based on the text analysis of various primary sources. These include, among other sources: plans, programs, and projects, governmental documents, prime ministers’ general policy speeches,

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public, and the formal agenda, which consists of items to which the government is paying attention (Kingdon 1995: 3-4).

party platforms, records from the Diet, and records from the prefectural assembly and deliberation committees. Since this is the first reconstruction of the policy process of the Program, the study extensively relies on numerous unpublished internal documents of governmental agencies provided by the Okinawa Affairs Office in the Cabinet Internal Affairs Office, and the Okinawa prefectural government. All those documents have been photocopied and are available for examination upon request. To make the complex policy process of the Program for Autonomic Modernization more transparent, detailed figures and tables of each policy initiative were prepared and are included in the Appendix.

In reconstructing the policy process for the Program for Autonomic Modernization, the press coverage of the two major local newspapers, the *Ryūkyū Shimpō* and *Okinawa Times* (both published in Naha city), provided invaluable materials. These were verified whenever possible with other sources. It is important to note that the two newspapers dominate the local market,<sup>23</sup> and perceive themselves as the voices of the Okinawan society. Such a perception often translated into the newspapers functioning as a “watch dog” of both the central and local governments (as well the American government), which resulted in detailed accounts of governmental actions and behaviors. The newspapers were therefore exceptionally useful in providing specific information for the analysis of the policy process.

In addition, several intensive, in-depth interviews with the key actors involved in the Okinawa policy process were conducted, the majority of which were recorded. The interviews were often several hours long and were conducted over a four-year period. Interviews with other important actors that were published in daily newspapers and magazines were of help, as well. Finally, specialized accounts, statistical data, and academic studies, predominantly in Japanese, were also relied upon in conducting the research for this thesis.

## Overview of the Chapters

The first two chapters of this thesis provide an introduction to the Japanese system of policy making. Chapter 1 introduces Japanese political actors and institutions, while chapter 2 outlines the decision-making system of Japan

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<sup>23</sup> Among the 1,365,465 Okinawans and 496,375 households as of Jan. 2006, the *Okinawa Times* had a circulation of 207,549 (Jan. 2006) and the *Ryūkyū Shimpō* had a similar circulation of 205,086 (March 2006). <http://www.pref.okinawa.jp/toukeika/>; <http://ryukyushimpo.jp/info/page-96.html>; <http://www.okinawatimes.co.jp/com/gaiyou.html> (28.08. 2006).

and the position of the Okinawa prefecture in that framework. Subsequent chapters discuss the policy formation and decision-making process of the Program for Autonomic Modernization, which has been divided for analytical purpose into six phases. Each phase is centered on one of the following projects contained in the Program: Project for Return of the Military Bases, Deregulation Project, Modernization Projects, All-Okinawa Free Trade Zone (FTZ) Plan,<sup>24</sup> and the final Okinawa Development Plan for the 21st Century, prepared by the central government (see Fig. A-1 for the structure of the Program). In addition, each phase exhibits distinctive characteristics of several patterns of decision making in Japan.

Chapter 3 discusses factors contributing to the prefecture's decision to initiate the Program for Autonomic Modernization and the formation process of the first part – the Project for Return of the Military Bases (Nov. 1990 – Jan. 1996). Chapter 4 describes the formation of the Deregulation Project (Jan. – Aug. 1996), which was to introduce several deregulation measures to stimulate local development. It examines factors that led to the Project's adjournment by the central bureaucracy, as well as those that allowed implementation of one item – the Tokyo-Naha airfare reduction. Chapter 5 explains the creation of the Modernization Projects (Jan. – Nov. 1996), investigating factors that allowed some of the proposals to be set on the national decision agenda, and those that shaped the final policy output. Chapter 6 analyzes the circumstances that led to the formation of the All-Okinawa FTZ Plan (Jan. – Nov. 1997), after its initial version in the Deregulation Project was blocked by the central bureaucracy. This plan contained the most radical proposals for deregulation measures, including the idea of the prefec-

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<sup>24</sup> The prefectural government formed three other plans not analyzed in this research: (a) the Basic Plan of the International City Formation: Towards Realization of "the 21st Century Grand Design" (*Kokusai toshi keisei kihon keikaku: "21 Seiki Okinawa gurando dezaian" no jitsugen ni mukete*) in May 1997 – hereafter cited as the Basic Plan of the Program for Autonomic Modernization; (b) Towards Realization of the program of the international city formation (*Kokusai toshi keisei kōsō jitsugen ni mukete*) in May 1998 – hereafter cited as Towards Realization of the Program for Autonomic Modernization; and (c) the Okinawa Policy Proposal Towards the 21st Century (First Draft): Pacific Crossroad of Okinawa (*21 seiki ni muketa Okinawa seisaku teigen [Daiichiji an], Pashifikku kurosurōdo: Okinawa*) in Feb. 1998 – hereafter cited as Pacific Crossroad of Okinawa. The policy process of these plans is not discussed in detail because the latter two plans were not approved by the prefectural government as an official prefectural policy (due to a stalemate between Tokyo and Okinawa and a consecutive change of governors). These plans were not, therefore, submitted to, or negotiated with, the central government. The Basic Plan of the Program for Autonomic Modernization, on the other hand, which was submitted to the central authorities in May 1997, was part of the policy process of the Modernization Projects, and the projects funded by the first special adjustment fund. For that reason, the Basic Plan is not treated separately.

ture-wide free trade zone. The chapter also identifies factors that contributed to the setting of this plan on the national decision agenda.

After the submission of the All-Okinawa FTZ Plan to the central government, the process moved entirely on the national level. Chapter 7 outlines the assimilation of the All-Okinawa FTZ Plan by the central government (Nov. 1997 – March 1998), particularly in the LDP intra-party organs. It identifies methods that shaped the final policy outcome. Chapter 8 then presents the final phase – the formation of the Okinawa Development Plan for the 21st Century (July 1998 – Aug. 2000) by the central government. That plan was to induce approval of the intra-prefecture military base relocations, and terminate the Program for Autonomic Modernization by creating a substitute symbol for it.

The concluding chapter recounts the analysis made throughout this thesis concerning local policy formation and final policy output. The chapter also reviews the types of assimilation methods employed by the central government towards local policy initiatives, and reexamines patterns of policy making in light of the findings of this research. The thesis concludes by stating that the Program for Autonomic Modernization can be perceived as one of the first harbingers of change that the powerful forces of globalization and regional integration in East Asia, on one hand, and the domestic process of decentralization, on the other, are bringing into the system of policy making of local development in Japan.

## Editorial Note

Japanese names are given in Japanese order, the surname first, followed by the given name. When, however, books by Japanese authors were published in English with the author's name written according to the European and North American norm (first given name followed by the family name), that publication order is preserved. Japanese names and other terms are transcribed in the Hepburn system, which applies a line over a vowel (e.g., *ō*) to signify long vowels, except for some words (e.g., Tokyo, Kyoto) that are commonly used in English literature without that symbol. Chinese terms are transcribed according to the *pinyin* system, and simplified by the omission of tonal symbols, which has been adopted by the UN and other international organizations. All translations of quotations, terms, names, and titles from Japanese into English are by the author, unless specified otherwise.

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## CHAPTER 1

# Japanese Political Actors and Institutions

The economic changes that followed the period of high-speed economic growth [1954-73] resulted in the pluralization of interest groups. If one considers the ties between interest groups on the one hand and administrative agencies of the central government and the *zoku* MPs in the LDP on the other to constitute the major nexus of the policy process, then this nexus, too, has become multidimensional (Abe et al. 1994: 50).

The Constitution, which came into effect on 3 May 1947, transformed the prewar political system of Japan. In a country where the emperor was considered a God, the new Constitution proclaimed that sovereign power resides with the people. Following Abraham Lincoln's famous proposition in the Gettysburg Address of 1863, "government of the people, by the people and for the people," the document stated in the preamble that "Government is a sacred trust of the people, the authority for which is derived from the people, the powers of which are exercised by the representatives of the people, and the benefits of which are enjoyed by the people."<sup>25</sup> The Constitution introduced separation of powers between the legislative, executive and judicial branches of government. A democratic system was thereby established. The actual functioning of the democratic institutions was to undergo substantial changes parallel to those the Japanese economy and society would experience in the years after the Pacific War.

In the system of public policy making in Japan in the 1990s, the primary actors included political parties, civil service and interests groups. Borrowing a term from American politics, the Japanese popular political commen-

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<sup>25</sup> The Japanese Constitution is available both in English and Japanese on the home page of the office of the Prime Minister. [http://www.kantei.go.jp/foreign/constitution\\_and\\_government\\_of\\_japan/constitution\\_e.html](http://www.kantei.go.jp/foreign/constitution_and_government_of_japan/constitution_e.html) (1.08.2006).

tary labeled the three as the “iron triangle.” While in the 1950s and 1960s the term was to some degree substantiated, in the 1990s policy making in Japan was characterized by “the existence of disaggregated policy communities, [and] of a multiplicity of iron triangles” (Curtis 1999: 54). In the Japanese political system, other political entities such as the emperor, the Diet, the prime minister and the cabinet, the courts, local governments, mass media, research and consulting institutions, etc., also constitute important parts. Their influence however varies across policy stages and policy areas, while some of them play only minimal roles in the policy process.

## 1. The Emperor and the Diet

The 1947 Constitution assigned the emperor the role of “the symbol of the State and unity of the people,” which differs substantially from the pre-war position of the source of sovereign power. The emperor performs quite a wide range of duties, such as: attestation of the appointment and dismissal of the cabinet ministers (including the premier), of the chief judge of the Supreme Court and of the ambassadors previously designated by the Diet, promulgation of amendments of the Constitution and of other legal documents (laws, cabinet orders and treaties), convocation of the Diet, dissolution of the House of Representatives, proclamation of the Diet elections, awarding of honors, and receiving foreign ambassadors and ministers (art. 7). In reality however, the duties have only ceremonial significance and the emperor has not influence over their content. The Constitution itself explicitly forbids the emperor to have any “power related to the government” (art. 4). The Imperial House Law further stipulates the rights and duties of the emperor and his family. The emperor never makes any comments on political matters or participates in any kind of political negotiations (unlike, for example, the monarch in Thailand). In spite of that, as a symbol of Japan the emperor is highly respected by the majority of people. If there is any taboo in Japanese public life, it is the negative news about the emperor, the imperial family or the responsibility of Emperor Shōwa<sup>26</sup> for the Pacific War (although there exist to some extent discussions on both topics).<sup>27</sup>

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<sup>26</sup> Emperor Shōwa is known outside of Japan as Hirohito, which is his given name. Referring to emperors, the Japanese never call them by their given names, but use the terms “the Emperor” (*Tennō*) or “His Majesty the Emperor” (*Tennō Heika*). Shōwa (Enlightened Peace) is the name of the era that Hirohito reigned over (1926-1989). It is also his posthumous name. The tradition of naming the era after the emperor and of giving the deceased a new name came from China and originally the two names differed. From the Meiji era (1868-1912), the two

According to the 1947 Constitution, “the highest organ of state power” is the Diet (*Kokkai*), which takes precedence over the executive branch (Richardson 1997: 127-151; Karolczak 1995). The Diet designates the prime minister from among the Diet members and the judges of the Supreme Court, approves the national budget, ratifies international treaties, and sets formal proposals for amending the Constitution. The Diet is divided into two chambers: the lower House of Representatives (*Shūgiin*), and the upper House of Councillors (*Sangiin*). The former has substantially greater authority, being able to introduce “no-confidence motions” against the cabinet (although the cabinet can also dissolve the House of Representatives) or pass a bill without the approval of the Upper House (if resubmitted to the House of Representatives and approved by two thirds of the members present). There are three categories of Diet sessions: ordinary, extraordinary, and special, of which the ordinary session, convened once a year in January (for 150 days), plays the central role. During that session, the Diet approves the next year’s budget and passes the laws necessary to implement it.

The House of Representatives is composed of 480 members, of whom 300 are chosen in single-seat constituencies and 180 by proportional representation. In the latter system the seats are distributed to party members according to the proportion of the vote received by the party in a given electoral block (there are 11 national blocs which according to size return between 6 and 30 members). The members of the House of Representatives are elected to four-year terms. The cabinet may dissolve the House before the end of a full term, which has been a common practice in Japan. The House of Councillors has 252 members, of whom 100 are elected by proportional representation in a single nationwide electoral district and 152 from 47 prefectural constituencies, each returning 2 to 8 members. The members of the Upper House are chosen for six-year terms. Half of the members are chosen every three years, and remain in their positions even in case of the dissolution of the Lower House.

The basic electoral organizations of Japanese Diet members, and particularly but not exclusively of the conservative Liberal Democratic Party (LDP), are local support groups (*kōenkai*). That is not a party organization, which on the local level is weak (Curtis 1971: 126-178). The *kōenkai* function

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names became the same (although when referring to the monarch, *Shōwa* is always used in the phrase *Shōwa Tennō* or Shōwa Emperor). The present era of Emperor Akihito (reign 1989-) is called Heisei (Universal Peace). The year 2010 is Heisei 22.

<sup>27</sup> There are a variety of tabloids that specialize in gossip, including ones about the royal family. Nevertheless, the tone of the reporting about the royal family in Japan is quite different from the scandalous style of that regarding, for instance, the British royal family.

as a pipeline through which Diet members can deliver benefits to constituents and through which the support group can channel funds and other support to the legislator. The support groups, often divided into sub-groups, are presided over by the local assembly members. In big cities, the number of non-aligned voters has been on the increase, but in overrepresented rural areas, where old-style politics still prevail, the *kōenkai* are of special significance. In the paternalistic father-child relations (*oyabun-kobun*), local people are consistently loyal to their Diet member. In exchange, they become favored recipients of a bigger share of government benefits. The most remarkable examples are the electoral districts in Niigata prefecture of the ex Prime Minister Tanaka Kakuei (1972-1974) and in Shimane prefecture of the ex Prime Minister Takeshita Noboru (1987-1989). The districts were at one time the top recipients of public works spending per capita nationally. The importance of local loyalties is also reflected in the practice of second generation Diet members who “inherit” seats from fathers or fathers-in-law. Hence, as the popular saying goes, to win elections in Japan, one needs three *bans*: a well organized support group in the constituency (*jiban*), a briefcase full of money (*kaban*) and a recognizable name (*kamban*).

Article 41 of the Japanese Constitution stipulates that the Diet “shall be the sole law-making organ of the State.” In practice, however, Diet functions are of a limited nature. One of the problems is that the policy process in the Diet is very short. Strict time limitations are imposed by institutional customs such as a long recess of the ordinary session in December and January, recess in the committees other than the budget committee, and fixed week-day deliberations. As a result, twelve out of 150 days of the ordinary session are available for each committee deliberation, and only 50 days, or 50-80 hours, a year for plenary sessions. Negotiations are conducted mostly in the Diet Affairs Committee of each party and the Diet steering committees of both houses – the Rules and Administration Committees. The Diet functions, therefore, primarily as “a checking, criticizing, and legitimizing mechanism” more than as a deliberative body (Knoke et al. 1996: 237; Iwai 1988: 126-131).

On the other hand, the Diet is the place where the most dramatic events of Japanese politics take place. Almost as if to compensate for the quiet consensus- and harmony-oriented character of political negotiations in Japan, the Diet provides the general public with political drama. Among the most spectacular are the tactics of the opposition parties to block controversial bills on which agreements could not have been reached. They include: the “cow walk” (*gyūhō*), the “sit-in” (*suwarikomi*) or even a physical assault on the chairperson of a given Diet committee in order to stop that person from announcing approval of the bill. The “cow walk” is a very slow walk in

the Diet during the voting on a bill. Each Diet member has to go to the Speaker of the House and give his voting tag, white for "yes" and black for "no." The walk takes hours since each member of the opposition party takes one step in one or more minutes. The sessions often last till early morning hours. This strategy is particularly effective when the Diet's regular session is approaching its end. The "sit-in" tactic is used for blocking entrances to the rooms of the Diet committees to prevent approval of a bill. The opposition party members usually sit down on the floor close to each other until they are removed by guards. All of these tactics, needless to say, are not usual methods of negotiations and are used only occasionally. Nevertheless, they spice up the political scene and draw public attention to particular policy problems.

Both Houses of the Diet have a permanent committee system. Fourteen standing committees correspond to ministry functions, four others to the cabinet, audit, discipline and steering. Special committees correspond to agencies or concern some other special issues (e.g., disaster planning). The positions of the standing committee chair are apportioned based on party representation in the Diet and are appointed by the Speakers of the Houses. Among the committees, the most important are the Diet Steering Committee of both houses that control the passage of legislation through the Diet. The Committees set the schedule for debates and votes both in Diet committees and plenary sessions. Most importantly, decisions are made unanimously, which as discussed below, gives the opposition parties leverage in the form of a potential veto.

In the Lower and Upper Houses of the Diet there exist Special Committees for Okinawa and the Northern Territories (Okinawa Hoppō Mondai Inkaï). As the name indicates, the Committee deliberates bills relating to these two areas. The Committees were first established on 17 February 1967 as a Special Committee for Okinawa and other Issues and changed to the present name during the 50th Diet session on 3 August 1968. When the committees were created, Japan had not solved the territorial problems of the four northern islands and the Ogasawara islands for which comprehensive measures were necessary. The creation of the committee responded to those circumstances and thereby the committees deal with all territorial disputes and Okinawa issues at the same time. Like Diet functioning in general, the influence of the committee is of a limited nature in the process of policy making.

**Courts and Audits.** The judicial system has not played, in general, an important role in Japanese policy making. It is comprised of the Supreme

Court, High Courts, District Courts, Family Courts and Summary Courts. The Supreme Court is vested with the highest judicial power, the authority to rule on constitutionality. The Court has tended in practice, however, to take a neutral position on political issues. This makes court procedures rather a formality, and has been labeled as “judicial passive-ism” or “judicial neutralism,” especially after political struggles in the 1950s (Muramatsu et al. 2001: 235-239). In every prefecture there is one District Court and Family Court, while the entire Japan is divided into nine regions with one High Court for each region. There is also the Board of Audit (Kaikei Kensain) which is a constitutionally independent organization to check the final accounts of the State and other public corporations and agencies. Like the courts, the Board has not become an important actor in policy making.

## 2. The Prime Minister and the Cabinet

The cabinet is the supreme decision-making organ of the executive branch of government. It is headed by the prime minister and is comprised of not more than 17 ministers of state, including ministers without portfolios and the Chief Cabinet Secretary (for the structure of the Japan’s executive branch see Fig. A-2). More than half of the ministers have to be Diet members. The prime minister has the right to appoint and dismiss ministers of state (*kokumu daijin*), represent the cabinet, submit bills, report on general national affairs and foreign relations to the Diet, and also supervises various administrative branches. The cabinet performs its duties through meetings (held on Tuesdays and Fridays), the agenda of which is coordinated through administrative vice-ministers at a conference held one day before the cabinet meeting. The cabinet can issue cabinet ordinances (*seirei*), while the highest decisions, so-called Cabinet decisions (*kakugi kettei*), are reached unanimously. This norm of unanimity, which is deeply rooted in Japanese culture, can be observed in various institutions discussed below. The underlying belief is that unanimous decisions produce better results because they enforce group cohesion. Moreover, all parties involved in the deliberation process partake in the decision, which makes them more committed to its execution. Consultations and negotiations among group members, so-called *nemawashi*,<sup>28</sup> usually begin prior to the official decision, and can take a very long time.

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<sup>28</sup> *Nemawashi* or buttonholing is a common practice of broad consultations before taking action that literally means “binding the roots of a plant before pulling it out” (Vogel 1975: xii-xiii).

As part of administrative reforms, in January 2001 the executive branch underwent reorganization (Fig. A-2), in which twenty two ministries and one office of the prime minister (Sōrifu) were reduced to ten ministries and one office of the cabinet (Naikakufu). The reform strengthened the cabinet's functions and the prime minister's overall policy leadership. The cabinet is also comprised of the Cabinet Secretariat, the Cabinet Legislative Bureau (Naikaku Hōseikyoku), the National Personnel Authority (Jinjiin) and the Security Council of Japan (Anzen Hōshō Kaigi). The Cabinet Secretariat is in charge of the arrangement of the cabinet agenda, general coordination of the policies, and the collection of information and research. The secretariat is headed by the Chief Cabinet Secretary (Naikaku Kambō Chōkan), one of the most influential positions in the government, known as "the wife of the prime minister" or "the guardian of the cabinet" (Gotōda 1990: 2). The Cabinet Legislation Bureau reviews proposed bills, drafts of Cabinet orders and treaties, and expresses legal opinions to the cabinet, the prime minister or each minister. In the absence of court decisions, the Bureau, as well as other ministries, has broad authority to interpret the law. National Personnel Authority is in charge of national civil service. The Security Council of Japan deliberates important matters on national defense and measures to be taken in case of emergencies. Taken together, the Cabinet Office, the ministries, agencies and commissions are known as the central government offices (*chūō shōchō*). The personnel of those offices up to administrative vice ministers are selected on the basis of national public service examinations, not political appointment. The public examination system was introduced to preserve political neutrality of the administrative organs.

Formally, the prime minister is the most powerful actor in the executive branch, vested with the right to choose and change the ministers in the Cabinet. However, the leadership of the prime minister has been complicated by the division of formal institutional structures stipulated in the Constitution, informal structures that developed under the long-term LDP rule, as well as culturally-rooted norms, such as the seniority system (number of elections to the Diet). The informal structure include factions and the "tribe" politicians within the LDP, bureaucratic sectionalism, the consensus-seeking tactics of the opposition parties employed in the Diet, and the influence of mass media. The seniority system is used to select members for the cabinet and party positions. Thus in reality, the prime minister has often been a "weak and passive figure" and not an important agenda setter (Hayao 1993: 201). At the same time, the prime minister can play a central role in bringing about change in policy "by taking a well-defined issue that is already on the agenda and giving it enough energy to reach a resolution"

(Hayao 1993: 26-27). The prime minister possesses several resources that vary from stage to stage. In the policy formation stage, he or she can influence the agenda by making public commitments, or by appointing people to government councils responsible for developing proposals. In the legitimization stage, the prime minister can influence the decision by appointing people to important party and government posts, the latter right granted by the Constitution. The prime minister can also refer to the informal lever of backup by his faction (Hayao 1993: 189-191). Except for special cases nevertheless, the prime minister usually has to take into account the decisions of his party organs and opinions of the faction leaders and party elders (see chap. 2). In addition, there is a cultural preference in Japan for leadership that is not overly autocratic (Richardson 1997: 104).

Under the Prime Minister Office, the Okinawa U.S. Base Problems Secretariat (Okinawa Beigun Kichi Mondai Jimukyoku) in the Cabinet Internal Affairs Office was created in June 1996 to supervise several discussion forums for Okinawa-related issues. The office, renamed in September 1996 the Okinawa Affairs Office (Okinawa Mondai Tantōshitsu),<sup>29</sup> supervised: (a) the Okinawa U.S. Base Problems Council (created by Prime Minister Murayama); (b) the Working Committee to Resolve Issues Concerning Total Return of Futenma Air Station, known as the Futenma Task Force (Futenma Hikōjō no Henkan ni Kakawaru Sho Mondai no Kaiketsu no tame no Sagyō Inkaï), created on 8 May 1996; (c) a private advisory body to Chief Cabinet Secretary Kajiyama Seiroku, the Discussion Group Concerning Okinawa U.S. Bases Hosting Municipalities (Okinawa Beigun Kichi Shozai Shichōson ni Kansuru Kondankai), known as the Shimada Group after its chairperson Professor Shimada Haruo from Keio University, formed on 19 August 1996; and (d) the Okinawa Policy Council (Okinawa Seisaku Kyōgikai) established in 1996, which served as the main forum for local-central discussions on local development policies (see chap. 5). These institutions functioned as the main channels of communication between the prefecture and the central government. Without them, the local government would have had to make requests to each ministry separately and decisions would be susceptible to bureaucratic, not political, control.

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<sup>29</sup> At its peak, the number of staff increased to fourteen people, but during the stalemate over the relocation issue in 1997 the number was cut to ten, and among five counselors on loan from the Ministry of Finance, Ministry of Foreign Affairs, Ministry of International Trade and Industry, Defense Agency and Okinawa Development Agency, only two stayed (*RSH* 28.06.1998).



### 3. Political Parties

**The Liberal Democratic Party (LDP).** Although not formally ascribed by provisions of law, political parties, and particularly the Liberal Democratic Party, have greatly influenced the policy process in Japan until 2009 when it lost power to the opposition Democratic Party (Minshutō). The LDP one-handedly held power between 1955 and 1993, and again between mid 1994 and 2009 in coalition with various parties (see Tab. A-1). The LDP is considered a “conservative” party but in expanding its base support, it became a catchall party in which interests across a broad spectrum are represented. These interests include big business, small business (family-based), farmers, white-collar workers and those workers who do not belong to labor unions. The latter traditionally had supported opposition parties (discussed below).

Within the LDP, the broadest powers are vested with the “big four”: the party president, the secretary general (*kanjichō*), and the two chairpersons of the Policy Research Council (Seimu Chōsakai, popularly abbreviated to Seichōkai) and the General Council (Sōmukai). The Policy Research Council is the main policy-making body, which conducts “research and initiates new policy measures.” The party regulations (art. 42, par. 2) stipulate that “all bills approved by the party have to be first deliberated at the Policy Research Council.” The Council exercises thereby enormous influence over the content of the policies, and could be compared to the “pre-parliamentary legislative” institution (Richardson 1997: 68). The Council comprises twelve permanent divisions (*bukai*) that correspond to ministries, twenty-four research commissions (*chōsakai*), and fifty-nine special committees (*tokubetsu iinkai*) for deliberations and formulation of policies. At the same time, although various subunits of the Policy Research Council do exercise substantial influence over the content of policies, the divisions rely to a high degree on information and data from the ministerial bureaus as the secretariats of the divisions employ only a few people (Nakano 1997: 237-238). On a regular basis therefore, the party organs and ministerial bureaus cooperate closely on preparing the policy proposals. Moreover, the chairing posts of the divisions are often occupied by the “tribe” Diet members, discussed below, and thus the factional struggles for those posts constitute an important element of intra-party politics.

Within the Policy Research Council, a twenty-member Policy Deliberation Commission (Seichō Shingikai) makes final decisions on proposals submitted by each division. The proposals are forwarded then to the General Council for the final party decision. The Commission is comprised of mem-

bers<sup>30</sup> who served as a cabinet minister or a chairperson of one of the divisions in the Policy Research Council. Among the commissions, the LDP Research Commission on the Tax System (*Jimintō Zeisei Chōsakai*, popularly known as *Tōzeichō*), chaired in the period under study by Yamanaka Sadanori, is particularly influential, shaping the structure of the entire national tax system (Kishiro 1985: 77).

The major decision-making body of the LDP is the General Council, which has to approve all legislative bills, the budget draft, and treaties sponsored by the cabinet, as well as appointments. The Council meets twice a week to decide on important policy matters and consists of 30 members.<sup>31</sup> The meetings of the General Council, during which important administrative, diplomatic, political, economic and social problems are discussed, are also attended by all the major top executive members of the party.<sup>32</sup>

Other important elements of the party structure are factions (*habatsu*) and the “tribe” Diet members (*zoku giin*). The origins of the factions are attributed to the previous electoral system for the Lower House, the medium-sized, multi-member districts. It forced LDP candidates to compete against each other for seats in the same district (Masumi 1995: 205-232; Kohno 1997: 92-115). The primary purpose of the factions is: to select the party president who usually becomes Japan’s prime minister, to allocate the most important posts in the party, the cabinet and the Diet committees, and to financially support candidates in elections. The factions were formally disbanded in December 1994 due to the criticism that they were breeding grounds for money politics and corruption. They reappeared under a new name of study groups (*kenkyūkai* or *kai*). A faction has to have about forty members for its boss to become party president. Positions in the party and in the cabinet are distributed among the faction members based on the seniority system, namely, the number of times a given politician has been elected.<sup>33</sup> Although there are exceptions to this rule, those decisions are usually highly contested, which proves that the system is still intact. Furthermore, the open

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<sup>30</sup> The Commission consists of: the chairperson, acting-chairperson and deputy chairperson of the Policy Research Council, 15 members from the Lower House and 5 from the Upper House.

<sup>31</sup> It included 15 members from the Lower House, seven from the Upper, and eight members that were selected by the party President from among members of both houses.

<sup>32</sup> It included the Secretary General and the Chairpersons of the Policy Research Council, the Diet Affairs Committee, the Party Organization Headquarters, the Public Relations Headquarters, and the General Assembly of LDP Members in the Upper and Lower Houses.

<sup>33</sup> For a House Committee member or vice chair of a Policy Research Council committee it has to be two times, for vice minister, three times, for chair of a Policy Research Council division, four times, for House Committee chair, five times, and for a minister, six or more times (Kohno 1997: 95).

conflicts between faction leaders have not been uncommon. The most famous are the Kaku-Fuku war of Tanaka Kakuei (PM: 1972-1974) and Fukuda Takeo (PM: 1976-1978) in the 1970s, and the conflicts between Takeshita Noboru (PM: 1987-1989) and Shin Kanemaru (one of the most powerful kingmakers in LDP history), and Takeshita Noboru and Miyazawa Kiichi (PM: 1991-1993) in the 1980s.

The Obuchi/Hashimoto faction, which is relevant to the period under study, was a successor to the Tanaka and Takeshita factions (later renamed Heisei Kenkyūkai or Heisei Study Group). It was the biggest faction in the Diet. In August 1996, the faction had 65 members in both Houses (out of a total of 315 LDP Diet members), in February 1997, 82 members (out of 350), and in August 1997, 84 members (out of 373). It included, among others, such prominent figures as: Obuchi Keizō, Hashimoto Ryūtarō, Kajiyama Seiroku, Muraoka Kenzō, Nonaka Hiromu, Suzuki Muneo, Inoue Kichio, Sakano Shigenobu, Okabe Saburō, Matsuura Isao, Uesugi Mitsuhiro, and Okano Yutaka. As many as nine members from this faction joined the 19-member LDP Okinawa Special Research Council that actively participated in deliberations on the All-Okinawa FTZ Plan (Nihon Seikei Shimbunsha Aug. 1996: 407-409, Feb. 1997: 433-434, Aug. 1997: 432-434). The presence of such prominent party members testified to the importance of the Okinawa issue for the ruling party and its biggest faction at that time.

The second important element of the LDP party structure, and one of the most significant in the entire policy making process in Japan, has been the “tribe” Diet members (*zoku giin*). The term *zoku* (literally “tribe”) refers to those LDP Diet politicians who possess significant influence in a specific field, and exercise that influence for the protection and benefit of particular interest groups or ministries.<sup>34</sup> By commitment to the same policy area over a long time, the *zoku* politicians developed expertise and practical experience about that particular area and enough seniority in the party to have access on a continuous basis to the ministry in charge of the given policy (Curtis 1999: 53-55). Those policy areas cover not only the competence of one ministry but also narrow issues within the ministry. There are, for instance, *zoku* for not only education, health, finance, agriculture, forestry, postal services, labor, construction, and transport, but also for air transportation, tobacco, and even sewage. The *zoku* politicians usually occupy the posts of chairpersons of the LDP divisions and commissions in the Policy Research Council and also of the Diet committees (Satō et al. 1986: 93). For that reason, they

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<sup>34</sup> Nakamura Akio modified that perception adding that the function of the *zoku* Diet members is not only to represent and protect the interests of those particular groups but also to coordinate or even at times to curb their interests (Nakamura Akio 2001: 215-216).

ultimately shape the content of the policies that are formulated in the sub-units of the Council and in the Diet, although, as noted, usually in close cooperation with the ministerial bureaus (see also chap. 2). The channels of communication between the *zoku* and particular interest groups are usually well established. The *zoku* politicians function in general as “political agents of the special interests, intermediating between individuals and groups in civil society and the bureaucracy” (Curtis 1999: 53).

The causes of the emergence of the *zoku* Diet members were attributed to several factors such as changes in the international environment and in domestic socio-economic structures that took place in the beginning of 1970s (Inoguchi et al. 1987: 21-29). As a result of those changes, Japanese society became more diverse and interest groups more pluralistic. To reflect those interests and gain support from them, and at the same time to gain leverage over the bureaucracy in negotiations, the LDP politicians gained knowledge and expertise in particular policy areas. As a consequence, the importance of the LDP and the Policy Research Council rose in relation to the bureaucracy that had dominated policy making in the years soon after the Pacific War. Among various *zoku* groups, the three most powerful are the trade and industry tribe (*shōkō zoku*), the agriculture and forestry tribe (*nōrin zoku*) and construction tribe (*kensetsu zoku*), which, combined, were given the nickname the “three honorable branch families” (*gosanke*) (Inoguchi et al. 1987: 182-182, 185-188, 192-194). The transport (*unyu zoku*) and finance tribes (*ōkura zoku*) that are relevant to this study belong, however, to a different category of *zoku*. They usually strongly support the policies of the related ministry, with many members of such tribe recruiting from among ex-bureaucrats of that ministry (Inoguchi et al. 1987: 189-192, 205-209). The second type of *zoku* usually represents, therefore, the opinions of their respective ministry.

In the case of Okinawa, it is difficult to point to the existence of any particular *zoku* group. Nevertheless, there existed inside the LDP a group of Okinawa sympathizers (*Okinawa shimpa*) or Okinawa experts (*Okinawa tsū*). The members of that group claimed deep involvement in the Okinawa issue, phrased as a “sentiment toward Okinawa” (*Okinawa e no omoi*) or “passionate sentiments for Okinawa” (*Okinawa ni atsui omoi*) (RSH 4.04.1999; 5.04.2000). They exercised, or at least publicly declared, their willingness to exercise political leadership in favor of the prefecture. The group was not unified and the media labeled particular politicians as Okinawa sympathizers based on their long involvement in Okinawa related issues (e.g., Kajiyama Seiroku, Nonaka Hiromu, Hashimoto Ryūtarō, Obuchi Keizō). Among those “sympathizers” there were prominent *zoku* members, such as Yama-

naka Sadanori, the long-term boss of the LDP Research Commission on Tax System and the first Director General of Okinawa Development Agency. Yamanaka greatly influenced the policy process of the All-Okinawa FTZ Plan.

The other LDP institutions in charge of Okinawa-related matters, discussed in consecutive chapters, included the Okinawa Policy Subcommittee (Okinawa Taisaku Shōiinkai) within the Research Commission on the Tax System. The Subcommittee dealt with special tax measures introduced in the free trade and other special zones in Okinawa. The Okinawa Promotion Council (Okinawa Shinkō Iinkai), under which the provisional Okinawa Comprehensive Promotion Policy Special Research Council (Okinawaken Sōgō Shinkō Taisaku ni Kansuru Tokubetsu Chōsakai) was established, was in charge of development policies. Furthermore, the permanent Special Committee on Military Bases (Kichi Taisaku Tokubetsu Iinkai), as the name suggests, dealt with issues concerning military bases. In the period under study, the committee did not play an important role in regard to military bases in Okinawa as the consecutive prime ministers (Murayama and Hashimoto) took the initiative in regard to this matter. Details on the realignments and transfers of military bases in Okinawa were negotiated by U.S.-Japan inter-governmental committees (e.g., Special Action Committee on Okinawa or SACO). The number of intra-party institutions related to Okinawa proves the political significance of the prefecture for the ruling party in the period under study.

**The Opposition Parties.** The 1990s in Japan was a period of sudden and very often unexpected changes, not only in the number of new parties established, but also in the types of alliances that were formed between them (see Tab. A-1). The term “opposition party” refers here to the non-LDP parties: Japan Communist Party (Nihon Kyōsantō, 1922), the Japan Socialist Party (JSP),<sup>35</sup> Clean Government Party (Kōmeitō, 1964, changed to Kōmei between 1994-1998), New Kōmeitō (Kōmei Shintō, 1994), Japan New Party (Nihon Shintō, May 1992-1994), New Party Sakigake (Shintō Sakigake, June 1993, changed to Sakigake in Oct. 1998), Japan Renewal Party (Shinseitō, June 1993-1994), New Vision Party (Shintō Mirai, April 1994), New Frontier

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<sup>35</sup> Japan Socialist Party, Nihon Shakaitō (JSP) changed its English name to Social Democratic Party of Japan (SDPJ) in 1991 but the Japanese remained unchanged till 1996 when it became Shakai Minshutō or Shamintō as it is popularly known, Social Democratic Party. Thus, JSP refers to postwar period until 1991, JSP/SDPJ to 1991-1996, and SDP to after 1996. The Democratic Socialist Party (DSP) is a splinter of JSP formed by the right-wing members in 1960.

Party (Shinshintō, Dec. 1994-1998), Liberal Party (Jiyūtō, April-Dec. 1994),<sup>36</sup> Democratic Party of Japan (Sept. 1996, Kan Naoto, Hatoyama Yukio), Liberal Party (Jiyūtō, 1998, Ōzawa Ichirō), and New Conservative Party (Hoshutō, 2000). Many of these parties formed coalition governments with the LDP becoming “a ruling party,” discussed in the following chapters (see Tab. A-1).

Under the 38-year LDP rule, the role of the opposition parties was much stronger than one could expect from the fact that the LDP from 1955 to 1989 almost exclusively dominated both Houses.<sup>37</sup> It has been referred to as the “implicit influence” (Iwai 1988: 122; Cox et al. 2000: 1-21) The power of the opposition parties lies in the norms and the structure of the Diet, which includes the session system, the two chambers system and the committee system, all of which put “time” pressure on the ruling party (Iwai 1988: 126-139). Sessions are very short, and bills once introduced in a session automatically die unless passed by the Diet. The extension of the sessions is decided by the parliamentary factions in both houses of the Diet, customarily by a unanimous decision. All of these enable the opposition to delay deliberations and therefore block bills if the LDP does not include their demands. Moreover, the schedules of the plenary sessions are decided by the Diet Committees on Rules and Administration (Giin Un’ei Iinkai) which comprises members of ruling and opposition parties – also customarily by a unanimous decision.<sup>38</sup> As a result, the LDP and opposition parties have been cooperative in lawmaking. That can be observed in the high rate of agreement on cabinet bills, which has been on average 78.8% between 1947 and 1996, and in a higher rate of substantial revisions of cabinet bills (18.8%) which accommodate demands from the opposition (Masuyama 1999: 297, 300). This behind-the-scenes policy coordination between ruling and opposition parties became institutionalized even to a higher degree under the consecutive coalition governments, with the cabinet of the Socialist Prime Minister Murayama securing 100% passage rate of cabinet-sponsored bills (Nonaka Naoto 2000: 109-117).<sup>39</sup>

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<sup>36</sup> It was formed by former members of the LDP Watanabe faction.

<sup>37</sup> The LDP secured a majority in the twelve elections to the House of Representatives elections between May 1958 and Feb. 1990, with only three exceptions (Dec. 1976, Oct. 1979, and Dec. 1983).

<sup>38</sup> The recent study by Kawato Sadafumi (2002: 7-40) showed that the majority vote decisions have been increasingly gaining in significance since the 1980s.

<sup>39</sup> In this context, Ronald Hrebienar (2000: 302) commented that Japanese politics in the 1990s was characterized by a style of negotiations and compromise between LDP and other parties.

#### 4. Civil Service

The influence and importance of the civil service,<sup>40</sup> popularly referred to in Japanese as bureaucracy or *kanryō* (without the pejorative connotation), has been widely acknowledged (Misawa 1967: 5-33; Masumi 1969). The civil service system was established in 1885 with the introduction of the cabinet system to Japan. The 1947 Constitution provides that the prime minister, representing the cabinet, exercises control and supervision over various administrative organs. They are divided into an office (*fu*), ministries (*shō*), agencies (*chō*) and commissions (*iinkai*) based on the National Government Organization Law (*Kokka gyōsei soshikihō*). The agencies and commissions are established as external organs of the office or ministries, which control them. Each ministry is headed by a minister of state appointed by the prime minister. The minister is assisted by one or two administrative vice ministers (*jimu jikan*), and up to three parliamentary vice ministers (*seimu jikan*) or their equivalents in the case of agencies, which are headed by directors general. The parliamentary vice ministers are usually Diet members, but the post is of little political significance.

The ministries are generally divided into: secretariat (*kambō*) and bureaus (*kyoku*), which further can be divided into divisions (*bu*), sections (*ka*) and rooms (*shitsu*). Inside the ministries, the bureaus exercise enormous influence over policy-making because a majority of cabinet-sponsored bills are formulated there (discussed further in chap. 2), and constitute almost independent entities. The situation is epitomized in the phrase “bureaus but no ministry.” Nevertheless, the cultural preference of the Japanese for extensive, informal consultations allows for policy coordination, restraining thereby other actors’ influence (Richardson 1997: 118). Consultations at the level of division and bureau director serve as regular intra-ministry coordination forums, while meetings of administrative vice ministers, the highest bureaucratic post, allows for inter-ministerial policy coordination. In the proc-

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<sup>40</sup> The civil service constitutes about 4.4 million people out of Japan’s total labor force of approximately 65 million as of 1997. It is divided into national public service (26.1%) and local civil service (73.9%). The latter are subject to different laws and regulations from those of national employees. The national public service is divided into the special service (political appointees, employees working in the Diet and the Courts, the Self-Defense Forces) and the regular service. The former employs more than 300 thousand in government enterprises (postal, national forestry, printing and mint services) and its members are entitled to reach collective agreement on their working conditions. The regular national civil service employs over 500 thousand people and is subject to National Personnel Authority pay schemes, in compensation for restrictions on their labor rights (<http://ssl.jinji.go.jp/english/intro.htm>; 16.09.2006).

ess of consultations, the ministries endeavor to gain support from Diet members, particularly the ruling LDP. On the other hand, in the discussions, Diet members often take the initiative and ask for inclusion of their provisions in a forthcoming bill or make other proposals. The consultative councils of ministries also serve as coordination forums for policy adjustment among the ministry, politicians and interest groups.

Ministries can make many administrative rules that have the force of law, such as ministry regulations (*shōrei*), communications (*tsūtatsu*) and interpretations (*kaishaku*), which adds to their influence. Ministries can also enforce policies by informal administrative guidance (*gyōsei shidō*). This refers to voluntarily cooperation by any private entity with the administrative organs in order to realize a certain goal set up and promoted by the governmental organ (Leszczyński 1996). The guidance, which is functionally similar to EU soft law, has been utilized for industrial policies as a method of nurturing certain industries. It has been carried out mostly through the distribution of permits and licenses but also by other indirect means. In practice, the subject of administrative guidance is usually discussed and negotiated with the relevant companies and groups and thereby it is fairly easy for those entities to accept it.

To ensure the political neutrality of the Japanese civil service, an autonomous organ, the National Personnel Authority (Jinjiin) was established in 1948 (although under the jurisdiction of the cabinet). It is subject to the National Public Service Law (*Kokka kōmuinhō*), which prohibits any political activity by members of the civil service. Personnel is recruited based on national examinations which are extremely competitive, and not political appointment (with the exception of the highest post of the administrative vice minister). They include the best and the brightest graduates of the most prestigious universities in Japan (e.g., the Law Faculty of Tokyo University). Traditionally, bureaucrats have been highly respected in Japan for their competence and expertise, high morale, sense of mission, and political neutrality. Corruption scandals that surfaced in the late 1980s have shaken their reputation. However, in comparison to politicians or, as a matter of fact, to civil servants in Western democratic countries, they still enjoy a relatively high reputation.

Among governmental offices, the Ministry of Finance (MOF, *Ōkurashō*) had played a special role as the “ministry of ministries” with broad competence over budgetary and finance matters.<sup>41</sup> Administrative reforms intro-

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<sup>41</sup> For varying interpretations of the actual role of MOF see: Muramatsu Michio (1998: 93) who argued for MOF’s coordinating function and organizational independence of ministries;



duced in 2001 drastically transformed the Ministry. It was divided it into two separated entities: the Finance Ministry (MOF; the same name in English but new in Japanese, Zaimushō) in charge of the national budget; and the Financial Services Agency (FSA, Kin'yūchō), incorporated into the Cabinet Office and in charge of financial matters (see Fig. A-2). Until the reform, however, MOF, and within it especially the Budget (Shukeikyoku) and Tax (Shuzeikyoku) Bureaus, had been very influential. The former in the budget drawing process, preparing the budget draft and deciding allocations of general account spending, and the latter in the formation of national tax policies related to corporate, income, and commodity taxes. The fiscal policy of the Ministry of Finance has been rather strict. It has been famous for its dislike of spending money or putting restrictions on revenues. Such stance had led to conflicts with other ministries. Of renown was the friction between the MOF and the Ministry of International Trade and Industry (MITI) which often proposed new tax exemptions for specific industries.

In the aftermath the Pacific War, the bureaucracy greatly contributed to Japan's spectacular economic development, efficiently working for the realization of the government's goals of postwar reconstruction, rapid industrialization and minimal defense spending. With the expansion of administrative tasks, and thereby administrative organs, however, the ministries enhanced their powers and started more firmly adhering to their opinions on matters that run against the work and competence of other ministries. Based on their given authority, ministries pursued individual policies without coordinating them with other organs, which made the policies often inconsistent. The problem has been referred to as administrative sectionalism (*tatewari gyōsei*) and pertains not only to the inter-ministerial level but also to the intra-agency level and the bureaus. To fight this problem, administrative reforms were initiated. The process started in 1962 with the establishment of the First Provisional Administrative Reform Council (Dai Ichiji Rinji Gōsei Chōsakai). The Council proposed strengthening the prime minister's position as a general coordinator and expanding the authorities of the Prime Minister's Office. The latest administrative reforms introduced in 2001 decreased the number of governmental organs and substantially expanded the functions of the Cabinet Office (formerly the Prime Minister's Office).

It is important to note that administrative sectionalism (Muramatsu 1998: 95) has also been reinforced by the cultural value favoring the in-group

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Mabuchi Masaru (1994: 371) who posited the prime minister's control over the MOF; Murakawa Ichirō (2000: 123) who stressed the LDP's control over MOF.

(*uchi*) solidarity (as opposed to out-groups or *soto*). Interestingly however, another cultural trait, namely the aforementioned preference for widespread and ritualized consultations, along the institutional reforms, allowed counterbalance the ministerial parochialism. The two elements function in parallel in society and can often account for seemingly contradictory behavior. Although the consensus seeking orientation might be more prevalent within members of the same group, much depends on other factors, such as external pressure for cooperation, overall benefits, or personal traits of political leaders.

**Advisory Councils.** The central ministries establish advisory councils (*shingikai*) or committees, which are to reflect citizens' opinions in otherwise arbitrary decisions of the administration system (Schwartz 1998). The ministries, before making an important decision, first commission the councils or committees and, based on their recommendations, formulate concrete policies. However, there are several problems with this system, one of which pertains to the fact that the materials on which the tentative proposal is based are prepared by the ministries themselves. The opinions of the councils, therefore, often come up exactly the way they are expected to. Another problem is that the appointed members of those councils are usually experts or scholars whose stance is fairly close to those of the ministries. Such scholars have been labeled for that reason, "scholars patronized by the government." Criticism has been voiced, therefore, that the councils serve as a cover (*kakuremino*) for the government to justify its decisions, and that once created they tend to persist even if unnecessary (with the 2001 administrative reforms, the number of councils and committees decreased from 212 to 106).<sup>42</sup> The recommendations of the councils and committees are not legally binding. Their implementation depends on the decisions of the institutions that established them.

**Research and Consulting Institutions** In the policy formation process, in addition to the deliberative council or committees created within governmental institutions, both the central and local governments also rely on various external experts, specialists and research institutes for the provision of analysis and proposals for specific projects. The Okinawa government under Governor Ōta relied mostly on the Tokyo-based Urban Economic Research Institute (URI). The URI was established in May 1964 under the

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<sup>42</sup> Nakamura Akio (2001: 214) argues that nevertheless, since the 1980s, the councils have been gaining importance in policy-making.

competence of the National Land Agency (City and Regional Development Bureau in the City Planning Division), and had more than 70 people as its personnel in the discussed period.<sup>43</sup> The Chairperson, Tabata Hidenao, the President of the Metocean Environment Incorporation, was also a member of various governmental advisory councils in the Ministry of International Trade and Industry (MITI, Tsūsanshō) and the Environment Agency (Kankyōchō). The Institute's location in Tokyo, as well as personal links to central ministries, secured access to important information. It also allowed the institute face to face discussions, which constitutes an important element of political culture in Japan.

The central government, on the other hand, relied in the period under study on the National Institute for Research and Advancement (NIRA). This institute is a policy research body established in 1974 under the National Institute for Research Advancement Act by members from industrial, academic and labor circles. The institute is funded through an endowment of contributions and donations from the Japanese government, local governments and private companies, and functions as one of the most influential governmental think tanks (¥1.32 billion budget in FY 2000; 76-member staff).<sup>44</sup> The Chairman, Kobayashi Yōtarō, was Chairman of the Board of Fuji Xerox, and also serves as the Chairman of the Japan Association of Corporate Executives (Keizai Doyūkai) – one of the most powerful business associations in Japan. The President, Shioya Takafusa, served as the administrative vice-minister of the Economic Planning Agency (Keizai Kikakuchō) in the Prime Minister's Office. The NIRA recommendations on the All-Okinawa FTZ Plan, as further detailed, provided the central government with legitimization of its own policy (and not meeting local proposals). Like recommendations of the deliberative councils and proposals of the research institutions, such recommendations often legitimize the government decisions for particular action, while controversial proposals are often put off for further discussion.

## 5. Interest Groups

Historically, interests groups started emerging in Japan long before the Pacific War, but their activities were controlled to a high degree by the state. The introduction of the new Constitution in 1947 that guaranteed freedom of

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<sup>43</sup> Information on UERI: <http://www.ueri.org/main.html> (15.02.2003).

<sup>44</sup> Data on NIRA: <http://www.nira.go.jp/ice/nwdtt/dat/1128.html> (28.03.2003).

political activities and association gave a rise to their dynamic proliferation. Throughout the period of the “55 system” the conservatives, unified in 1955 under the LDP, reflected mostly the interests of business, agriculture and rural areas, while its arch opponent the Japanese Socialist Party (see below), organized labor. With the rapid economic growth and following social changes, the number of interests groups further multiplied, and the sources of influence diversified (Tsujinaka 1996, Stockwin 1985: 160). In terms of size, the biggest national interests groups in Japan are labor and agriculture co-operatives followed by citizen groups. In terms of wealth, administration-related organizations, professional organizations and business groups top the ranking.

The postwar labor unions were established with reforms introduced by the American occupation authorities.<sup>45</sup> Unions were organized by enterprise, not occupation or industry type, which made national federations weak. They were closely associated with parties that, until 1993, remained out of power, predominantly the Japan Socialist Party (JSP). The JSP depended on two big organizations, Sōhyō and Dōmei, for funding, organizational support, and membership during most of the postwar period. Sōhyō comprised primarily of public sector unions (national civil servants, municipal workers, public school teachers), while Dōmei, the private sector. In the late 1980s, the labor movement underwent significant change. In November 1987, the National Federation of Private Sector Trade Unions (Rengō) first known as Shin Rengō (New Rengō) was formed with a membership of 5.5 million workers. It included mostly Dōmei and smaller unions. Two years later, Sōhyō joined the federation (the “*Shin*” was dropped) and the world’s third largest non-communist union federation of 8 million members was established. The Federation accounted for 65 percent of Japan’s union workers. Ideologically, Rengō was rather moderate and in the wake of its establishment, two leftist union confederations emerged: the Japan Confederation of Trade Unions (Zenrōren, 1.2 million members), and the National Trade Union Council (Zenrōkyō, 500,000 members). Another large union Nikkyōsō (675,000 members) of public primary and secondary schools, was divided between the supporters and opponents of Rengō. In the early 1990s, the relationship of Rengō with the socialist political parties became complex.<sup>46</sup> In general, labor unions have played a more important role in electoral mobilization

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<sup>45</sup> On a development of labor unions in Japan after the Pacific War, see Mcnelly (1984: 70-74); for a discussion of labor unions of public and private sectors, see Mochizuki (1994): 181-199).

<sup>46</sup> In the election to the House of Councilors on July 18, 1989, Rengō withheld its support for the Japan Socialist Party, and the party lost 64 seats.

rather than in the policy-making process, in which the business and agricultural organizations have been more influential.

The most important associations representing Japanese industry are four peak organizations: the Federation of Economic Organizations (Keidanren), the Japan Federation of Employers' Association (Nikkeiren), the Japan Chamber of Commerce and Industry (Nihon Shōkō Kaigisho or Nisshō), and the Japan Association of Corporate Executives (Keizai Dōyūkai).<sup>47</sup> The most powerful among them is the Keidanren that represents mostly large-sale enterprises, both private and, interestingly, also the government sector. It maintains a variety of standing and special committees and is in constant contact with the government. In the 1950s and the 1960s, Keidanren comprised the power elite of the financial and industrial business community, the *zaikai* (literally, "financial world"). At present, the term is almost out of use and undistinguishable from the term "business community" or *keizaikai*. The Nikkeiren has similar membership to Keidanren but focuses on relations with labor. Nisshō is based on several hundreds of local chambers of commerce and voices the local interests. The Keizai Dōyūkai (literally, "association of economic friends"), originally found by young and progressive managers and business people, at present differs from the other organizations in that it is based on individual rather than corporate membership. The four groups have overlapping membership and considerable similarity of interests on general economic policy. In this sense, "big business" has internal cohesion and can be regarded as one of the most powerful interests in Japan. However, since the period of rapid economic growth that brought about dramatic changes in Japan's economic structure, the adjustment of views between economic organizations on details of the governmental policies has become increasingly difficult. The change stimulated activities of smaller economic organizations and individual companies to seek direct access to governmental offices (Curtis 1999: 51-53). Similar trends are visible in other major interest groups.

Other important national interests groups are the agricultural cooperatives associated in Nōkyō (abbreviation of Nōgyō Kyōdō Kumiai or Agricultural Co-operative Associations). Despite the fact that the share of agriculture in total production output and the share of farmers in total population have declined, Nōkyō continues to be a very effective political organization. Many LDP Diet members, and to some extent those of other parties, depend on votes from rural areas, which are overrepresented under the

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<sup>47</sup> For the discussion on the relation between the business groups and the LDP, and the influence of the groups on political life, see Richardson (1997: 174-199); for the data see <http://reference.allrefer.com/country-guide-study/japan/japan232.html> (17.09.2006).

present electoral system. Not coincidentally, the Japanese government has maintained policies of high protection on agricultural products. Moreover, the specialist interest group of the Japan Medical Association (Nihon Ishikai) has been influential on matters concerning their interest and competence. The Association has been among the top contributors of political funds for the LDP. In addition, citizens groups, which are generally less well organized, smaller and with more diverse goals, have not been incorporated into the decision making system. Their activities and demands on the central government have sometimes turned to open conflict resolved through court decisions (e.g., environmental problems of the 1970s).

In the policy process, interests groups have developed several strategies that are employed to influence outcomes. Those include participation in the advisory councils (*shingikai*) and providing employment for the retiring bureaucrats, so-called custom of *amakudari* (literally, "descent from heaven"), that are utilized to influence the bureaucracy (Ikuta 2000: 11-15). On the other hand, petitions to the *zoku* politicians, and mass movement mobilization, often through the mass media, are utilized to influence politicians (Abe et al. 1994: 46-51). In general, there exists in Japan a political culture of making wide-ranging consultations with the concerned groups before taking up a decision. Although it might be time consuming, it tends to produce decisions which are effectively implemented due to the commitment of the members consulted in the process (Stockwin 1985: 61).

The interest groups in Okinawa include a variety of business, labor, agriculture, and fisheries groups. The local characteristic is the existence of large and active peace and antiwar groups, and associations of landowners of the military land. One of the prefecture's top associations is the Okinawa Prefecture Economic Groups Council (Okinawaken Keizai Dantai Rengōkai). It was established in January 1996 in response to policies formulated by the progressive Governor Ōta to "contribute to the comprehensive development of Okinawa society and economy."<sup>48</sup> The council comprises ten local business groups and focuses its activities on petitioning, forwarding proposals, and advising relevant administrative organs on urgent problems of regional development. The proposal of the Prefecture Economic Groups Council regarding the free trade zone greatly influenced the final outcome of the prefectural All-Okinawa FTZ Plan (chap. 6) (Kurima 1999: 170-171).

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<sup>48</sup> The council initially consisted of eight groups, including: the Managers Association, Central Association of the Small and Medium Size Enterprises, Central Confederation of Agriculture Cooperatives, and the Central Confederation of Fisheries Industry (Sangiin Daiichi Tokubetsu Chōsashitsu 2002: 29).

The second large group in Okinawa consists of the labor unions of military base workers, which are organized into two separate organizations: All Bases' Workers Labor Union Okinawa District (Zenchūrō) and All Okinawa Bases' Workers Labor Union (Zenokirō).<sup>49</sup> The latter split from Zenchūrō in 1996 before the prefectural referendum on the bases. Zenokirō distanced itself from the anti U.S.-Japan Security Treaty position of its mother organization, emphasizing job security for its members as its primary concern.<sup>50</sup> Among 8,258 base workers in Okinawa (as of 1997), Zenchūrō associated 6,300 (75%). Zenokirō with a smaller number of members proved, however, more effective in negotiations with the prefectural and central governments, as shown in the consecutive chapters.

The third powerful group of local interest groups includes the anti-base, anti-war and peace organizations,<sup>51</sup> and military landowners. The latter is divided into those opposing the land lease for military use associated in the One Tsubō Anti-War Landowners Association (Hitotsubō Hansen Jinushikai) and the Anti-War Landowners Association (Hansen Jinushikai).<sup>52</sup> The second group consists of those who accept rent for the land of the military bases, the Okinawa Prefecture Union of the Owners of Military Land (Okinawaken Gunyōchi Nado Jinushi Rengōkai, known under its abbreviation Tochiren). With the exception of this last association, these groups pose a serious concern for local and national authorities in times of crisis (e.g., incidents caused by U.S. soldiers). They can become a vote-gathering machine during elections, but their overall influence on policy content is of a limited nature.

## 6. Local Governments

The foundations for postwar local autonomy and the relations between the local and central governments were laid down in chapter VIII of the 1947

<sup>49</sup> Zenokirō is the abbreviation of Zen Okinawa Chūryūgun Rōdō Kumiai and Zenchūrō of Zen Chūryūgun Rōdō Kumiai (*RSH* 28.05, 1.09.1997).

<sup>50</sup> The following year during its 66th Convention, the Zenchūrō also decided to change the policy and not to call for the U.S. bases removal but for their consolidation and realignment (*RSH* 1.09.1997).

<sup>51</sup> The groups are numerous: Association of Nago Citizens Who Don't Need the Heliport (Heripōto wa Iranai Nago Shimin no Kai, known as Shimin no Kai or Citizens Association), Association of Everyone Who Does Not Allow the Heliport Base (Heripōto Kichi o Yurusanai Minna no Kai, known as Minna no Kai or Everyone's Association), Council to Stop Construction of the Heliport Base (Heri Kichi Kensetsu Bōshi Kyōgikai; known as Inochi o Mamorukai or Association to Protect Life), Peace Movement Center (Heiwa Undō Centā), and many more.

<sup>52</sup> The Japanese measure of surface, equivalent of 3.3 m<sup>2</sup>. On the one-tsubō anti-war landowners see Arasaki (1996b: 151-156).

Constitution and the Local Autonomy Law (*Chihō jichihō*). Under that legal framework, the principle of mutually restraining powers of central government in charge of overall national policies and local government in charge of affairs of a particular area was set up. In addition, direct elections for the heads of local governments and members of their respective assemblies were instituted. That made local governments function as a presidential system, unlike the national government that functions based on the principle of a parliamentary cabinet system. Although popularly elected, formally, the heads of local governments are the designated agents of the state with executive powers delegated to them by the central government. The Ministry of Home Affairs (*Jichishō*), incorporated in 2001 into the Ministry of Internal Affairs and Communications (*Sōmushō*) is the central government's organ that oversees local governments.

Japan has a two-tier system of local government: prefectures and, comprising them, municipalities. There are 47 prefectures in Japan that include: one "metropolis" (*to*), Tokyo, one "circuit" (*dō*), Hokkaidō; two "urban prefectures" (*fu*), Osaka and Kyoto; and 43 other prefectures (*ken*). Combined, they are commonly referred to as *todōfuken*. All prefectures have the same legal status.<sup>53</sup> The difference in naming results from historical origins. The current system of prefectures was established by the Meiji government in July 1871 with the abolition of the feudal domains (*han*) in the process known as "abolition of *han*, establishment of prefectures" (*haihan chiken*). Initially there were over 300 prefectures, reduced to 72 in 1871, and further to 47 in 1888. Each prefecture has a governor and a unicameral assembly, both elected by popular vote every four years. Many governors have either been civil servants, Diet members, high-ranking officials of the local government, local assembly members or businessmen. Prefectures are required by national law to maintain departments of general affairs, finance, welfare, health, and labor, while departments of agriculture, fisheries, forestry, commerce, and industry are optional, depending on local needs. Within the authority granted by the Constitution and the Local Government Law, the local governments (*chihō kōkyō dantai*; literally, "local public body") administer such issues as: education (up to the high school level), construction of parks and hospitals, formulation of city development plans, issuance of permits for the service industry (restaurants, bars), registration of citizens, issuance of passports, and maintenance of roads (with the exception of roads under the direct supervision of the central ministries).

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<sup>53</sup> The only functional difference between Tokyo *to* and other prefectures is that Tokyo administers 23 special wards as well as cities (there is no Tokyo city or *shi*). The special wards have almost the same degree of independence as Japanese cities.



Each prefecture is further subdivided into: cities (*shi*), special wards (*tokubetsuku*) that exist only in Tokyo and function like cities, towns (*chō* or *machi*) and villages (*son* or *mura*).<sup>54</sup> As of February 2004, there were: 547 villages, 1,942 towns, 23 special wards, and 681 cities.<sup>55</sup> Generally, prefectures are superior to municipalities and all communication between municipalities and the central government must pass through the prefecture. All of the sub-prefectural units are ranked on the same level. The status of a particular municipality predominantly depends on size: a city has to have a population of over 50,000, towns and villages below that number. All municipal governments are headed by executive leaders (city or town mayor or village head), elected for four years by popular vote, and have popularly elected assemblies. The assembly members come generally from organizations concerned with agriculture, forestry, fisheries, and commerce and industry, or associated with trade unions.

Among cities, there are also three other categories: special cities (*tokureishi*), core cities (*chūkakushi*) and “specially designated cities” (*seirei shitei toshi* or in short *seireishi*). Special Cities have a population of at least 200,000 and are delegated a subset of the functions of the core cities. A core city must have a population of at least 300,000, and if it is less than 500,000, the total area must be at least 100 km<sup>2</sup>. Core cities are delegated many functions normally carried out by prefectural governments, but not as many as designated cities. Designated cities, thirteen at present, must have a population that exceeds 500,000, play important economic and industrial functions, and be considered to be a “major city” in Japan. Larger cities are divided into wards (*ku*). The specially designated cities perform some of the prefectures’ prerogatives. In general, the bigger the city, the more functionally it becomes similar to a prefecture.

In the policy making of regional development, the local governments and their associations<sup>56</sup> have not become important players (discussed fur-

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<sup>54</sup> Historically there was also an administrative unit of a county (*gun*), used in Japan between 1878 and 1921. It was ranked below prefecture and above city, town or village. At present, the name *gun* is still used in the addressing system to identify the location of towns or villages but does not have any formal administrative status.

<sup>55</sup> Data from: <http://web-japan.org/factsheet/local/relation.html> (29.08.2006).

<sup>56</sup> There are six associations in which local governments form, the so-called “Group of the Local Six” (*Chihō Roku Dantai*): National Governors’ Association (*Zenkoku Chijikai*), National Mayors’ Association (*Zenkoku Shichōkai*), National Association of Towns and Villages (*Zenkoku Chōsonkai*), National Association of Chairpersons of Prefectural Assemblies (*Zenkoku Todōfuken Gikai Gichōkai*), National Association of Chairpersons of City Assemblies (*Zenkoku Shigikai Gichōkai*), and the National Association of Chairpersons of Town and Village Assemblies (*Zenkoku Chōson Kaigi Gichōkai*) of which the first two are the most visible in Japanese policy making, although their influence on policy is limited.

ther in chap. 2). Their function has been limited to petitioning the central authorities. That makes the local governments functionally similar to other interest groups that are broadly defined as “groups of people with shared attitude that make demands on governmental institutions” (Truman 1951: 239). The substantial difference is that local governments also perform part of the state functions, among which implementing nationally set policies constitutes a significant part.

Interesting phenomena in Japan are the neighborhood associations (*chōnaikai*) or self governing associations (*jichikai*). They are not formal units of administration, but actually perform some administrative tasks. *Chōnaikai* consists of family units living in the same area, comprising from a few to over a thousand families. They are often subdivided into smaller groups (*han* or *kumi*). They engage in various activities for the development of their community and improvement of residents’ welfare: streetlight maintenance, garbage collection, anti-disaster drills (e.g., earthquake, fire), organization of recreational activities (e.g., sports day, summer festival), assistance to children and elderly citizens’ associations, distribution of city bulletins, official announcements and local news, and park maintenance. The *chōnaikai* provide information to residents on important issues for their daily lives. They also help to integrate people into the local community as well as into the overall socio-political system of the state. Largely due to its nature, the *chōnaikai* do not directly influence the policy process.

Central-local relations pose several problems that originated in the high-speed economic growth period: a transfer of managerial authority of significant public works from governors to the central government, establishment and expansion of jurisdictions of the ministerial local bureaus of agricultural affairs and construction, proliferation of special public corporations, and an increase in agency-delegated tasks followed by the development of the local government subsidy system (Abe et al. 1994: 61). As a result of the implementation of the decentralization-related law revisions in April 2000, some of the administrative operations were delegated from the central to local governments. Nevertheless, several important issues remained unresolved, such as the tasks delegated to local governments by provisions of law that require them to carry out centrally decided policies. The agency delegated tasks (*kikan i’nin jimu*) accounted for, in case of prefectures, 70-80 percent of their work, and 30-40% for municipalities (Nakamura Akira 1998: 144). They were formally abolished in the 2000 reform but in their place new “legally entrusted tasks” (*hōtei jutaku jimu*) were introduced that constitute approximately 55% of prefectural work.

Another important issue is local finances, which structure was not changed as a result of the introduced reforms. Local finances are planned

centrally. Each year the cabinet formulates a local finance plan, which becomes the main guideline of financial operations for local governments. In fact, as much as 60% of the country's total public expenditures is channeled through local governments, but its distribution is under the jurisdiction of central government. It takes various forms of (a) regional transfer taxes (*chihō kōfuzei* and *jōyo zei*) and (b) subsidies and grants.<sup>57</sup> The former are transferred for the general purpose of leveling off the disparities between the municipalities according to the principle of "fair-share." The latter are purpose-specific, made for the implementation of particular national policy objectives. There are five basic types of subsidies and grants, which are commonly referred to as national treasury expenditures (*kokko shishutsukin*): subsidies (*hojokin*) – for the encouragement of specific administrative activities; obligations (*futankin*) – for the fulfillment of nationally mandated administrative responsibilities, for instance, in the area of social security and primary and secondary education; supplementary grants (*hokyūkin*) – for specific deficits and administrative costs; delegated grants (*itakukin*) – for compensation of the execution of tasks delegated by the state, such as elections; and transfers (*kōfukin*) – for other purposes not covered by the above. In practice, the proliferation of subsidies and grants, as well as central control over their distribution, has become a source of power of the national bureaucracy over local governments (Abe et al. 1994: 74).

Besides the centrally distributed taxes, local governments, both prefectural and municipal, can levy local taxes (*chihōzei*). Local taxes constitute an autonomous source of revenue although they funded only around 30% of their expenditures on average. The situation was famously phrased as "thirty-percent local autonomy" or *sanwari jichi*. Although not always reflecting reality anymore, the phrase is still widely used to designate the high degree of financial dependence of local governments. The financial gap between own revenues and central government transfers has to be covered by local government bonds (*chihōsai*). The issuance of bonds is under the jurisdiction of the Ministry of Internal Affairs and Communications, and for that reason not counted as independent financial resources. All together, it adds to the control of the central offices over the local governments.<sup>58</sup>

<sup>57</sup> On subsidies and grants see Abe et al. (1994: 72-74); for a thorough analysis of the politics of subsidies and the ruling party see Hirose (1993); for an interesting account of how the personnel cost required in complying with the application procedures exceeds the subsidy see Masumi (1995: 251-304, 262-268).

<sup>58</sup> Due to the prolonged recession, local governments have faced growing revenue shortfalls (¥ 17 trillion in 2003) as a result of a local tax revenue decline aggravated by tax cuts made to stimulate the economy. To cover the deficit, local governments instituted local consumption taxes in 1997 as a means of increasing local government financial resources, as well as issued

## 7. Mass Media

The mass media, referred to as the “fourth power,” is an important element of political life of any society in developed countries. In Japan, this is also the case and its size is enormous.<sup>59</sup> The national mass media of Japan include numerous television and radio networks as well as newspapers and magazines. The television networks were established based on capital contributions from existing radio networks at that time. This created a close capital relationship between radio and TV networks, enlarged later by newspaper companies. There are six nationwide television networks: Fuji TV, NHK, Nippon TV, TBS, TV Asahi and TV Tokyo, which can be categorized by their political stances. First, neutral: NHK (Nippon Hōsō Kyōkai, Japan Broadcasting Association), which is a Japanese public service broadcaster, financed through fees collected from viewers and with a budget approved by the Diet; and TV Tokyo (Terebi Tokyo) that focuses on economic news (but is also known for its animation programs), with ties to the newspaper *Nihon Keizai Shimbun*. Second, conservative: Nippon Television (Nihon-Terebi or Nittere, NTV), affiliated with the *Yomiuri Shimbun*; conservative and at times right wing Fuji Television (Fuji TV), affiliated with the Fuji Sankei Communications conglomerate, which includes the *Sankei Shimbun*. Third, liberal and at times left wing: TV Asahi, affiliated with the *Asahi Shimbun*; and TBS (Tōkyō Hōsō, Tokyo Broadcasting). Cable TV and multi-channel satellite TV are less popular in Japan and hence these six TV networks share a majority of viewers (Japan’s population is over 128 million). There are also local TV stations, but most of them are affiliated or owned by the companies of the above mentioned nationwide TV networks.

As a consequence of this oligopoly, TV programs, as well as advertisements, are very effective at reaching citizens. The TV programs have indeed played major roles in political developments, including bringing down the Cabinet of Miyazawa Kiichi.<sup>60</sup> In regard to the policy process however, the influence of television has been of a rather limited nature. It brings issues to the attention of the general public and governmental officials. Occasionally,

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bonds, which increased local government debt. At the end of fiscal 2003 such debt reached 199 trillion yen (40.0% of Japan’s GDP).

<sup>59</sup> For a discussion of the size and influence of mass media as business organizations, see Westney (2001: 47-88); for the general introduction of Japanese mass media, see Merklejn (2002); <http://reference.allrefer.com/country-guide-study/japan/japan235.html> (17.09.2006).

<sup>60</sup> Prime Minister Miyazawa, pressed by a famous TV journalist Tahara Shōichirō in the weekly news program *Sunday Project*, promised to deliver political reforms, which were opposed by his party, the LDP. Miyazawa ultimately failed to fulfill his pledge which led to the no-confidence vote against his Cabinet. Pharr (2001: 15, note 1).

the problems at focus are taken up by politicians and set up on the governmental agenda. In the policy formulation and decision stage, other political actors, such as politicians, the bureaucracy, and interest groups, tend to dominate the process.

Similarly to the TV networks, the national newspapers are dominated by a few companies, although there are 120 daily newspapers in Japan as registered with Japan Newspaper Publishers and Editors Association (JNPEA, Nihon Shimbun Kyōkai) in 2005. They have a total daily circulation of approximately 70 million (combined morning and evening issues), which constitutes 1.04 copies per household (more than 94% of newspapers are for home delivery to regular subscribers).<sup>61</sup> The big five national newspapers include: *Yomiuri Shimbun*, *Asahi Shimbun*, *Mainichi Shimbun*, *Nihon Keizai Shimbun* (known as *Nikkei*), and *Sankei Shimbun*.<sup>62</sup> The newspapers, like the TV networks with which they are affiliated, can be categorized along their political stance (that is not to say that the newspapers and the affiliated with them TV networks present exactly the same stance). First, left wing: *Asahi Shimbun*, which ranked second in daily circulation of around 8 million copies (plus around 4.4 million for the evening edition), is affiliated with TV Asahi. The newspaper is known for its prominent writers as well as the frequency with which its articles are used for university entrance examinations. Second, liberal: *Mainichi Shimbun*, third in daily circulation of around 4 million copies (plus almost 2 million for the evening edition), is affiliated with TBS. Third, middle of the road, at times conservative: *Nikkei* is fourth in daily circulation with around 3 million copies (plus over 1.5 million for the evening edition), affiliated with TV Tokyo. The *Nikkei* focuses on economic issues and for that reason is particularly popular among business and financial circles. It is often compared to the *Financial Times*. Fourth, conservative: *Yomiuri Shimbun*, with the biggest daily circulation of around 10 million copies (plus over 4.4 million for the evening edition), affiliated with Nippon Television. This newspaper usually takes the most populist stance on controversial issues. Fifth, right wing: *Sankei Shimbun*, which ranks fifth in daily circulation of around 2 million copies (plus almost 1 million for the evening edition). *Sankei*, known for its nationalistic stance, is affiliated with Fuji TV. The newspaper companies are protected by a system of legal guarantee of the retail price maintenance (*saihan kakaku iji*), which is an exception to the anti-trust law. That ensures that retailers sell newspapers at the price set by the companies. Japanese newspapers, with more than 94% of people reading news-

<sup>61</sup> Available from: <http://www.pressnet.or.jp/english/index.htm> (16.09. 2006).

<sup>62</sup> *Shimbun* in Japanese means “newspaper” but customarily it is included in the title.

papers everyday according to a survey by JNPEA, exercise enormous influence over the general public. Newspapers, like television, effect mostly the agenda setting stage more than generation of policy alternatives or decision making.

In Japanese newspaper journalism there exists a special system of press clubs (*kisha kurabu*), for which membership is restricted. The clubs establish their “offices” in major government offices, big companies and other important institutions, enjoying constant access to a given institution. They consist of from 12 to almost 300 reporters from different newspapers, magazines, and broadcast media. Journalists who cover a specific field usually register with the appropriate press club and receive their own desks there. The clubs also hold regular round-table conferences with officials, as well as private meetings, often at the end of the day in officials’ houses. Part of that is “off record” for the general public. Press clubs used to be closed to foreign press because they required membership in the Japan Newspaper Publishers and Editors Association (JNPEA), but this was changed in 1993. The system has been criticized for the lack of openness and for being a breeding ground for cozy relations between officials and journalist. As a result, journalists tend to relate from the point of view of his or her informer.

On the other hand, the off-record information that journalists obtain in the press clubs often becomes material for anonymous articles published in weekly and monthly magazines. Those articles often led to revealing political scandals.<sup>63</sup> Weekly magazines include: *Shūkan Asahi* (Weekly Asahi), *Asahi Journal*, *Sunday Mainichi*, *Shūkan Yomiuri* (Weekly Yomiuri), *Shūkan Gendai* (Weekly Gendai), *Shūkan Shinchō* (Weekly Shinchō), *Shūkan Posuto* (Weekly Post), *AREA*; and monthly, high-quality comprehensive periodicals such as *Sekai* (World), *Chūō Kōron* (Central Review), and *Bungei Shunjū* (Literary Annals). The interesting characteristic of the magazines is their critical positions toward the giant newspapers and reporting on news that the national papers do not cover. Generally, magazines do not become members of the press clubs. This interesting division of roles between the printed media seems well to exemplify the Japanese cultural concepts of true substance and façade (*honne-tatema*) or public face and private face (*ura-omote*). The concepts point to the dual nature of psychological, social, political and other

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<sup>63</sup> The most important political scandals exposed by the magazines include: the Lockheed scandal involving Prime Minister Tanaka Kakuei, revealed by *Bungei Shunjū*; the Recruit scandal involving Prime Minister Takeshita Noboru, exposed by *Asahi Journal*; and Sagawa Kyūbin scandal involving the LDP kingmaker, Shin Kanemaru, exposed by *Shūkan Shinchō* (see Introduction) (Farley 2001: 133-163).

phenomena, which is often misunderstood by the Westerners as true and false, and in general as a double standard in behavior.

In the case of Okinawa, the mass media has also gained a particularly significant role, although somehow different from than in the rest of Japan. The big five of national newspapers do not have local printing offices and since the prefecture is located far south-west the newspapers arrive belatedly and are distributed mostly among administrative organs and major companies. The local market has been dominated by two local newspapers *Okinawa Times* and *Ryūkyū Shimpō* – the situation called by Idaka Hiroaki (1990: 143) as the “Times-Shimpō Regime.” The two newspapers perceive themselves as the voices of Okinawan society. *Okinawa Times*, in its company information, clearly states that since its establishment the newspaper, “together with the citizens of Okinawa, has called for a ‘peaceful Okinawa’ and thereby has cooperated in fulfilling this mission.”<sup>64</sup> In addition, there are also several television and radio stations, such as Ryūkyū Hōsō TV, Ryūkyū Asahi Hōsō TV, Okinawa TV and Radio Okinawa, which focus on local problems and which actively participated in the public debate on the Program for Autonomic Modernization.

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<sup>64</sup> Available from <http://www.okinawatimes.co.jp/com/gaiyou.html> (18.07.2004).

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## Okinawa in the Japanese System of Decision Making

The most basic procedures [of political decision-making] are conducted largely out of sight in negotiations between bureaucratic groups, committee work in party organs, and endless informal consultations. What is most clearly visible may not be very attractive, at least to Westerners with their concept of how a democratic government should work. Instead of the enlightening debate that one hopes for in parliaments, there is more brute confrontation over issues that have not been resolved through negotiations and consensus... A deeper look, however, will reveal that it is reasonably efficient, does fit Japanese styles of operations, has great vitality, and has a certain attractiveness of its own (Reischauer 1979: 297).

Japan has undergone radical transformation between the end of the Pacific War and the beginning of the 21st century. After capitulation in August 1945, the country was in ruin. The American government, under the auspices of the Supreme Commander of the Allied Powers (SCAP), initiated several reforms to rebuild the economy. The reforms were also meant to democratize the country, preventing, thereby, the reemergence of militarism, and forfending communism in Asia. The new Constitution of 1947 was to strengthen the functioning of the democratic system.

In 1952, Japan regained independence and all the administrative, executive and legislative powers were passed to the Japanese people. Under the Constitution that severely restricted military spending, the Japanese government focused on economic development. As its main objective in the 1950s and 1960s, the government set out to improve productivity through modernization of technology, the means of production and the competitive environment (Kaja 1996: 25). Under the guidance of the bureaucracy that largely survived the postwar reforms, the government promoted strategic



industrial sectors. Initially it was heavy industry (shipping, iron and steel)<sup>65</sup> and petrochemicals, later, electronics and the automobile industry.

Since 1955, the government began the practice of formulating long term development plans. Representative of those plans was the Citizens' Income-Doubling Plan (*Kokumin shotoku baizō keikaku*)<sup>66</sup> formulated in 1960 by the Cabinet of Ikeda Hayato (1960-1964). Ikeda, as with many postwar politicians, was a former bureaucrat of the Finance Ministry. The plan achieved its target long ahead of schedule due to high economic growth that continued to average over 10% annually in the 1960s. By the end of the decade, not only had Japan risen from the war destruction and achieved economic recovery, but it also became one of the leading economies in the world.

As a result of rapid economic growth and the government's nearly exclusive focus on economic development, environmental pollution increased, leading to significant public health problems (e.g., Minamata disease, Niigata-Minamata disease, Yokkaichi asthma, Itai-itai disease).<sup>67</sup> Lawsuits brought by the victims and other actions against big corporations and the Japanese government, as well as the great publicity the problems received, led to an increase of public awareness and the rise of citizens' movements. Under public pressure, the Air Pollution Control Law was passed in 1968 (amended in 1996) and the Environmental Agency established in 1971 (upgraded into Ministry in 2001). Demands by citizens also concerned other areas of public health and welfare. Japan became an economic superpower and the public started demanding living standards appropriated for such status.

The first oil crisis in 1973 strongly hit the Japanese economy.<sup>68</sup> To avoid similar problems in the future the government reoriented its policy and be-

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<sup>65</sup> Special military procurement by the U.S. government amounted to 27% of Japan's total exports and boosted the Japanese economy, particularly heavy industry, during the Korean War (1950-1953).

<sup>66</sup> It is usually abbreviated as the Income-Doubling Plan. As main targets, the plan set expansion of exports, leveling off of disparity in income and between regions and industries, modernization of agriculture and small and medium-size enterprises, and economic development of Japan's peripheries.

<sup>67</sup> Minamata disease was caused by methyl mercury released in industrial wastewater from the Chisso Corporation chemical factory in Kumamoto prefecture in 1956; Niigata (or Second) Minamata disease in Niigata prefecture was caused by the same chemical substance released by the Shōwa Electrical Works company, confirmed in 1964; Yokkaichi asthma was a result of poisoning by sulfur dioxide and nitrogen dioxide released into the air in Yokkaichi city in Mie prefecture in the 1960s; and *itai itai* (literally, "ouch-ouch") disease was caused by cadmium poisoning released into rivers by mining companies in Toyama prefecture in 1950.

<sup>68</sup> In spite of the crisis, in the 1970s the Japanese economy grew by 5% annually on average.

gan promoting development of energy- and natural resources-saving technologies. As a result, heavy industry declined, while the precision and electronic sectors started booming. New electronic technologies became widely used in industrial production, replacing traditional machines, which again greatly improved productivity. Exports increased to the point that the earlier import surplus became an export surplus, particularly with the United States. Furthermore, to stimulate domestic consumption and to improve living standards, Prime Minister Fukuda Takeo (1976-1978), like his great predecessor Tanaka Kakuei (1972-1974), began anew the policy of high government spending on public works (financed by the sale of government bonds). Consequently, living conditions improved and a new type of consumption-oriented life style began being promoted.

In the 1980s, largely due to trade friction with the U.S., Japan's biggest trading partner, the government shifted the policy from protectionism to liberalization and to the internationalization of the economy. The process began in 1985 when the Plaza Accord was signed by the G5 nations (France, West Germany, Japan, U.S. and U.K.) that depreciated the U.S. dollar against other currencies.<sup>69</sup> The appreciated yen severely hurt Japanese exports leading to an outflow of Japanese capital abroad and a shift of production overseas, particularly to the neighboring countries of China and South Korea, and to South East Asia. The domestic de-industrialization (*sangyō kūdōka*) further stimulated development of technology-intensive industries as well as the value-added commodities. With the majority of the population living in urban areas, the service industry also expanded. The percentage of people working in tertiary industry increased from 29.6% in 1950 to 57.3% in 1985, while in the same period the share of population working in the agriculture sector decreased from 48.5% to 9.3% (Zaidan Hōjin Yano Tsuneta Kinenhen 1991: 79).

A strong yen and a favorable exchange rate with the dollar in the late 1980s allowed the Bank of Japan keep interest rates low. This sparked an investment boom, and later, speculative excesses in the stock and real estate markets. Shortly before New Year's Day in 1989, a Tokyo Stock Exchange index, the Nikkei 225, reached its record high of nearly 39,000. By 1991, it had fallen to 15,000. Subsequently, Japan experienced a decade long recession and stagnation, which consisted of price deflation and largely stagnant

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<sup>69</sup> The Plaza Accord largely failed to fulfill its primary objective of alleviating the trade deficit with Japan, although it succeeded in reducing the U.S. trade deficit with Western European countries.

economic growth (1.5% annually between 1991-1999).<sup>70</sup> It was during that economically difficult period that Okinawa prefecture initiated its development plans, discussed in the consecutive chapters.

## 1. Policy Making Patterns

The analysis of the postwar system of policy making in Japan reflected the above mentioned changes in the economy and society. While the model of bureaucratic dominance prevailed in the era of high-speed economic growth, in the late 1970s, the model of party dominance gained in importance. In the 1980s, two other models, pluralism and corporatism, were introduced into the analysis. There also appeared other combinations such as the pluralist and bureaucracy dominance, and of the pluralist and party dominance. At present, the pure models of bureaucracy (Ikuta 2000: vii-viii; Johnson 1995: 15, 115-140; 1982) or party (Murakawa 2000: 110) dominance have become rather marginal, while various forms of pluralism have been gaining in importance, of which four main patterns can be distinguished (Nakamura Akio 2001: 14-44; Nakano 1997: 96-98; Anami 2002: 31-35).

First, in “bureaucratically-led pluralism,”<sup>71</sup> as the name suggests, the bureaucracy plays a very important role in all policy areas and largely dominates routine<sup>72</sup> type processes (especially of low key and low visibility policies). It is pluralistic in a sense, as Schwartz (1988: ix-x) comments, that various “small and fairly stable sets of well-organized, narrowly focused interest groups typically join specific bureaucratic agencies, groups of politicians, and individual experts to dominate decision making in relatively

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<sup>70</sup> Government efforts to revive economic growth have met with little success and were further hampered in 2000 to 2001 by the slowing of the global economy. By 2003, the Japanese economy began to grow again (at 2.0%) and in 2005 saw signs of a recovery.

<sup>71</sup> It corresponds to Muramatsu Michio and Ellis Krauss’s (1987) concept of “patterned pluralism,” and to Inoguchi Takashi’s (1983: 18-22) concept of “bureaucracy-led masses-inclusive pluralism” (*kanryō shudō taishu hōkatsugata tagenshugi*).

<sup>72</sup> This is a widely used term for the bureaucracy led-type of policy (Nakamura Akio 2001: 37-38), although Yamguchi Jirō (1987: 86-105) gives different names of “planning oriented” (*keikaku shikō*) and “situation oriented” (*jōkyō shikō*) that correspond to routine and non-routine types, respectively. There are, however, some exceptions, and, for instance, Masumi Junnosuke (1969: 414-416) in his first model distinguished a “regular type” (*tsūjō keitai*) and “unusual type” (*ijō keitai*), in which the former corresponded to the “non-routine” type (politicians, bureaucracy, interest groups) as commonly defined, and the latter to foreign and public order policies characterized by conflict between the LDP and the Socialist Party. Such naming is not common and Masumi’s typology seems to be influenced by his focus on the activities of political parties.

self-contained policy domains.” Although it is “bureaucracy-led” that is not to say that the bureaucracy completely controls the entire process or the actors. The bureaucracy is equipped with expertise, technical knowledge and information, and possesses skills necessary for policy formulation. In Japan, the bureaucracy also has a long tradition of being the “elite corps of ‘mandarins’” (Stockwin et al. 1988: 17-18) having provided fundamental national policy directions for decades. Arguably, the bureaucracy is the only entity capable of policy planning in an organized and systematic way (Kyogoku 1987: 220), but its influence varies across policy areas<sup>73</sup> and policy stages.

Second, in “politicians-led pluralism,” Liberal Democratic Party (LDP) members are especially significant in the policy process. This process is also characterized by the participation of various groups (prime minister, cabinet, bureaucracy, political parties, individual Diet members, committees, interest groups, etc.), but unlike bureaucracy-led pluralism, it emphasizes the dominant position of LDP members. Among them, the *zoku* Diet politicians are of particular importance because they usually occupy the chairs of the LDP divisions and commissions that are in charge of policy formulation (Satō et al. 1986: 93).

In the model of “politicians-led pluralism,” one sub-pattern of “prime minister-led pluralism” can be distinguished. The prime minister, as aforementioned, is legally vested with the most powers in the executive branch and can influence the policy process if he or she chooses to act.<sup>74</sup> Hayao Kenji (1993: 192-194) observed that the prime minister selects issues based on, first, consideration of political advancement and security (e.g., elections); second, historical achievement – a desire to go down in history for certain accomplishments, often in the field of diplomacy<sup>75</sup> – and third, personal beliefs or long-held interests in particular area.<sup>76</sup> Hence, the general implications are

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<sup>73</sup> Calder (1988: 22-23) stressed, for instance, the distinction between industrial and trade policies and other domestic sector policies.

<sup>74</sup> Nakano (1997: 68-74) calls this type of policy making *Kantei* politics (after the Prime Minister’s residence in Tokyo) that is characterized by the prime minister’s leadership. See also Anami (2002: 31-35).

<sup>75</sup> Another reason for the prime minister to choose diplomacy, or foreign or defense policy is that the *zoku* groups in those areas are almost nonexistent. Inoguchi and Iwai explained that these policies are not popular among Diet members because they do not translate into votes and become the object of interest only when related to some domestic interest groups. On the *bōei zoku* or defense tribe see Inoguchi and Iwai (1987: 282, 209-211).

<sup>76</sup> Fukui Haruhiro (1974: 79-127), based on the analysis of the Okinawa reversion negotiations, formulated, in fact, a special model of “critical” (*hijōjigata*; trans. by Fukui) decision making that concerns foreign policies that have consequences for domestic politics (not international, to distinguish it from policies conducted under foreign pressure or international crisis), and involves a very limited number of participants centered around the prime minister.

that the prime minister will pick up an issue that can be finalized in time to take credit for the achievement leaving long-term issues aside. The prime minister is not, however, impervious to the influence of the ruling party. He or she has to take the opinions of influential LDP members into consideration to secure their backing in the passage of proposed bills through party and Diet organs.

Third, “corporatism”<sup>77</sup> points to close relations among the bureaucracy, private interests and the Liberal Democratic Party. According to this approach, “powerful groups in society through structured channels of interaction gain preferential treatment from the central elites and determine various national policies while also being vulnerable to their influence and control” (Richardson et al. 1984: 374; Muramatsu 1997: 143). The existence of the pure corporatist model in Japan has been questioned due to several factors such as variety of interest groups (e.g., agricultural cooperatives *nōkyō*) that enter “corporatist” relations, the dynamic nature of those relations (not always benefiting participating actors), and, most importantly, the dispersed character of company-based labor unions and their limited participation in policy negotiations. As a result, numerous modifications have been proposed, such as “corporatism without labor” (Pempel and Tsunekawa), “functional corporatism” (Shimada), “semi-penetrated corporatism” (Tsujinaka), “corporatism with limited labor” (Kim), “welfare corporatism” (Dore), and other (Muramatsu et al. 2001: 70-73).

Finally, the pluralistic<sup>78</sup> model points to a variety of actors that participate in the policy process on different policy stages and in various policy areas. This approach does not present a unified school or presuppose the existence of “pure pluralism” in Japan, but rather of the “Japanese-style pluralism” (Muramatsu 1981: 286). In such a system, many elements of pluralism and corporatism coexist together while there is also an influential bureaucracy. All four main patterns and sub-patterns of policy making are exemplified in the projects contained in the Program for Autonomic Modernization, discussed in the consecutive chapters.

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<sup>77</sup> Corporatism as such has not been applied as a policy model to all policy areas but rather to particular areas of policy. For a summary of the discussion on corporatism in Japan see Muramatsu et al. (2001: 70-73).

<sup>78</sup> For this approach, see for instance, Richardson et al. (1984: 373-378), George (1988: 106-137), Tsujinaka (1996: 219-223), Muramatsu (1997: 141-144), Curtis (1999: 60), Yamaguchi (1987: 86-105), Nakano (1997: 83-133), Nakamura Akio (2001: 213-225).

## 2. Procedures of Policy Making

Each of the above patterns of policy making follows established formal and informal procedures. Formally, policy formation and decision-making in Japan, as discussed in the previous chapter, are in the competence of the Diet and the Cabinet. In reality however, the process is more complex, with political parties, the bureaucracy and other actors deeply involved in the process.

Most bills in Japan are Cabinet-sponsored bills, approx. 83% for 1955-1993 (Iwai et al. 1998: 43-45). With the exception of politically important issues,<sup>79</sup> most bills are first drafted in a section of the relevant ministry. After approval by the division director of General Affairs, councilor, bureau director, chief secretary of the ministerial secretariat, and administrative vice-minister, the draft is finalized on the ministerial level (see Fig. A-3). In the process, the divisions hold several meetings during which the concrete proposal is formulated, and in case of conflicts, the division directors of General Affairs or of Archives and Documents mediate, referring the matter to the ministerial council to create the final draft. In the next stage, the Cabinet Legislative Bureau checks the draft, and the meeting of the administrative vice-ministers sends the bill for cabinet approval. In this stage, the bureaucrats prepare the ground for the passage of the bill in the Diet together with the *zoku* Diet members. It is important to note that during the entire process, the bureaucrats and the *zoku* and other LDP politicians closely cooperate on the proposed bills (discussed in detail below in the annual budget drawing).

Within the bureaucratic organization (as in fact in other organizations) there exists the system of policy proposal circulation and sanctioning called *ringi*. In that system, persons on the bottom of the organization without any discretionary powers formulate a proposal (*ringisho*) which is forwarded to higher levels following all rudimentary procedures and approvals at each stage. It goes up until the person who is in charge makes the final decision. The *ringi* style of policy process indicates a bottom-up democratic and open system of policy initiative and policy formulation (Tsuji 1968: 455-475).<sup>80</sup> The

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<sup>79</sup> The general assumption is that the more political an issue becomes, the bigger the role the party or politicians play, and conversely, the more technical and specialized the problem gets, the bigger role is performed by the central bureaucracy. In other words, with highly politicized issues, which involve a wide range of players, there is an increased need for political leadership (Satō et al. 1986: 78, Yamaguchi 1987: viii, Bradley et al. 1984: 362).

<sup>80</sup> For the critique of this model and the analysis of the role of ministers see Park Yung H. (1986).

process is, however, of a more complicated nature. There exist two stages in this process, and it is in the first stage that the decisions actually take place (Vogel 1975: xii-xiii). That first stage includes prior consultations (*nemawashi*) and meetings that are consensus building, while the second stage includes deliberations among the relevant actors on a written proposal prepared based on the already reached consensus (Ishikawa et al. 1995: 192-193). Because the decision has been made during the first stage, Vogel (1975: xii-xiii) calls the system the *ato ringi* or afterwards *ringi*. In the process, if the written proposal faces difficulties within a bureau, it is usually the General Affairs Division that mediates in the negotiations within a ministry, and if it is inter-ministerial, the Directors of the Secretariat Archives and Documents Division. Compared to the first stage, the second takes less time because the proposal is already written, but all together, the process takes much time. It has to be noted, however, that the *ringi* system of decision making focuses on the intra-organizational process and thus has little application for policies that include a variety of actors of different affiliation or different levels of government (e.g., local-central). What is common however for the *ringi* system and other forms of decision making is the consensus-seeking orientation of the participants.

**Policy Process within the Liberal Democratic Party.** The informal system of policy making in Japan involves the party organs of the Liberal Democratic Party (LDP). The party usually drafts bills that are of strategic importance (e.g., budget, taxes, etc.), as well as those of political significance for the party at any given period of time.

Within the LDP, the legislative bill or budget draft is first discussed and formulated in various divisions, committees, provisional sub-committees or project teams of the Policy Research Council (PRC, Seimu Chōsakai, known in the abbreviated form Seichōkai). After deliberations in the PRC's subunits, proposed legislation approved by unanimous decision is forwarded to the Deliberation Commission of the Policy Research Council Policy where a similar unanimous approval is required. The chairperson of the Policy Deliberative Commission exercises enormous influence and thus in a case of disagreement over a bill, if the chairperson of the Policy Research Council terminates the deliberations and takes the bill "into custody," the chairperson of the Policy Deliberative Commission holds discussion with the deputy chairperson. If that does not result in agreement, the chairperson of Policy Deliberation Commission can make the decision unilaterally. If the proposal fails to receive approval it is sent back to the division, and if it is, then it is

forwarded to the General Council for final approval, also traditionally taken unanimously.<sup>81</sup>

With the approval by the General Council, deliberation on the content of party policies and legislation bills is finalized. Drafts are sent to the party's Diet Affairs Committee, which discusses the proper strategies for steering the legislation through the Diet. The directors and deputy directors of the Policy Research Council's divisions, who usually are *zoku* politicians, become also members of the respective standing committee in the Diet taking charge of the passage of the concerned legislation.

**Policy Process under the Coalition Governments.** The LDP single handed dominance ended in 1993 with the formation of the non-LDP cabinet of Hosokawa Morihiro (1993-1994). Between August 1993 and June 1994, the LDP became for the first time an opposition party. In July 1994, the LDP formed a coalition government with the Social Democratic Party of Japan (SDPJ) and the New Party Sakigake, the so-called *Ji-Sha-Sa* alliance (after the first Japanese letter of the parties' names). The coalition was led by Socialist Prime Minister Murayama Tomiichi, and in January 1996, by the LDP president, Hashimoto Ryūtarō. The coalition broke up in June 1998, and the LDP governed alone until January 1999, when it formed a coalition with the Liberal Party, and in October that year, with New Komeitō and Reformers Network Party (*Kaikaku Kurabu*). As a result of the changing coalitions, the system of policy making was altered respectively. During the period under study, two coalitions were of importance: the cabinets of Murayama Tomiichi and of Hashimoto Ryūtarō.

Under the Murayama coalition government, the policy process was altered to include inter-party deliberations of the top representatives from the coalition partners. Nevertheless, the process largely remained dominated by the LDP party policy processes and structure.<sup>82</sup>

Under the Hashimoto coalition government, the two coalition partners SDPJ and Sakigake stayed outside the Cabinet. That led to liquidation of the issue-based coordination meetings and the ministry-based coordination meetings, and the rise in importance of the ruling parties policy coordination meetings. The latter were attended by top executives from the three parties

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<sup>81</sup> The Party Convention and Plenary Meeting of Party Members of Both Houses of the Diet are in fact the highest decision making bodies but they convene only sporadically while the General Council performs the daily duties.

<sup>82</sup> For decision making under the Murayama and Hashimoto cabinets, see Murakawa (2000: 103-109); for decision making under the Murayama Cabinet and the preceding Hosokawa Cabinet, see Nonaka Naoto (2000: 117).



(7 persons from the LDP, 5 from the SDPJ and 3 from Sakigake). The Ruling Parties Presidents' Meetings (Toshu Kaigi) remained the highest organ, while the Ruling Parties Meeting of People in Charge (Yotō Sekininsha Kaigi) functioned as the actual decision making body. The Ruling Parties Policy Coordination Meetings (Yotō Seisaku Chōsei Kaigi) served as a forum for policy consultation. However, the SDPJ and Sakigake withdrew from the cabinet just before the Lower House election in October 1996, in which they were overwhelmingly outshone by the LDP. Both the SDPJ and Sakigake did not have enough Diet members to deliberate all the bills and negotiate them with adequate ministries. As a result, the meetings of the representatives of ruling parties became more and more dominated by the LDP.<sup>83</sup> The policy-making process under the Hashimoto Cabinet remained, thereby, virtually the same as during the LDP single-party rule. The policy coordination meetings served very often as a place for the two other coalition partners to hear opinions on the bills already passed by the LDP Policy Research Council.

### 3. Budgetary Process

In the policy making process, the budget has a special position because it enables execution of all other policies. In the Japanese political system, constitutionally, the powers to compile and propose a budget bill formally belong to the cabinet and the Diet, the latter vested with powers to amend, veto or pass it. However, in practice, budget compilation fell under the competence of the Ministry of Finance (MOF), legally assigned those responsibilities by the provisions of the Finance Law.

The budget drawing process unfolds during the entire year, with a long schedule of fixed dates for particular procedures to start and end. Based on main actors and activities dominating particular points in the process, the process can be categorized into four main stages: political petitions, the administrative process, political negotiations, and the legislative process (see Fig. 2-1) (Muramatsu et al. 2001: 174-176; Shindō 1995: 28-92, 2002: 28-32; Murakawa 2000: 117-158). As with most analytical categories, the borders are not always clear-cut, and often even overlapping. This simplified division highlights the major actors and their activities.

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<sup>83</sup> The LDP ignored its coalition partners to the point, according to Murakawa Ichirō, that the LDP did not discuss with its coalition partners the appointment of Satō Kōkō as the Minister of Home Affairs in Sept. 1997 (Murakawa 2000: 105).

The first stage, political petitions, takes place between April, which marks the beginning of a new fiscal year, and the end of August. During this stage, various ministries formulate budget drafts in cooperation with or sometimes under pressure from LDP *zoku* politicians, various interests groups and local government representatives. The negotiations usually take place in the LDP divisions (*bukai*) that, as aforementioned, are often chaired by *zoku* politicians.

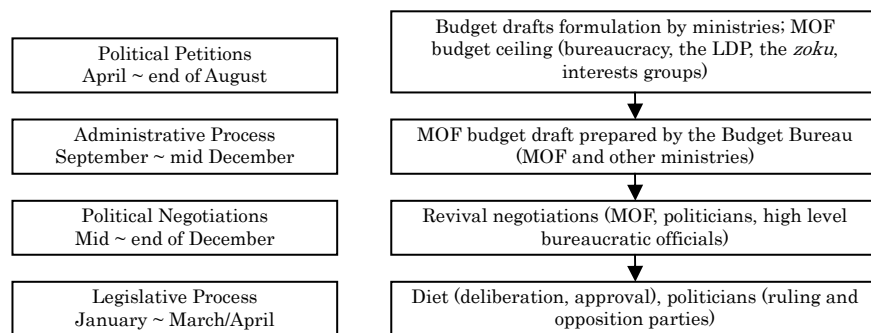


Fig. 2-1. Stages in the Japanese National Budget Compilation Process

The second stage, the administrative process, takes place between September and mid December, during which the Budget Bureau (Shukeikyoku) of the Finance Ministry assesses the submitted drafts and compiles the Finance Ministry budget draft (*Ōkurashō gen'an*). During that time it is mostly the MOF bureaucracy that revises and formulates the draft.

The third stage, from mid December until the end of the month, revolves around the highly publicized “revival negotiations” (*fukkatsu sesshō*) between the Ministry of Finance and other ministries. It is preceded by the release of the LDP annual Budget Compilation Program (*Yosan hensei taikō*) and the Cabinet Budget Compilation Policy (*Yosan hensei hōshin*). This stage ends with Cabinet approval and submission of the budget bill to the House of Representatives. Thus, the last legislative stage takes place in the Diet, where the budget bill is negotiated and deliberated with the opposition parties, and passed or amended as legally required by the end of March.

In reality, the entire process is much more complex, and all four stages can still be divided into several sub-stages divided by the organizational schedule. In the first stage, in May, ministries as well as the related divisions in the LDP Policy Research Council hold hearings on the requests from local municipalities, business and labor organizations, and other interest groups. Between June and August, both the ministries and the party decide their

priorities and hold unofficial “coordination” meetings (*suriawase*) during which the LDP members present their requests. The first such meetings take place usually in June between the LDP divisions and particular ministries. The second round is held in July between vice ministers, ministry secretariat directors and five to six influential LDP politicians. In the beginning of August, meetings between the ministerial Accounting Division, secretariat directors and *zoku* politicians on the LDP side take place. During the last meetings, the party usually presents requests agreed to by the party at its policy meetings at the end of July (Fukuoka 1986: 124).

In the ministries, on the other hand, the lowest level of the organizations, namely the sections, compile their budget drafts in June. In the beginning of July, all General Affairs Divisions of each bureau submit their budget requests to the Accounting Division of the Ministerial Secretariat of the given ministry, which consolidates the entire ministry’s draft. In August, the MOF presents the budget ceiling, which, after cabinet approval, is presented to the ministries and disclosed to the general public (together with the list of priority projects). The ceiling set by the MOF has changed according to the state of national finances and economic prospects. Between 1954 and 1960, there was, for instance, no ceiling set. Between 1961 and 1964, the ceiling was set at 50% of the increase in comparison to the previous year’s total. Between 1965 and 1976 it went down to 30%, and from 1968 to 1974 to 25%. During the period of rapid economic growth, therefore, one of the Japanese budget’s main characteristics was its high growth (Campbell 1980: 3, 15). However, since the 1980s, due to a growing budget deficit and slower economic growth, the MOF has been trying to set a negative ceiling for ordinary expenditures, and negative or zero ceiling for the investment section (Iritani 2001: 40, Abe et al. 1994: 84).

In the summer, municipal representatives and interest groups begin petition visits to relevant ministries and agencies. It is during this period that the governors undertake trips to Tokyo with requests for the budget. This ritual of budget petition trips plays an important role in the political ceremony of budget making (RSH 1998: 301-305), and, consequently, governors are very often evaluated on the basis of their ability to secure budget requests from the central government. The ceremony though, does shift the focus from the ability of governors as policy makers and leaders to their ability to create personal connections with central government politicians and bureaucrats.

By 31 August, the Accounting Divisions submit drafts to the MOF Budget Bureau. Just prior to that, the divisions hold a ministerial budget conference (*yosan shōkaigi*) that ratifies the final ministerial request, and also

final discussions with the relevant LDP divisions of the Policy Research Council. In the selection process, the director of the Accounting Division in the ministerial secretariat is the main person in charge of budgets checks and selection. Drafts submitted by the General Affairs Divisions of each bureau are assessed based on the several criteria: quality of the policy, possibility of approval by the MOF, feasibility of the plan, and adequacy of the estimated calculation (Muramatsu 1998: 77-78). These criteria, at the MOF Budget Bureau level, expand to include several other macro-factors such as general economic indicators, state of national finances, expected revenues and general policies of the government.<sup>84</sup>

In the second stage of the administrative process, the Budget Bureau of the MOF assesses the budget outlines submitted by the ministries, holding additional meetings with persons in charge of those policies. The Bureau formulates a tentative budget draft by the end of September. At this stage, the main actors involved in the process include the staff of the Budget Bureau, namely the Bureau director and three vice directors who are assisted by budget examiners (*shukeikan*) and investigators (*shusa*), each in charge of a particular ministry. Under the examiners and investigators, chief clerks (*kakarichō*) and clerks (*kakariin*) conduct the assessment of the budgets drafts. It is the examiners, however, who are mainly responsible for contact with the directors of the Accounting Divisions of other ministries, and who, in general, supervise the budget procedures. Between October and the beginning of December, there are also several meetings attended by the bureau directors of each ministry, during which particular projects are deliberated and negotiated in detail. The MOF presents the budget draft (*Ōkurashō gen'an*) in mid December.

The third stage is relatively short, around a week, starting usually around the 20<sup>th</sup> of December. It is centered on revival negotiations (*fukkatsu sesshō*) between various ministries and the MOF (Campbell 1980: 172-199). The negotiations take place first at the bureau director level, then at the administrative vice minister level, and finally, between ministers (or directors general in case of an agency). This stage is sometimes referred to as “the highlight scene of the ministers” or a “special service from the Finance Ministry to politicians.” It receives the most public attention. In the midst of negotiations, the Minister of Finance usually pay courtesy visits, so-called “encouragement visit” (*jinchū mimai*), to the ministerial bureaus to thank the

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<sup>84</sup> Campbell (1980: 61-68) specifies the following criteria: incrementalism, simplifying, economizing, balance, preferences of the ministry and the party, and limitation of new projects.

staff for working long hours (until early morning) during that busy period (OT 23.12.1997).

During the fourth and final stage, the legislative process starting from late December or January, the Diet becomes the center of deliberations and negotiations between the ruling and the opposition parties. Discussions in the Lower and Upper House Budget Committees are followed by the Minister of Finance keynote speech on Finances. The budget bill is revised or passed by the Diet by the end of March. If the budget bill is not approved by that date, a provisional budget is enacted for the time being.

**Characteristics of National Budget Drawing.** Budgetary policy, as all other types of policies, change according to economic circumstances and policy directions set by the government. At the same time, analyzed from a longer perspective, budgetary policies show certain patterns which are conceptualized as characteristics of a budgetary process of a given country or region. In the case of the Japanese budget, two features have been pointed out as its fundamental characteristics: incrementalism on the macro-budgeting level,<sup>85</sup> and a tendency to balance expenditures among various ministries or interests groups represented by politicians on the micro-budgeting level (Campbell 1980: 2). The budgetary process has been labeled “balance oriented incrementalism” for that reason. The latter characteristic of the budget relates to the culturally rooted norm of “fair-share.” This refers to the practice of equitable treatment by ministry rules on various issues or budget allocations. The principle that guides the top decision-makers in the MOF is very important in the Japanese decision-making system in general. The principle is applied within a clearly defined sphere (e.g., given policy area) and clearly defined participants (Vogel 1975: xxiii-xxiv), and hence not entirely open. In order to be equally treated, one has to become a member of the group first.

In addition to these two fundamental features of incrementalism and balance in allocation, Muramatsu has added “retrenchment.” This refers to the policy of the Finance Ministry to control the total sum of the budget rather than particular projects. By that, the Ministry of Finance attempts to exclude politics from the process; namely, the expansion of the budget through “pork barrel” politics (Satō et al. 1986: 246-263, Muramatsu 1998: 77-82). In the budget, which grows incrementally, new projects (*shinki jigyō*) constitute the flexible part responding to the necessities of changing cir-

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<sup>85</sup> Budgetary incrementalism as such is not exclusively a Japanese budget drawing feature, but a universal phenomenon. Wildavsky (1997: 272) commented that the degree of incremental change of the Japanese budget is nevertheless very high in comparison with other countries.

cumstances. This is also the area which is most susceptible to the influence of the politicians (Muramatsu 1998: 203, Yamaguchi 1987: vii-viii).

It is important to note that in Japan the entire policy making process occurs through the process of budget compilation, which has been labeled a “budget politics.” This primacy of the budget over other policies means that in the process the budget is set up first and particular projects have to fit into the scheme. But since the process is mostly incremental, it has had a tendency to become rigid, and quite often, once an item has been listed in the budget it remains there even if it is not necessary any more (Iritani 2001: 39-40). The overall high growth rate and the stability of shares occupied by major expenditures characterized the Japanese budget of the post war period. With the overstretched public finances from the 1980s (Campbell 1980: 3-5) and the MOF policy of “zero-ceiling” that virtually fixes the budget, most ministries have concentrated their efforts on securing the same budget allocation as in the previous year.

In the 1990s, the Japanese government, plagued by a big budget deficit, decided to implement drastic countermeasures, one of which was a Special Measures Law for the Promotion of Finance Structural Reforms passed by the Diet on 28 November 1997. The law set a goal of reducing the deficit to under 3% of GNP by 2005, with a reductions in expenditures as the main method. In the compilation process for the budget of FY 1997, on 30 July 1996, the government approved the annual Budget Request Policy that set a target of making FY 1997 the “start year of the budget of financial and structural reforms” (Zaisei Chōsakai 1997: 1064-1065). A severe economic situation and instability caused by the Asian financial crisis later forced the government to alter the fiscal policy, and as a result, the Diet passed a new law freezing the previous finance structural law in December 1998 (Okonagi 1998). In this context, the five-billion yen special adjustment fund appropriated for the development of Okinawa in 1996 by Prime Minister Hashimoto looked especially attractive to the ministries that competed for their share, as discussed in chapter 5.

#### **4. Regional Development Policy for Okinawa**

In Japan, a uniform policy is assumed unless there are specific reasons to make it diverse. Regional development is not an exception. Development policy has been under the jurisdiction of the central government, elaborated in Japan’s Comprehensive National Development Plan (*Zensō*). The Plan sets the most fundamental framework for the use, development and conserva-

tion of land, defining directions for development of infrastructure for housing, cities, roads, airports, sea ports, etc. Since the first plan in 1962, there have been five Zensō plans up to March 1998. The Zensō is formulated under the Comprehensive National Land Development Act (enacted in 1950) based on consultations between the National Land Agency (Kokudochō) – transformed in 2001 into the Ministry of Land, Infrastructure and Transport (Kokudo Kōtsūshō) – the National Land Development Council (Kokudō Shingikai) and relevant administrative organs.

The Fourth Zensō, as aforementioned, set a target of “internationalization” in response to the changing international and domestic situation. The general objective was to create a “multi-polar national land structure” aimed at dispersion of economic, administrative and cultural functions among various regions that were concentrated until then in the Kanto (Tokyo) area. The goal was to be achieved through the creation of development hubs (*shinkō kyoten chiiki*).<sup>86</sup> They were to promote unique characteristics of particular regions and autonomic development.

Within the framework created by the Zensō, the policies for regional development for Okinawa were legally reinforced by the Special Measures Law for Okinawa Promotion and Development (*Okinawa shinkō kaihatsu tokubetsu sochihō*; hereafter cited as Okinawa Development Law), passed on 31 December 1971. The Okinawa Development Agency (ODA; Okinawa Kaihatsuchō)<sup>87</sup> supervised formulation of those policies. There were three ten-year Okinawa Promotion and Development Plans (*Okinawa shinkō kaihatsu keikaku*, hereafter cited as Okinawa Development Plan), and the fourth under the altered name of Okinawa Promotion Plan (OPP; *Okinawa shinkō keikaku*). The First Okinawa Development Plan (1972-1981) put forward the goal of creating the basic infrastructure for economic development, of redressing the economic gap with the mainland (resulting from the prolonged American occupation of the prefecture until 1972), and of creating proper conditions for development of a sustainable economy. The Second Plan (1982-1991) aimed at establishing an international exchange hub and promoting tourism as the leading industry, in the aforementioned context of general “internationalization” policy. The Third Plan (1992-2001) emphasized the importance of improving the quality of life and promoting unique

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<sup>86</sup> The system of the development hubs (*shinkō kyoten chiiki*) was established by the Multi-Polar National Land Structure Formation Promotion Law (*Takyoku bunsangata kokudo keisei sokushinhō*) passed on 14 June 1988. In March 2004, there existed eight of such areas, including one in Okinawa.

<sup>87</sup> With the administrative reform in 2001, the ODA was incorporated into the Cabinet Office under the Okinawa Bureau and Okinawa Promotion Bureau, headed by a state minister for Special Missions for Okinawa and Northern Territories Affairs (see Fig. A-2).

local characteristics. The new Okinawa Promotion Plan (2002-2011) added to the previous targets the development of multimedia, information and communications industries as the leading sectors of the local economy together with the existing tourism.

Basic rules and procedures for policy making regarding development strategies for Okinawa are stipulated in the Okinawa Development Law. The Law requires the governor to submit a proposal to the prime minister, thereby formally giving the governor a right to initiate policies. The prime minister is obligated to coordinate the overall work, seek consultation from the Okinawa Development Agency's Okinawa Promotion and Development Council (Okinawa Shinkō Kaihatsu Shingikai), and discuss proposals with the concerned ministries. On the submission of the opinion from the Council, the prime minister is to approve the plan and notify the governor. In reality however, the prefectural proposal comprised the prior outline prepared by the central agencies, to which local government added requests for specific projects.

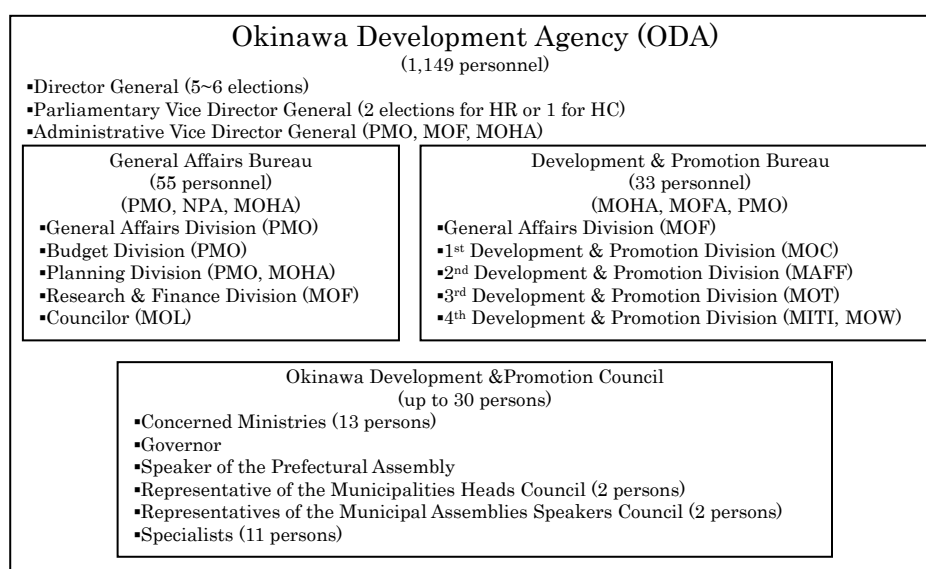


Fig. 2-2. Structure of the Okinawa Development Agency (1993)

Source: Okinawa Kaihatsuchō (1993: 469).

Note: MAFF – Ministry of Agriculture, Forestry and Fisheries; MITI – Ministry of International Trade and Industry; MOC – Ministry of Construction; MOF – Ministry of Finance; MOFA – Ministry of Foreign Affairs; MOHA – Ministry of Home Affairs; MOL: Ministry of Labor; MOT – Ministry of Transport; MOW – Ministry of Welfare; NPA – National Personnel Authority; PMO – Prime Minister Office

Furthermore, there existed a deliberative body in the ODA, the Okinawa Promotion and Development Council, that consisted of members appointed



by the prime minister. Theoretically, the Council allowed for Okinawa prefecture to participate in the process beyond the initiative stage.<sup>88</sup> Among the thirty members, six represented Okinawa, eleven, specialists and experts, and another thirteen, relevant ministries (see Fig. 2-2). This was the bureaucracy that in fact prepared and presented the proposals for deliberations, and gathered and analyzed the necessary materials and data. The discussions that resulted from such arrangements tended to oscillate within the perimeters set by the central agencies. In other words, the bureaucrats, by setting the alternatives for deliberations, determined also the final policy outcome.<sup>89</sup> The centrally formulated plans were later formally approved at the prefectural level.<sup>90</sup>

It is worth noting that the Okinawa Development Agency, the only such institution created specifically for one prefecture except for Hokkaidō, did not represent a unified body with one coherent policy. The agency was rather a coalescence of policies of respective ministries that the ODA's personnel was composed off. For the ODA comprised bureaucrats that were "on lease" from other line ministries (see Fig. 2-2). For instance, traditionally, the highest bureaucratic post of the administrative vice director general of the ODA was occupied in turns by members from the Prime Minister Office, the Ministry of Finance and the Ministry of Home Affairs. Similarly, in the ODA Development and Promotion Bureau, the staff of the General Affairs Office came from the Ministry of Finance, the staff of the First Division from the Ministry of Construction, the staff of the Second Division from the Ministry of Agriculture, Forestry and Fisheries, the staff of the Third Division from the Ministry of Transport, and the staff of the Fourth Division from the Ministry of International Trade and Industry (MITI) and the Ministry of Welfare. The General Affairs Bureau was similarly divided between various ministries. Similarly, the budget of Okinawa Development Agency was

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<sup>88</sup> Special Measures Law for Okinawa Promotion and Development, Art. 53 (Structure of the Council), 31 Dec. 1971.

<sup>89</sup> Two other sub-committees in the Council, the General Section and a provisional Experts Committee have also provided opportunities for the prefecture to partake in the process. The former comprised a few members from the Council. The latter was composed of Okinawa specialists, business people and other experts on Okinawa. The members of these sub-committees did not represent a coherent group with a defined goal before being appointed to the committee.

<sup>90</sup> Procedures on the local level included: the governor's request for a consultation to the Prefectural Promotion and Development Council (a permanent body comprised of prefectural assembly members and bureaucrats) and to the prefectural Promotion Research Council (coordinating the process and communicating with the ODA and other central ministries), and forwarding the plan proposal to the prime minister.

managed by various ministries that supervised particular projects for Okinawa (see Fig. A-3).

To supervise national policies in a geographically distant location from Tokyo, the Okinawa Development Agency established the Okinawa General Bureau in Naha city, the capital of Okinawa prefecture. The main task of the Bureau was to approve permits and licenses, to conduct administrative guidance and assistance, and to implement national public projects for roads, rivers, harbors and airports.<sup>91</sup> The Okinawa General Bureau, like ODA itself, was a local agency of the central government composed of representatives of various ministries.<sup>92</sup>

As a result of such structure of the agency and the budget distribution, the policies formulated by the ODA tended to be partial, related to the policy of the supervising ministry and not comprehensively planned. This problem of administrative sectionalism became one of the major obstacles in the formation process of the Program for Autonomic Modernization, as detailed in the following chapter.

## 5. Outlines of Okinawa Prefecture

Okinawa Prefecture, on Japan's south-western periphery, is famous for two radically different features: outstanding subtropical scenery and distinctive culture, and the largest American military bases in East Asia. Okinawa is the only Japanese prefecture located in a subtropical climate, which determined its present function as the country's "tropical resort." Spread over 160 islands, of which 49 are populated, the prefecture spans 1,000 kilometers east to west and 400 kilometers north to south. In terms of land area (1,200 km<sup>2</sup>) however it ranks 44th among 47 prefectures, comprising 0.6% of the total national land (377,855 km<sup>2</sup>). As of July 2006, it had a population of 1,365,465.<sup>93</sup>

The prefecture's capital of Naha lies within a 1,000 kilometer radius of the Japanese city of Fukuoka on Kyūshū island, Shanghai and Taipei, and within 2,000 kilometers of Tokyo, Seoul, Pyongyang, Beijing, Hong Kong

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<sup>91</sup> The bureau consisted of the Regional Office of the Fair Trade Commission Office, Regional Finance Bureau, Regional Agriculture Administration Bureau, Trade and Industry Bureau, Marine Navigation Bureau, Ports and Harbors Construction Bureau, Land Transport Bureau, Regional Construction Bureau.

<sup>92</sup> The bureau employed on average 1,060 persons between 1990 and 2000, while the entire Okinawa Development Agency in Tokyo had a stable number of 88 persons between 1990 and 1999. Zaidan Hōjin Gyōsei Kanri Kenkyū Sentā (1990-1999: 47, 2000: 49).

<sup>93</sup> Data on Okinawa available from: <http://www.pref.okinawa.jp/index.html>.

and Manila.<sup>94</sup> This geographical location allowed Okinawa to prosper as a trading center during the heydays of Ryūkyū Kingdom in the 15th and 16th century. The kingdom engaged in tributary trade with China and commerce with Japan, Korea and Southeast Asia. Through such exchanges Okinawa incorporated elements of foreign cultures into its own, creating a unique amalgamation.

Okinawan culture<sup>95</sup> is very distinctive from that of mainland Japan, or *hontō* as the four main islands of Japan, Honshū, Kyūshū, Shikoku and Hokkaidō, are popularly referred to by the local population. Okinawans, who call themselves *Uchinanchū*, have a very strong identity and take pride in their history, tradition, language, customs and values. It is juxtaposed with the culture of *Yamatonchū*, the term used for all other Japanese nationals. Okinawans are renown for their friendliness, openness and easy-going manner, as embodied in the phrase *ichariba chodei* or “Once we meet, we are as brothers” and in the *yuimaaru* tradition of cooperating in work. The southern-islanders’ openness and fondness for dancing and singing make Okinawans very distinctively different from other Japanese who are characterized by quiet and reserved manners.

Such political, cultural, linguistic and social differences from the rest of Japan on the one hand, and on the other hand, the discriminatory policies of the Japanese government towards Okinawa discussed below, led to propagation of the idea of an independent state (*Okinawa dokuritsu ron*).<sup>96</sup> Although nostalgically entertained by some local thinkers and political activists, the idea has never gained broader public support, or become a doctrine of any influential political party or movement. The assimilation policies of the Japanese government towards Okinawa have contributed to this result as well.

The Ryūkyū Kingdom lost its independence following the invasion by the Satsuma domain of southern Kyūshū in 1609. It remained under Satsuma control until 1879, when it was incorporated into Japan as the 47th prefecture. During the first stage in the Meiji era, the Japanese government

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<sup>94</sup> Okinawa Prefecture may further be broken down into the three geographically dispersed groups of islands: Yaeyama, Miyako and Okinawa.

<sup>95</sup> The Okinawan culture is synonymous here with the Ryūkyū culture but it is important to remember that the prefecture is spread over 49 inhabited islands, some of which are located far away from the capital of Naha. Such geographical separation has contributed to diversification of customs as well as dialects within present day Okinawa prefecture.

<sup>96</sup> The idea of an independent state has been propagated by several local thinkers and political activists, see for instance, Ōyama (1997); Arakawa (1997: 292-296); Arakawa et al. (1996: 23-35); Kawamitsu (1987 80-105); for a summary of various proposals see also Zen Nihon Zenkoku Jichi Dantai Rōdō Kumiai (1998: 75-77).

implemented assimilation policies referred to as the “Disposal of the Ryūkyū” (*Ryūkyū shobun*). In order to incorporate Okinawa into the modern nation state and create a single homogenous cultural entity, all the differences between the centre and the periphery were to be destroyed (the same was true for all the other regions). Uniformity with mainland Japan was to instill a strong sense of loyalty to the central government under the Emperor Meiji.

Okinawa became, thereby, formally incorporated into Japan but it remained an outer, acquired territory, and not an integral part of the “imperial land” (*kyōdo*) in the perception of the Tokyo government (Ōta 2000: 46). It was only a logical consequence of such perception that during the Pacific War, the government decided to build a defense line in Okinawa, sacrificing it for the protection of the rest of Japan (Wolny 2004). The battle of Okinawa (1 April – 23 June 1945)<sup>97</sup> that resulted from those strategic plans took the lives of roughly one third (120,000-150,000) of the entire civilian population. This included mass suicides forced by the Japanese army.<sup>98</sup> Soon after the war, the emperor secretly allowed the partition of Okinawa from the mainland and a long-term use of Okinawa for U.S. military bases. The so-called “emperor message,”<sup>99</sup> which was disclosed many years after war, shook Okinawan society, and was taken as another proof that they were discriminated against by the Japanese government. Consequently, Okinawa was placed under U.S. military occupation.

Just after the Pacific War, the U.S. government, preoccupied with “mainland” Japan, did not pay special attention to Okinawa. That dramatically changed with the victory of the Chinese communists in 1949, the news that the Soviet Union had successfully exploded its first nuclear weapon, and also the outbreak of the Korean War in 1950 (Higa 1963: 6-18).<sup>100</sup> Okinawa’s military importance was revaluated and the construction of new bases began. Okinawa was assigned the role of the stronghold against the

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<sup>97</sup> The bombing of the islands started on 23 March 1945, followed by the U.S. landing on the Kerama islands on 26 March, and on 1 April on the main island of Okinawa.

<sup>98</sup> To commemorate the ending of the battle on 23 June, the prefectural assembly enacted an ordinance that makes it a prefectural public holiday – *Irei no hi*, or Memorial Day for All Fallen in the Battle of Okinawa.

<sup>99</sup> In Sept. 1947, the Emperor Hirohito dispatched his envoy, Terasaki Hidenori to William Seabald, Political Advisor to General Douglas MacArthur, Supreme Commander for the Allied Powers, and to George Marshall, the American Secretary of State. The message stated, “The Emperor hopes that the United States will continue the military occupation of Okinawa and other islands of the Ryūkyūs.” Quoted in Ōta (2000: 84); Gabe (2000: 50-52).

<sup>100</sup> During the Korean War, B-29 and B-26 bombers were dispatched from Okinawa for sorties into North Korea, and the island also served as a stationing point for US marines. Similarly, during the Vietnam War, the U.S. was launching direct bombing missions of B-52s into Vietnam directly from Okinawa.

communism. Construction of military bases intensified after the San Francisco Peace Treaty was signed on 8 September 1951. The Treaty granted the U.S. government the right to exercise all administrative, legislative, and jurisdictional powers over the Ryūkyū islands indefinitely (although not permanently). The San Francisco Peace Treaty surprised Okinawans. There was bewilderment and disappointment with the Japanese government. The 28th of April 1952, when the treaty came into force, was named in Okinawa the “Day of Humiliation.” It has to be noted that initially just after the war, the American forces were perceived by the local population as “liberators” and “saviors.” The harsh policies of the U.S. authorities that limited political freedom and civil rights as well as construction of new military bases on land expropriated by force largely contributed to the change of attitude among Okinawans.<sup>101</sup> In response to forceful seizures by “guns and bulldozers” of land for new bases, there emerged citizens movements for the “island-wide-struggle for land” (*shimagurumi tōsō*) that lasted from 1956 to 1958. In the beginning of 1950s, a new “movement for reversion to the homeland” (*sokoku fukki undō*) emerged. It organized local support for Okinawa’s reversion, collecting, for instance, signatures in support of reversion in 1951 (72.1% of all eligible voters), which were sent with a petition to the American and Japanese delegates to the San Francisco Peace Treaty Conference.<sup>102</sup> Okinawa reversion was announced in a joint statement of Prime Minister Satō Eisaku and President Richard Nixon in November 1969 and Okinawa was returned to Japan on 15 May 1972. Although Okinawans welcomed the reversion, the failure to address the local demand for a reduction in the bases led to widespread disappointment. Two months after Reversion only 55% of the population expressed outright support for the reversion.

**The U.S. Military Bases.** The American occupation left one big heritage on the islands, the military bases, and the situation has not changed dramatically since the reversion. Between 1972 and March 2001, the number of military facilities has been reduced from 87 to 38. The reduction looks substantial, but if one looks at the total acreage area, it decreased only from 286,601 ha to 237,535 ha. Given that close to four thousand hectares was newly provided, the actual percentage of the returned land stands at 17.6% (50,747 ha) (Okinawaken Sōmubu Chiji Kōshitsu Kichi Taisakushitsu 2001:

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<sup>101</sup> When Okinawa was captured in 1945, the United States military took immediate possession of some 45,000 acres of land, of which about 5,000 acres were returned. Nevertheless, approximately 40,000 Okinawan landowners were dispossessed of land as a result.

<sup>102</sup> The movement collected 199,000 signatures (Higa 1963: 8-9).

50-63). Furthermore, while in 1970 Okinawa Prefecture contained over 52% of all American forces stationed in Japan and just less than 48% of all facilities, by 1995 the prefecture hosted approximately 75% of all exclusive-use U.S. military facilities and 61.5% of all U.S. troops.

The military bases occupy at present 10.8% of the entire prefectural area, but they are not distributed evenly throughout the prefecture. The bases take up almost 20% of the most populated main island (home to 80% of the population), in addition to 20 sectors of air space and 29 zones in the sea. Among 53 municipalities, 23 host U.S. military bases. In four municipalities the installations cover over 50% of their area: 82% of Kadena town, 59% of Yomitan town, 56% of Chatan village, and 51% of Ginoza villages (Okinawaken Sōmubu Chiji Kōshitsu Kichi Taisakushitsu March 1996: 9). Moreover, the bases are home to 27,121 U.S. military service members (including 16,200 marines) and 23,757 of their family members, who between 1972 and 1995 committed 4,784 crimes and caused numerous accidents.<sup>103</sup> The situation has been called “Okinawa within the military bases.”

The U.S. bases in Okinawa after the 1972 revision to Japan have been provided under the obligation stipulated in Article VI of the U.S.-Japan Security Treaty and Status of Forces Agreement (SOFA).<sup>104</sup> These were signed together with the Peace Treaty in San Francisco on 8 September 1951, and made permanent on 19 January 1960. The situation in Okinawa is complicated by the ownership structure of the land provided for the military bases. Only 33.3% of the land is owned by the central government, 3.6% by the prefectural government, 30.4% by municipalities, and 32.7% by private persons, of whom many have been refusing to lease their land (Okinawaken Sōmubu Chiji Kōshitsu Kichi Taisakushitsu 1995: 2). To tackle the situation, the central government enacted the Special Measures Law on Land for U.S. Military Use (*Beigun yōchi tokusohō*)<sup>105</sup> that forcefully allowed continuation of land leases. In case a private land owner refused to sign a lease (extended

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<sup>103</sup> Data for 1995, which has not substantially changed through the 1990s (Okinawaken Sōmubu Chiji Kōshitsu Kichi Taisakushitsu 2001: 1-3, 104). The 4,784 crimes committed by U.S. military and their families constituted an average of 1.9% of all crimes committed in Okinawa between 1972 and 1995 (in 1995 itself, the rate was 0.5%). Nevertheless, politically, the number raises much controversy and criticism.

<sup>104</sup> Japan and the U.S. earlier signed the Japan-U.S. Administrative Agreement on 28 Feb. 1952 and the Japan-U.S. Facilities and Areas Agreement on 26 July 1952.

<sup>105</sup> The formal title is Special Measures Law for Use, etc., of Land, etc., Concerning Execution of the Agreement on the Status of the U.S. Forces in Japan, and Facilities and Areas Based on Article Six of the Japan-U.S. Mutual Cooperation and Security Treaty (*Nihonkoku to Amerika Gasshūkoku to no aida sōgo kyōryoku oyobi anzen hoshō jōyaku dairokujō ni motozuku shisetsu oyobi kuiki narabi ni Nihonkoku ni okeru Gasshūkoku guntai no ichi ni kansuru kyōtei ni jissshi ni tomonau tochi nado no shiyō nado ni kansuru tokubetsu sochihō*).

every five or ten years),<sup>106</sup> the law stipulated that it was the mayors and village heads that were obliged to sign on the land owner's behalf, and if they fail to comply, the governor. In case even the governor refused to sign the proxy, which happened only once in 1995 (see chap. 3), the prime minister had to bring the case to Court and if a favorable judgment was received, sign the lease. To avoid lengthy and politically risky problems, in April 1997, the government revised the law (see chap. 6). In 1999, the Diet passed a new law (included in the decentralization bill) that placed the proxy signing directly under the prime minister's jurisdiction. Such situation unavoidably led to resistance from local residents, fostering the formation of a strong anti-base and peace movement. The present anti-base and peace movement, as aforementioned, is very active, influencing local and national politics, particularly in time of crisis caused by U.S. military related incidents and accidents.

U.S. military bases have had adverse effects on the local community, such as impeding social and economic activity. They restrict the use of land, sea and air space, cause noise pollution, and destroy the natural environment by holding military training exercises. Traffic problems and overcrowding in areas adjacent to the bases create poor residential conditions, not to mention posing a danger to life (in the most infamous accident in 1959, a military fighter jet crashed into Miyamori Elementary School, killing 128 children).

**Okinawan Economy.** Up until 1945, Okinawa's economy was principally founded on agriculture, with approximately 75% of the population dependent on farming. Since the end of the Pacific War, this structure has drastically changed. In 1991, primary industry accounted for less than 10% of overall industrial employment and contributed to just less than 3% of the total gross prefectural product. The vast majority of the work force (70%) was employed in the tertiary sector. This heavy imbalance towards tertiary sector employment is the cause of instability. The effective diversification of economic activity, particularly the expansion of manufacturing, has been an integral part of the Program for Autonomic Modernization.

When Okinawa returned to Japan in 1972, its economy depended predominantly on military bases for revenues (e.g., services, land rents). Living standards in the prefecture were far behind the rest of Japan. To redress the gap, the Okinawa Development Agency, as noted, implemented several

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<sup>106</sup> The law has been extended several times for various period of time: from 1972 to 1982, twice for five years each, in 1982-1992, for 10 years, and 1992-1997, for five years (Takara 2000: 199). For the legal problems concerning the bases see Urata (2000).

development plans which resulted in the improvement of infrastructure. Nevertheless, in the 1990s, several endemic problems of the prefectural economy remained.<sup>107</sup> Okinawa still had the lowest per capita income in Japan (71.9% of the national average) and the highest unemployment rate (3.9% vs. the national average of 2.1% in 1990, which by 1998 jumped to 7.7% vs. 4.1%). It was even higher among the younger generation: 20.0% (15-19 years old), and 8.9% (20-24 years old). The prefecture had a very weak secondary industry sector that nationally represented the lowest share in production output (21.4% vs. 38.3%). The prefecture also had the lowest local financial resources in the country in terms of expenditures (23.5% vs. 55.8%). The latter is of special importance because it shows the high level of dependency on financial assistance from the central government.<sup>108</sup>

In the 1990s, the economy rested on the three pillars of public works spending, military bases, and tourism. Since the reversion, these have gradually become the biggest source of prefectural revenues.<sup>109</sup> For that reason, the prefectural economy has been ironically labeled '3K' in reference to the Japanese terms: public works (*kōkyō jigyō*), military bases (*kichi*), and tourism (*kankō*).<sup>110</sup> On the other hand, the percentage of the gross prefecture product derived from the bases by the Okinawan economy has decreased from 15.6% in 1972 to 4.9% in 1995, while in the late 1950s, it constituted as much as 44.2% (Okinawaken Sōmubu Chiji Kōshitsu Kichi Taisakushitsu 2001: 45). In 1995, the U.S. bases employed just over 1% (approx. 8,000) of the working population (although they occupy almost 20% of the Okinawan main island).

There have been several attempts to revitalize the local economy. One of the projects of the central government was the establishment of a free trade zone (FTZ) in part of Naha port that was returned by the U.S. military. It has been the only such zone in Japan.<sup>111</sup> The idea of the FTZ had actual prece-

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<sup>107</sup> Around 80-90% of the expenses of Okinawa promotion and development programs and projects have gone for public works: roads, airports, harbors, and agriculture facilities. The implemented OPDPs brought a total of ¥7.71 trillion (with the supplementary budgets) between 1972 and 2002 (Okinawaken Kikaku Kaihatsubu 2004: 124).

<sup>108</sup> All economic data is for 1990, with the exception of secondary industry output, which is for 1992 (Okinawa Kaihatsuchō Okinawa Sōgō Jimukyoku June 1995: 14, 7, 7, 15, 72, respectively for the data presented in the text).

<sup>109</sup> The share of revenues from the service industry, of which tourism constitutes the main part, has increased gradually since the reversion (1972), and grew steadily in the 1990s, from 24.7% in 1990 to 29.5% in 2000 (Okinawaken Kikaku Kaihatsubu 2004: 15).

<sup>110</sup> It is further ironic that nationally '3K' in Japanese stands for kinds of work that nobody wants to do: *kitsui* (requiring physical strength), *kitanai* (dirty), and *kiiken* (dangerous).

<sup>111</sup> There exist in Japan Foreign Access Zones (FAZ), which resembles an FTZ. The FAZ has been created based on the Law on Extraordinary Measures for the Promotion of Imports



dence in the development strategy of the American occupation authorities. The first ever FTZ in Okinawa was established during the American occupation in September 1958 by the High Commissioner,<sup>112</sup> and operated between 1960 and 1971 (Okinawa Chiku Kanzei Nijūnen Shi Henshū Iinkai 1992: 201-204), Hatake 1996: 31-32). The Japanese government opened the second FTZ in June 1988 based on provisions of the Okinawa Special Measures Law passed in May 1972. However, due to the very limited space (2.7 ha) of the zone and available measures, in the beginning of the 1990s, the FTZ Naha port was almost at a complete standstill. One of the projects of the Program for Autonomic Administration, the All-Okinawa FTZ Plan formulated by the Ōta administration, as detailed in the following chapters, proposed the enlargement of the FTZ to include the entire prefecture.

**Okinawan Politics.** The issues of military bases and lagging economy (in comparison to other prefectures) divided the political scene of Okinawa into two camps: the anti-base “progressive” camp and the pro-development “conservative” camp (Egami 1994: 168-143). The former has been supported by the Socialist Party (later the Social Democratic Party of Japan), a local party known as the Okinawa Social Masses Party (Okinawa Shakai Taishutō, known as Shataitō), and the Japan Communist Party. The latter camp has been aligned with the ruling conservative Liberal Democratic Party (LDP).

Interestingly, the prefectural 48-seat assembly has shown an almost constant equilibrium in distribution of seats between the progressive and conservative blocks since the reversion.<sup>113</sup> The LDP has held between 40.88% (Dec. 1972) and 50.83% (1990) of the assembly seats. Elections to the national Diet (from the regional block) have shown a similar trend, and so have gubernatorial elections. Between 1972, the year of Okinawa’s reversion, and 2002, the nine gubernatorial elections have been won five times by two conservative candidates (Nishime Junji in 1978, 1982 and 1984, and Inamine Keiichi in 1998 and 2002), and four times by three progressive candidates

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and Facilitation of Foreign Direct Investment (*Yunyū tainai tōshihō*) enacted in 1992. The government established a network of 22 FAZs (as of April 2002) to attract foreign investment and increase imports. Each FAZ is organized by a third-sector company set up with public and private funds, provides business support and facilities for distribution, processing and wholesale companies, exhibitions and conventions (information on FAZ, available from <http://www.jetro.go.jp/ov/e/faz/whats.html>; 14.05.2004).

<sup>112</sup> Ordinance no. 12, *Ryūkyū rettō ni okeru gaikoku bōeki* [Foreign trade in the Ryūkyū Islands].

<sup>113</sup> It has to be noted that at the municipal level, elections in Okinawa (as well as other regions in Japan) tend to focus on personal and blood relations (*chi'en ketsuen*) of the local community rather than political issues. Very few candidates usually have party affiliation.

(Yara Chōbyō in 1972, Taira Kōichi in 1976 who resigned midterm due to health problems, and Ōta Masahide in 1990 and 1994) (OT 3.11.2002). The period under study predominantly concerns progressive governor Ōta Masahide (1990-1998) and partially conservative governor Inamine Keichi (1998-2006). It was Ōta's administration that initiated the Program for Autonomic Modernization of Okinawa.

## CHAPTER 3

# The Project for Return of the Military Bases: Local Initiative and the Prime Minister-led Policy Pattern

(November 1990 – January 1996)

The maritime kingdom of the Ryūkūs enjoys an extremely favorable geographic location. Here there are to be found many precious treasures from Korea. The Ryūkyūs 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 (Quoted in Maedomari 2000: 19).

Famous inscription on the bell from the Shuri Castle in Naha city, dating from the XV c. Known as *bankoku shinryō*, it conveys a sense of Okinawa being a bridge to many countries of the world, and has been propagated as a traditional *modus operandi* of Okinawa.

In the beginning of the 1990s, when Okinawa prefecture engaged in the elaboration of the long term Program for Autonomic Modernization, the international and regional situation was dramatically changing. As aforementioned, the processes of globalization and regional integration in East Asia have intensified.<sup>114</sup> Another important development related to the end of the Cold War was America's declaration to downsize its military forces both at home and overseas. That was of special importance to Okinawa prefecture because it hosts 75% of all the exclusive-use U.S. military installations located in Japan (Department of Defense 2000: C-2).<sup>115</sup>

<sup>114</sup> In 1992 the Association of South East Asian Nations (ASEAN) established the ASEAN Free Trade Area (AFTA) that was to lower the customs to 0-5% within next 15 years.

<sup>115</sup> Already in 1988, the U.S. Congress pressed by a stagnant economy and growing urgency to reduce the federal budget deficit authorized establishment of a special independent

On the national level in the beginning of the 1990s, Japan entered a long period of recessions and stagnations. The burst of the “bubble economy” left major financial institutions with vast debts. Attempts to rescue those institutions by the central government along other factors led to bulging of budgetary deficit, covered by the issuance of national bonds. The country’s financial problems affected also local governments that depended on the centrally distributed funds, as well as on the permissions for issuing local bonds (e.g., used to cover the deficit). The situation called for a search of new measures to foster local development, independently from the central authorities. The cross-border trade, and the economic and social exchange were perceived as one of the new strategies that could be used for that purpose.

The economic problems of Japan evolved amidst the political transformation. The Japan’s long ruling conservative Liberal Democratic Party (LDP) lost power for the first time in 1993. The first after thirty eight years, the non-LDP cabinet of Hosokawa Morihiro (1993-1994) was formed in September that year, allying variety of newly created parties (see Tab. A-1). The LDP regained power again in January 1994, surprisingly, forming alliance with its long-standing arch opponent of the Social Democratic Party of Japan (SDPJ) and the New Party Sakigake. The cabinet that was led by the Socialist Prime Minister Murayama Tomiichi (1994-1996) was to have big impact on the Okinawan policy, as discussed further in this chapter. Murayama resigned in January 1996 but the coalition cabinets were to continue thereafter. The frequent cabinet changes along the economic problems in the 1990s added to the general sense of instability. The system that contributed to Japan’s economic growth seemed dysfunctional and hence the necessity of political and administrative reforms along the economic ones was voiced from various sides of the society. Among political reforms, devaluation of power from the center to local communities was perceived as a solution for improving both central and local finances and for promoting autonomous development of the Japanese regions.

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Base Realignment and Closure Commission (BRAC), which recommended first reductions of the military installations in Dec. 1988. In Nov. 1990, another five-year Defense Bases Realignment and Closure Commission (also known as BRAC although the letters do not line up) was created, which proposed several other closure rounds in 1991, 1993, and 1995. In result of the BRAC recommendations, the U.S. Department of Defense reduced its domestic infrastructure by approximately 20% in years 1989-1997, closing 97 out of 495 major U.S. installations. The precise data for the overseas installations is not clear, but between 1989 and 1999 the total U.S. military personnel fell by 34.95% from 2,130,000 to 1,384,700, of which the overseas forces were reduced most by 51.57% from 510,000 to 247,000 (United States General Accounting Office 2001: 2-4).

## 1. Policy Change under the New Progressive Governor Ōta

The above mentioned international and domestic changes were closely followed by the political actors in Okinawa (Yoshimoto 2001). The “window of opportunity” for a new policy on the local level opened when Ōta Masahide (b. 1925), a retired professor from Ryūkyū University backed up by a progressive block (*kakushin*)<sup>116</sup> won the gubernatorial election on 15 November 1990. Ōta defeated the incumbent conservative governor Nishime Junji, who had been in office for twelve consecutive years (1978-1990). Nishime represented a model type of a politician with strong ties to the central government, the so called “pipeline” that is indispensable for channeling the central financial resources to the prefecture.

The change of prefectural administration in the stream of politics was followed by a redefinition of local problems along the lines of political ideology of the new governor and his supporting camp. Ōta named the U.S. military bases the most serious problem confronting local community, called for their removal, and promised “creation of Okinawa prefecture of Peace” (*heiwa na Okinawakenzukuri*). The new governor repeated his vow in the first policy speech delivered in the prefectural assembly in December 1990 (Ōta 1991: 136-137). Half a year later, on 23 June 1991, Ōta announced the Peace Declaration (Ibid., 163-164) at the Okinawa war memorial service, and soon after (19 July – 4 Aug. 1991) went to the United States to petition the American government for the base closures. The new executive leader established himself thereby as the “peace and anti-war governor.” Such strong anti-war and anti-base feelings of the governor were shaped by his youthful experience in the bloody battle of Okinawa that annihilated one third of local civilian population (Ōta 1996). Ōta repeatedly made references to his experiences and insisted that the only way to secure peace on the islands that are overly burden with the military bases, was their removal. The governor’s claims were met by a receptive audience, whose expectations for the base closures were high at the advent of the 1990s. The Cold War had just ended and the U.S. government announced its plans to restructure its military forces.

The second problem that Ōta pledged to resolve were the economic issues and formulation of the Third Okinawa Development Plan (1992-2001),

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<sup>116</sup> Ōta was supported by: the Social Democratic Party of Japan, the Okinawa Social Masses Party (Shataitō), the Japan Communist Party, the Okinawa Japan’s Teachers Union (Okinawa Kyōshokuin Kumiai or Okikyōso), the High School Teachers Union (Kōtō Gakkō Kyōshokuin Kumiai or Kōkyōso), the Jichirō, the Okinawa Citizens Association (Kenmin No Kai), and other.

which was expected to become the last of such special plans (Fumoto 2004b). The latter is of special importance to the prefecture because it sets the general administrative and budgetary framework for all the other socio-economic policies, and thereby affects the state of local economy (OT 18.11.1990). The Okinawa Development Plans, although formally to be initiated by the prefectural government (Okinawa Special Measures Law, art. 4), were in practice formulated by the central bureaucracy. The role of the prefecture was reduced mostly to petitioning (Fumoto 2004b).<sup>117</sup> Ōta, who took over the office in the beginning of December 1990, already in April 1991 cast his doubts.

I cannot avoid thinking that our almost daily trips to Tokyo to petition the central government are not going to create a bright future for Okinawa, but on the contrary, will create Okinawa that cannot stand on its own (*jiritsu*). I feel like my feet are getting heavier and heavier every time I depart on a trip to Tokyo (Ōta Masahide Seikei Bunka Kenkyūkai 1991: 75).

Ōta's electoral vows followed in fact the pattern of all the previous (and in fact consecutive) gubernatorial elections: the progressives calling for military base removal as their main pledge, and the conservatives – for tackling economic issues and improving relations with the central government in order to obtain financial assistance. The main axis has run, in other words, between “the bases” and “the economy.” It has to be noted however that for any local politician, including members of the Okinawa branch of the conservative LDP, not to pledge resolution to the base problem as such would be politically suicidal. As aforementioned, approximately 75% of all exclusive-use U.S. military facilities in Japan, are located in Okinawa. They occupied 10.8% of the entire prefectural area, and 19.5% of the most populated Okinawa Island. For that reason, even the candidates of the conservative block have been promising resolution to the base problem, although without advocating it as the focal issue or tightening the base closures to any rigid timetables. The reverse has been also true for the progressive candidates who have been pledging resolution to the economic problems and engagement in the formation of the Okinawa Development Plan as the second issue.

The pledges and the problems hence were not new, but what Governor Ōta did differently, was to shift the emphasis entirely on the military bases on one hand, point to them as the fundamental hindrance to local economic

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<sup>117</sup> Tawata Shinsuke (2003: 101), a veteran journalist of the *Okinawa Times*, pejoratively calls such system of policy making the “begging and petitioning” (*monogoi, chinjōshugi*), which essentially points to the centralized structures of policy making for Okinawa.

development and self-standing (*jiritsu*), and thereby the welfare of local citizens, and propose a grand plan for Okinawa on the assumption of total base removal (OT 18.11.1990). The governor set forth the argument that the improvement of economic situation depended on industrial promotion. That again was related to betterment and expansion of transportation network, land procurement for industrial use, access to water supplies (many located on the military land), systematic urban development and other. All that was hampered by the concentration of the military facilities in the most densely populated area of the southern-central part of the Okinawa Island (Okinawa Kaihatsuchō Okinawa Sōgō Jimukyoku 1995: 1). This important theme, which will return later in this chapter, became most forcefully put forward during negotiations with the central government in 1996. In the beginning of the second year in office, in January 1992, the governor declared his intention of a new policy formation still in abstract, although powerful terms.

We have to cut open a new way to *jiritsu* [self-standing, autonomy]. Right now is the time to restore our enterprising spirit and our determination to make living on our own. I strongly believe that for that purpose we have to revolutionize our way of thinking. And from that standpoint, solving the base problem of our prefecture cannot be avoided.

I have been entrusted by 1.2 million citizens and assigned the role of the “chief designer” of prefectural administration. Therefore, I would like to freely design several policies to realize the dreams of our citizens. Unfortunately the canvas we are facing is not white. Several difficult problems, such as the existence of military bases ... and other remain and pollute it. Hence, although the solution of those problems will be extremely difficult, by any means, I want to work to gather the wisdom and energy of our citizens, repaint the canvas into snow-white, and together with all of you, venture to freely envision our happy dreams for the 21st century (Ōta Masahide Seikei Bunka Kenkyūkai 1992: 149).

The speech, which left a deep impression on the personnel of the prefectural office, was in fact written by the governor’s Policy Coordination Counselor Yoshimoto Masanori (b. 1936) (Yoshimoto 2001), who in October 1993 became the vice governor. Yoshimoto was an experienced activist of the powerful All Japan Local Government Workers Labor Union (Jichirō), and consecutively became the mastermind of all the Ōta’s policies. Yoshimoto, alike other local citizens who still remembered the Okinawa Battle, twenty seven years of American occupation and disappointment at the reversion not accompanied by the substantial base closures, shared the governor’s anti-war and anti-base stance. But in addition, Yoshimoto also cherished the idea of “self-governed” Okinawa that was to go back to its roots, when as an independent kingdom of Ryūkyū prospered of trade and commerce with the

neighboring regions and countries.<sup>118</sup> Both ideas of peace (anti-war and anti-base) and *jiritsu* (self-standing, autonomy) found their full expression in the prefectural new grand vision.

## 2. The Rationale for the Local Policy

The two executive leaders, the governor and the vice governor, having re-defined local problems of the military bases and economy along their ideological lines, having attached them to particular solution of a need for a new policy, and having placed them on the prefectural agenda – set on preparing the policy alternatives. In the generation of the policy proposals, which took place between 1992 and 1995 and which for technical and political reasons was entrusted to a Tokyo-based think tank, the processes of globalization and regional integration, as well as decentralization were to play important roles in justifying execution of the program.

Declaration of a new policy by local executives was one thing, but actual formation was a different matter that required knowledge, expertise, skills, information, and more, for which most local governments in Japan were not prepared. For the planning of regional development has been under the jurisdiction of the central agencies. The local leaders were however in search of a different type of policy than the earlier development plans supervised by the Okinawa Development Agency. Vice Governor Yoshimoto requested the prefectural Planning and Development Department (Kikaku Kaihatsubu) to look for a think tank that would fulfill two requirements: first, be progressive enough to formulate a bold and unorthodox policy, and second, be conservative enough to have strong connections to the central government bureaucratic officials and politicians, academics, researchers, influential business and finance leaders (Yoshimoto 2001). After the search, the prefectural department suggested the Tokyo-based Urban Economic Research Institute (UERI), which the vice governor requested for a policy formation in the beginning of 1992. Yoshimoto explained to the UERI that he expected a plan that “would propose ‘a new and original vision for Okinawa’s future.’ A grand plan that would take into account existing examples from abroad, such as the system of the city-state of Singapore, the functional division

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<sup>118</sup> The idea took shape, as recalled by Yoshimoto, during his formative years spent on Japan’s western-most island of Yonaguni (115 km to Taipei, and 516 km to Naha) where he was born, and in Taiwan (under Japan’s occupation at that time), where he attended elementary school. Yoshimoto was also well acquainted with the Okinawan history (Yoshimoto 2001, Tawata 2003: 91).



between Hawaii and the mainland U.S., and the special self-government system of Puerto Rico" (Kōzuma 2001: 75). The vice governor was particularly interested in the functioning of the systems that supported the trade and commerce in Singapore, the tourism industry in Hawaii and the political autonomy of Puerto Rico. The vice governor hoped that they could become exemplary models for Okinawa (Yoshimoto 1995).

Yoshimoto also suggested to the Urban Economic Research Institute to invite several prominent figures to join the Discussion Group for the Formation of International City of OKINAWA (Kokusai Toshi OKINAWA Keisei Kondankai). The Group was created in 1993 and joined among others by: Amamoto Toshimasa, a former assistant vice minister from the Construction Ministry, Kodama Masato, a counselor for the Okinawa Development Agency and National Archives of Japan, Konami Hirohide, a director general of the Urban Development Department in the National Corporation of Regional Development, and Ōtake Ken'ichirō, a section chief from the powerful Finance Ministry Tax Bureau. The Group was to discuss the policy proposals for Okinawa. More importantly, the vice governor calculated that in addition to obtaining new policy ideas, the information about the prefectural plan would spread to the governmental agencies, prepare the ground, and test the proposals for their plausibility, or in other words, "soften up" the policy community.<sup>119</sup> That was indispensable, according to the local leader, if the prefecture wanted to succeed with the plan's execution under the bounded system of local autonomy (Yoshimoto 2001).

**Report by the UERI.** The Urban Economic Research Institute (UERI) carried discussions and research studies for the next two years and in March 1994 submitted the Report on the Proposal for the Program for Okinawa Modernization (*Kokusai toshi keisei seibi kōsō [III] Hōkokusho* [literally, Preparation plan for the international city formation (II) report]). The UERI Report presented the future development for the central-southern part of the Okinawa Island at first. The text became the main body of the later Modernization Projects and the Basic Plan of the Program for Autonomic Modernization. The UERI Report, which incorporated policy proposals of the members of the Discussion Group for the Formation of International City of OKI-

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<sup>119</sup> "Softening up" is a process of getting used to new ideas and building acceptance for policy proposals among the members of policy communities (actors involved in the policy making). It involves public speeches, reports and other papers, conferences, formal and informal meetings and other (Kindgon 1995: 127-131).

NAWA,<sup>120</sup> emphasized the trade and commerce tradition of the prefecture (the Ryūkyū Kingdom) and its favorable geographical location. For those reason, it advocated creation of the “international city of Okinawa” (*kokusai toshi Okinawa*) that was to become a new exchange hub in the pan-Pacific region.

The idea of such hub was not entirely new however. In fact, all of the consecutive Okinawa Development Plans, following the general policy objectives set by the national plans, proposed fostering the international exchange in Okinawa. The UERI Report strongly emphasized in fact its relation to such nationally designed policy frameworks: to the Third Okinawa Development Plan and to the Fourth National Development Plan Zensō, under which the former fell. The report explained that the idea of the cosmopolitan city was to realize one of the objectives of the Third Okinawa Development Plan, the creation of “the southern international exchange hub of Japan,” which was to “foster distinctive regional features.” At the same time, the idea of such hub was related to the creation of development hubs (*shinkō kyoten chiiki*) that were to realize one of the Fourth Zensō’s general goals of creating “multi-polar national land structure” (chap. 2). Such references to national policies clearly demonstrate that any plan created by a local government in Japan has to fall within a bigger policy scheme designed by the central government, in order to obtain approval and a budget allocation for its execution.

Within those general policy objectives, the UERI Report, following the vice governor’s request, was innovative or even “radical” in two aspects. First, it designed redevelopment plans for the military land, including the Kadena Air Base (Toshi Keizai Kenkyūjo 1994: 127), covering 82.8% of the Kadena town (Okinawaken Sōmubu Chiji Kōshitsu Kichi Taisakushitsu 1996: 9). That was to become a prototype model of a conversion program for all the other military bases to be returned in the future. Second, the report suggested, although still in abstract terms, that a special self-governing system was necessary for Okinawa. The claim was justified by the trends for decentralization and administrative reforms, as well as a broader context of

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<sup>120</sup> The recommendations of the group members constituted the general framework of the UERI Report, and in addition were also included in that Report in a separate section of the “Intabyū Chōsa Gaiyō: Yūshikisha nado ni yoru Kokusai Toshi OKINAWA Keisei e no Teigen” [Outline of the interview research: Proposals of the experts and others for the formation of international city of OKINAWA]. The main part of the UERI Report became almost verbatim incorporated later into the Modernization Projects and Basic Plan of the Program for Autonomic Modernization by the prefectural office, while the experts’ proposals provided ideas for the formation of the Deregulation Project (see chap. 4) (Toshi Keizai Kenkyūjo 1994: 33-53).

globalization, regional integration and “internationalization” (*kokusaika*). Such special system, phrased in the report as the “Okinawa province” (*Okinawadō*) and the “Ryūkyū province” (*Ryūkyūshū*), was a part of a “special prefectural system” (*tokubetsu todōfuken seido*).<sup>121</sup> The proposal was further specified in the Pacific Crossroad of Okinawa<sup>122</sup> as “the Ryūkyū Islands’ Special Self-Government System” (*Ryūkyū shotō tokubetsu jichisei*).

For the “radical” measures to be executed, the plan had to be approved first by the national government. Henceforth, for the next two years (1994-1996), the Urban Economic Research Institute and the prefectural office focused on further research studies to prepare detailed proposals that were to fit the Program for Autonomic Modernization into the national policy frameworks (Toshi Keizai Kenkyūjo 1996a). Moreover, in preparation for the formulation of the Fifth Zensō,<sup>123</sup> that is the most general regional development plan prepared by the central government, the prefecture in cooperation with the Policy Coordination Bureau of the National Land Agency (NLA) conducted several other research studies. The studies were to raise the Program for Autonomic Modernization to the rank of a national plan by including it into the new governmental policy (Toshi Keizai Kenkyūjo 1996b; Okinawaken March 1996). In the fifth Zensō, Okinawa was assigned the role of the “subtropical environment exchange zone” (Kokudochō Keiaku Chōseikyoku Okinawaken March 1995), as a part of the general national objective of creating the “international contribution hubs” in Japan.

### 3. The First Reorganization of the Prefectural Office

After having completed the research studies and in preparation for formation of the official policy proposal, the prefectural government undertook activities on four different fronts. First, it began publicizing campaign in the local newspaper, the *Ryūkyū Shimpō* that ran a column on the Program for

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<sup>121</sup> The system, strongly advocated by the vice governor, was tentatively called by him at that time as a designated prefecture system (*seireiken*) (Yoshimoto 1995).

<sup>122</sup> The original title: *21 seiki ni muketa Okinawa seisaku teigen [Daiichiji an], Pashifikkurosurōdo: Okinawa* (see Fig. A-1). Vice Governor Yoshimoto requested Jichirō to prepare the proposal in Feb. 1997, which was submitted to the governor on 20 Feb. 1998.

<sup>123</sup> The Fifth Zensō was tentatively called the Post-Four Zensō at the time. The Fifth Zensō (approved on 31 March 1998) included in fact many of the requested policies, quoting almost verbatim the prefectural plans, “The Okinawa region will become a special frontier region in the 21st century and a ‘base for peaceful exchanges in the Pacific Ocean (Pacific crossroad)’ that will contribute to self-sufficient regional development, and to the development of socioeconomic culture of Japan and the Asia-Pacific region.”

Autonomic Modernization under the title “Toward the 21st Century: Dream Workshop for Okinawa” (21 Seiki e: Okinawa, yume kōbō) throughout January 1995 in fifteen installments. Second, it established in April 1995 the Promotion Group of Program for Autonomic Modernization (Kokusai Toshi Keisei Sokushinhan) in the Planning and Development Department that was to consolidate the work on the Program for Autonomic Modernization in the prefectural office, and between the prefecture and various interest groups, including municipalities. The Promotion Group of Program for Autonomic Modernization was also to prepare a draft, at first only for the central and southern part of the Okinawa Island<sup>124</sup> (at that stage it involved rephrasing the UERI Report into the language of administrative organs) (Fumoto 2004c). Third, the prefecture started discussions on the proposal with the municipalities in order to receive requests and obtain their approval of the program. At the explanation meeting held on 11 May 1995, partly as expected by the prefectural officials (Fumoto 2004d), communities not included in the initial program raised objections, and in consequence, it was agreed that the program would be extended to the entire prefecture (Higa 2000).

Fourth, the prefectural government renewed its efforts to push for the passage of the Special Measures Law Concerning Return of Land Used by the U.S. Military in Okinawa Prefecture (*Okinawaken ni okeru chūryū gunyōchi no henkan ni tomonau tokubetsu sochi ni kansuru hōritsu*, popularly known as *Gunten tokusohō*; hereafter cited as Okinawa U.S. Military Land Reversion Law). The law was to enable comprehensive planning of the returned military land by securing governmental financial assistance and the continuation of the rent payments to landowners up to three years after the actual base reversion. The circumstance seemed particularly favorable, because the coalition government was led by the leader of the Social Democratic Party of Japan, Murayama Tomiichi. Although severely revised by the still powerful LDP members,<sup>125</sup> the bill was enacted in May 1995 finalizing in fact twenty six-year long prefectural efforts.<sup>126</sup> The bill passage was significant because it

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<sup>124</sup> The plan included 24 municipalities south from the Ishikawa city, with a total area of 47,070 ha, and with population of 1.04 million (representing 85.25% of total prefectural population in 1995) (Okinawa Kaihatsuchō Okinawa Sōgō Jimukyoku 1995: 2).

<sup>125</sup> The bill was introduced as a Diet member’s bill by Uehara Kōsuke (Okinawa district) supported by the SDPJ, the Kōmeitō, the New Party Sakigake, the Communist Party and the Reformers Club (Kaishin).

<sup>126</sup> The request to pass the Okinawa Land Reversion Law was first made in 1978 by the then Okinawa Governor Nishime Junji, Prefectural Assembly and the Council for Military Land Conversion and the U.S. Base Problems (Okinawken Gunyōchi Tenyō Sokushin Kichi Mondai Kyōgikai, known as Guntenkyō), but the bill was scrapped in 1980. The consequent efforts to enact the bill, joint by the largest Okinawa Prefecture Union of Owners of Military

created the first legal framework for military land conversions, providing localities with financial means for redevelopment on one hand, and on the other, weakening the opposition of some of the land owners and the base hosting municipalities against the base returns, that feared the instant deprivation of a substantive income.

In the mid of 1995, the prefecture had therefore the policy alternatives ready and was preparing to enter the final stage of policy formation and approval on the local level. It is difficult to say authoritatively what the final form of the Program for Autonomic Modernization would have taken (at this stage there was still no mention, for instance, of the prefecture wide free trade zone plan), or to what extent the Program for Autonomic Modernization would have been implemented afterwards. But it is also hard to imagine that without any political pressures or a bargaining card vis-à-vis the central government, the latter would have cooperated, especially after the change from the Socialists-led coalition government back to the LDP-led one in January 1996 discussed in the next chapter. In September 1995, however, a policy window on the national level opened, and the local leaders with a clear policy vision and policy alternatives on hand immediately recognized their chance to push with their policy.

#### **4. The Rape Incident and the Proxy Refusal by the Governor**

The “window of opportunity” for the local policy on the national level was opened by the rape incident that happened on 4 September 1995 in the northern part of the Okinawa Island. The consecutive developments in the streams of politics and problems demonstrate how the public mood shaped by that rape and following protests, as well as the ideology of the main ruling party (Social Democratic Party of Japan) and the support of the national “policy entrepreneur” in person of the Socialist Prime Minister Murayama – can affect the likelihood of setting local policy on the national decision agenda.

The rape incident that opened the policy window was not “unique” in itself because since the Okinawa reversion to Japan on 15 May 1972, there have been close to five thousand various incidents and accidents (including over five hundred atrocious).<sup>127</sup> What was unusual this time was the age of

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Land (Tochiren), also ended in vain with the bill proposals being scrapped again in 1982 and 1991. It finally became a law on 19 May 1995 (effective 26 May 1995, law no. 102).

<sup>127</sup> Data for 1972-1995: 4,784 crimes including 511 atrocious. For 1972-2003, total was 5,269 crimes and 540 atrocious (Okinawaken Sōmubu Chiji Kōshitsu Kichi Taisakushitsu 1995: 104, 2004: 85).

the victim. The girl was twelve years old when she was abducted by three U.S. service members on her way back home from shopping, and later raped. The news of the incident was reported first by the *Ryūkyū Shimpō* four days after the actual date to protect the identity of the victim. The news was followed by another that the three suspects were kept at Camp Hansen and that the Japanese investigation authorities were not able to take custody of them.

The reporting on the event sent a wave of shock throughout the prefecture. A fierce denunciation, series of protests,<sup>128</sup> and demonstrations were organized accompanied by demands for the revision of article 17 of the Status of Forces Agreement (SOFA) stipulating the procedures for the delivery of criminals in custody. Later, people started calling not only for the reversion of that article, but the entire SOFA. That later escalated into demands for reduction and closure of the bases, withdrawal of the marines, and even revision of the U.S.-Japan Security Treaty. Organized soon after the incident on 21 October 1995, the Okinawa People's Rally Demanding Denunciation of the Rape Incident by U.S. service members and the Revision of Status of Forces Agreement was attended by 85,000 people, becoming the biggest demonstration since the Okinawa's reversion.<sup>129</sup>

**The Proxy.** The rape incident happened around the time when Governor Ōta had to make a decision concerning a proxy sign for the use of land by the U.S. military. It was the second such decision for the "peace and anti-war governor" since he took over the office in the fall of 1990. The problem of the proxy resurfaced every five years because that was the length of a lease that the government could sign on behalf of private land owners who had been refusing to do it since the reversion. In 1995, it was the thirty five anti-war land owners (*hansen jinushi*) who anew declined to sign, and so did the mayors of Naha and Okinawa cities, and the head of the Yomitan village on their behalf. On 21 August 1995, couple of weeks before the rape, the central government requested hence Governor Ōta to sign a proxy for the recalcitrant owners. At that point, the governor had allegedly already decided not to sign the lease for several reasons. Among them, as he explained afterwards in the Supreme Court, the Nye Report, released by the U.S. Department of Defense in February 1995, was one of the major factors. The Nye Report declared sustaining the number of the U.S. army in the Asia-Pacific at level of 100,000 troops. At the same time, the report emphasized the strategic

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<sup>128</sup> During one year of 1996, Naha Defense Facilities Administration Agency received over 250 protests and petitions against the bases (OT 31.12.1996).

<sup>129</sup> The data announced by the organizers. The prefectural police reported 58,000 participants.

importance of Okinawa. The governor feared, as he said, that it would lead to maintaining and even strengthening the U.S. forces stationed in the prefecture (Ōta 2000: 245-253, 1995: 22-28). Having made up his mind on the proxy, Ōta toughened even further his attitude after the rape. On 28 September 1995, the final day set by the Naha Bureau of Defense Facilities Administration Agency (Naha Bōei Shisetsukyoku), the governor announced his refusal in the prefectural assembly, the decision which he conveyed to the central authorities the following day.

In addition to the political unrest instigated by the rape, the central government was faced therefore with another problem of the proxy. The latter could have had far reaching consequence for the national security. The irony of the situation was that the government at that time was led by the party that had opposed the U.S.-Japan Security Alliance and stationing of the American bases in Japan until it formed the coalition with the Liberal Democratic Party on 30 June 1994. The Social Democratic Party of Japan (SDPJ) and its leader, Prime Minister Murayama Tomiichi, who in addition was an old friend of Vice Governor Yoshimoto from Jichirō – were caught in a dilemma. There was no choice on the matter however, and on 7 December 1995 the prime minister filed a suit against the governor. On 25 March 1996 the Fukuoka District Court ruled out in favor of the central government, and so did the Supreme Court in July and August later that year.<sup>130</sup> The Supreme Court in Japan has tended to take neutral position on political issues, making the court procedure rather a formality, which as aforementioned has been referred to as the “judicial passive-ism” or “judicial neutralism.” Thus the outcome of the trial against Governor Ōta ran along the well established patterns.

Despite the central government’s victory the political pressure the trial created was enormous (Andō 1997: 39-78). The governor gained support from virtually all local groups, including the prefectural and municipal assemblies and numerous citizens groups. Both the local and national media extensively reported on the event and the extracts of the governor’s testimony in the Supreme Court on 10 July 1996, during which Ōta claimed the unconstitutionality of the military bases in Okinawa, covered the front pages of all the major newspapers and TV stations. Ōta was transformed from the local to the national hero and a national symbol of the “peace and anti-war governor,” who was fighting the too powerful and overly centralized government in Tokyo.

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<sup>130</sup> On 12 July 1996, the Supreme Court ruled out on the Sobe Communication Site, and on 16 July, on other eleven facilities including Kadena Air Station. On 28 Aug. that year, the governor decided not to appeal, thus ending the eleven-month legal battle.

**The Prime Minister Leadership.** The strong public support and the political tension brought about by the trial created a situation that seemed to shift the balance of power in favor of the prefecture. Already in the end of the 1995 during the strongest wave of demonstrations, the local leaders recognized the chance and undertook several actions directed, first, at the resolution of the base problems, which as noted, preconditioned in their opinions execution of all the other development plans. Prime Minister Murayama on the other hand, although forced to file a suit against the governor, was very much in support of the prefectural undertakings (Fumoto 2004f). That so also the case with the Murayama's party that in fact became one of the strongest proponents of the Okinawan case at the national level during the consecutive negotiations on the locally initiated policies.<sup>131</sup> The best proof of the party's support was already the passage of the aforementioned Okinawa U.S. Military Land Reversion Law in May 1995.

The first meeting of Prime Minister Murayama and Governor Ōta after the rape incident took place on 4 November 1995. During the meeting, the governor explained the prefectural development grand vision: the research results of the UERI Report and the two-stage (later developed into three stages) plan for return of all the military bases. In response to the pledge for the governmental assistance in their realization,<sup>132</sup> Prime Minister Murayama promised to cooperate on the economic matters. Murayama also agreed to create a forum for the prefecture and the central government to discuss the base related issues, the Okinawa U.S. Base Problems Council (Okinawa Beigun Kichi Mondai Kyōgikai),<sup>133</sup> which was approved by the cabinet on 17 November 1995.<sup>134</sup> Hence, the ideology of the Socialist party (SDPJ/SDP) that led the coalition government at that time on one hand, and

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<sup>131</sup> The SDP released several statements voicing its support for the prefectural Program for Autonomic Modernization and advocated their execution in the form requested by the prefecture during the entire period under study: *Okinawa shinkōsaku ni kansuru seisaku teigen* (Sōan) [Policy proposal for the Okinawa promotion policy (Draft)], 1 Aug. 1996; *Seisaku kyōgi ni atatte no Shakai Minshutō no teian* [Social Democratic Party proposal concerning policy deliberation], 30 Oct. 1997.

<sup>132</sup> It was summarized in a one-page outline of the Program of the International City Formation and Project for Return of the Military Bases (Tentative Draft) (*Kokusai toshi kōsō, kichi henkan no akushion puroguramu* [Shian]).

<sup>133</sup> The participants included: the chief cabinet secretary, foreign minister, director general of the Defense Agency, and the governor of Okinawa.

<sup>134</sup> On the same day, the prefectural Policy Coordination Counselor Takayama Chōkō explained the outline of the Project for Return of the Military Bases and Modernization Projects at the meeting of the coalition parties' Foreign Affairs and Defense Joint Coordination Meeting on Okinawa Base Problems (Okinawa Kichi Mondai ni Kansuru Gaikō, Bōei Gōdō Chōsei Kaigi), the only available forum for such presentation at the time.



the even more importantly, the support of the prime minister, proved to be of importance for the prefecture in setting the local policy on the national decision agenda.

At the meeting with the governor, the prime minister also pledged to press the U.S. government on the base issues, which he fulfilled two weeks later on 19 November during a meeting with the Vice President Al Gore. In consequence, Prime Minister Murayama and his American counter partner concluded agreement to establish Special Action Committee on Okinawa (SACO) that was to investigate base closures and realignments in the prefecture. The SACO recommendations, and more precisely conditions for the military base returns proposed by the committee, were to lead to a major conflict between the governor and the central government (under the next prime minister) following year in autumn. Initially however, in November 1995, the establishment of SACO seemed to bring closer the probability of realization of prefectural development plans. After the second Ōta-Murayama meeting on 24 November, during which the prime minister reported on his discussions with the U.S. vice president, and the first meeting of the Okinawa U.S. Base Problems Council on 25 November, the prefecture was in a rush to prepare final policy proposals and obtain public support for them.

## **5. The Second Reorganization of the Prefectural Office**

The formation of the Project for Return of the Military Bases (*Kichi henkan akushion puroguramu*), which proposed returns of all military bases located in Okinawa, and which in turn preconditioned the economic development, marked the first phase of the Program for Autonomic Modernization formation by the prefectural government. In the process, the biggest challenges were posed by the disintegrated operations of the prefectural office resulting from the problem of administrative sectionalism. In tackling those problems the political and administrative skill of the local executives played an important role.

In preparation for the official policy formation, Vice Governor Yoshimoto decided to make further organizational changes in the prefectural office. They aimed at, first, strengthening the policy making office of Program for Autonomic Modernization, second, institutionalizing channels of direct communication with municipalities, and third, consolidating the operations

of the entire prefectural office. First, the two-person Promotion Group of Program for Autonomic Modernization, in charge of the new prefectural policy since April 1995, was enlarged almost six-fold into the eleven-member Project Team for Modernization and Return of the Military Bases (Kokusai Toshi Keisei Oyobi Kichi Henkan Sokushin Taisaku Projekuto Chimu) on 15 November 1995. Alike its predecessor, the Project Team was put in charge of coordinating the policy formation and communication with other prefectural offices and various interest groups.

Second, the Project Team for Modernization and Return of the Military Bases, after holding several explanation meetings on the Project for Return of the Military Bases for municipalities (6-13 Dec. 1995), agreed with the representatives of local communities to establish the Municipalities Liaison Council for Autonomic Modernization (Kokusai Toshi Keisei Nado Shichōson Renraku Kyōgikai). The Council took off on 9 January 1996 and consisted of municipal planning divisions' chiefs. It was divided into Section for Autonomic Modernization (Kokusai Toshi Keisei Kōsō Bukai) and the Section for Return of the Military Bases (Kichi Henkan Kōsō Bukai). As the names suggest, the sections focused on the Program for Autonomic Modernization and the Project for Return of the Military Bases respectively, and were to bring the policy formation process to the lowest levels of self-government.

Third, to consolidate operations of the all prefectural departments, the Prefectural Liaison Council for Autonomic Modernization (Kokusai Toshi Keisei Chōnai Renraku Kyōgikai) was established on 28 December 1995 (following the secretaries meeting two days earlier). The council consisted of all the department directors and the policy coordination counselor (Matayoshi Tatsuo), chaired by and directly supervised by the vice governor (Yoshimoto Masanori). Such integration of prefectural departments to coordinate work on the Program for Autonomic Modernization was necessary, because of the problem of administrative sectionalism that pervades also to the local level (Yoshimoto 2001). The prefectural governments, alike the central ministries, are fragmented between various departments, link more closely to the agencies in Tokyo than to each other. In the prefectural office, there was no precedence for such coordinated and comprehensive policy making, and hence the new arrangements were met at first with some hesitation, suspicion, and even passive opposition that belated the policy formation on several occasions.<sup>135</sup> For the new policy formation added more

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<sup>135</sup> The submission of the Modernization Projects on 11 Nov. 1996 was delayed from the initial Sept. for that very reason (Fumoto 2004f).

work for the departments without increasing their budget (at the initial stage at least). Moreover, there were no standard operating procedures to follow (Fumoto 2004f). In hand came the vice governor's organizational skills, which he acquired working for the Jichirō, as well as his long-held personal ties with the prefectural office staff, most of whom belong to the union. Thereby with time, the prefectural agencies became more coordinated and cooperative (Yoshimoto 2001).

By mid December, the prefectural Project Team for Modernization and Return of the Military Bases formulated the first draft of the Project for Return of the Military Bases. It envisioned a complete return of all the bases in three stages: 2001, 2010, and 2015. The timing of returns was decided based upon: (1) the relevance of particular conversion plans to the Program for Autonomic Modernization; (2) local requests and demands for returns; (3) the readiness of the conversion plans being prepared by the municipalities; and (4) other local opinions and plans regarding particular facilities (Okinawaken Jan. 1996: 2). The main argument justifying the claim for returns run along the aforementioned lines that the military bases hampered the local economic development. Their returns, as argued, were crucial for the execution of the local development policies (Program for Autonomic Modernization), and thereby improvement of the living standard and well-being of local citizens.

The Project for Return of the Military Bases draft was discussed again with the representatives of municipalities between 22 and 25 December 1995, and later with various interest groups, including the powerful owners association of the military land (Tochiren), and the influential local business group of the Okinawa Prefecture Economic Groups Confederation (Okinawaken Keizai Dantai Rengōkai). The draft then went through the approval process on all levels: the municipal – at the Municipalities Liaison Council for Autonomic Modernization on 25 January 1996; the prefectural office – at the Prefectural Liaison Council for Autonomic Modernization on the following day; and the highest prefectural executive level – at the meeting of the governor, vice governors and the treasurer on 29 January (*RSH* 30.01.1996). Governor Ōta officially presented the Project for Return of the Military Bases at the secretaries meeting of the Okinawa U.S. Base Problems Council on 30 January, and at the coalition parties Okinawa Base Problems Project Team (Okinawa Beigun Kichi Mondai Purojekuto Chimu) held on the same day.

By the time of the submission of Project for Return of the Military Bases, the political landscape on the national level changed, causing initially seri-

ous concerns in the prefecture.<sup>136</sup> The Murayama Cabinet suddenly resigned on 5 January 1996 and the post of the prime minister went back to the president of the Liberal Democratic Party. The change of national leaders was to have consequences for the local policies, particularly for the Project for Return of the Military Bases. The Project, which touched upon the national security issue, was to be dealt by the inter-governmental deliberations under the consecutive cabinet of the LDP President, Hashimoto Ryūtarō.

Summing up, the initiation of the Program for Autonomic Modernization and the consecutive setting of its first part – the Project for Return of the Military Bases on the national decision agenda resulted from the interplay of several factors that operated both on the macro- and micro levels. On the macro level the most important were the processes of globalization and regional integration in East Asia as well as of decentralization domestically. They provided the local government with the means for regional development (e.g., cross-border economic exchange), and also served as justification for the execution of the local policy under the centralized system of regional policy making in Japan.

On the micro level, the factors accounting for initiating the local policy included: (1-loc.) the change of the local executive leaders and their progressive ideology in the politics stream; (2-loc.) the need of returns of the U.S. military land for economic development in the problems stream; and (3-loc.) the policy proposals generated on local initiative under the new administration of Governor Ōta in the policy stream. The confluence, or in the Kingdon's terminology, the coupling of the three streams led to the policy initiation on the local level. To set that policy on the national government agenda, however, another confluence of the streams had to occur. On the national level the coupling included: (1-nat.) the ideology of the ruling Social Democratic Party (in coalition with the LDP and New Party Sakigake) and the political pressure created by the reporting on the rape of a schoolgirl by the U.S. service members in the politics stream; (2-nat.) the refusal of the proxy for military land lease by Governor Ōta in the problems stream; and (3-nat.) the Project for Return of the Military Bases formulated by the prefectural

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<sup>136</sup> As the explanation for his resignation, Murayama stated that his cabinet finalized several tasks set as its objectives. It included: compensation for the mercury poisoning (the so-called Minamata disease) and for the victims of the Pacific War, and also the compilation of the next FY budget. Murayama further added that the economic situation of the country had improved, concluding that he was simply ready to pass the post to the next leader (*Asahi Shimbun*, 6 Jan. 1996). For the reaction to Murayama's resignation in the prefecture, see *Ryūkyū Shimpō*, 5 Jan. 1996, ev. ed.

government in the policy stream. It is important to note that the Project for Return of the Military Bases was supported on the national level by a “policy entrepreneur” in person of Prime Minister Murayama. His leadership was crucial in setting the local policy on the governmental agenda. The Project concerned the national security matters (the U.S. military bases), and hence this pattern of the Prime Minister-led policy making continued under the consecutive Prime Minister Hashimoto (although with different underling motives and political ideology). The process has several implications.

First, it demonstrated the importance of a double coupling of streams (politics, problems and policy) and of opening the policy windows on *both* the local and national levels. In other word, under the centralized system of policy making of the regional development, the formulation of a comprehensive policy on the local level is not sufficient for execution of that plan. The local government has to be in a possession of a bargaining card vis-à-vis the central government that could induce the latter to set the local policy on the national decision agenda and later to adopt it. In the discussed period the refusal of the proxy by the governor and other base-related problems became such a bargaining asset. The necessity of possessing a bargaining card by the local governments arguably reduces the probability of a local policy initiative.

Second, in addition to the bargaining card vis-à-vis the central government, the process underscored also the importance of the ideology of the ruling Social Democratic Party that led the coalition government at that time – in setting the local policy on the national decision agenda. The political stance of the Socialist Prime Minister Murayama and his party, that historically objected to the American presence in Japan and even to the U.S.-Japan Security Treaty, contributed to the selection of the problem for the governmental decision. The change of national administration, dominated in the postwar period by the conservative LDP (except years 1993-1994 and the premiership of Murayama 1994-1996) might have therefore far-reaching consequences for the selection of problems for the governmental actions, as well as for the range of issues that the local governments are allowed to tackle.

Third, the analysis also revealed the organizational and technical problems of local governments in preparing a comprehensive regional policy, stemming from the deeper problems of administrative sectionalism and the bounded system of local autonomy. To tackle those problems, the vice governor restructured the prefectural office, creating a new system of policy making, including the policy coordination center and a communication organ with the lowest level of the local government, the municipalities. In the

process, the qualities of the local executive leaders were crucial, such as their ideological convictions, political will to act, and administrative skills to manage organizations.

Finally, the process underlined also the importance of personal ties and contacts between the main actors involved in the policy making (UERI – governmental officials; Governor Ōta – Vice Governor Yoshimoto – Prime Minister Murayama; Vice Governor Yoshimoto – prefectural civil servants). Although the impact of that factor on the policy output is difficult to measure objectively, the actors themselves perceived it as essential for proper communication and execution of policies (Yoshimoto 2001; Fumoto 2004e, g).

## CHAPTER 4



# The Deregulation Project: The Politicians-led Policy Pattern

(January – August 1996)

The central ministries tend to react negatively to any new policy from local governments. Even if they approve the policy, they think it should not be enacted by local governments. If it is a good policy it should be enacted by the central government and applied uniformly (Reed 1986: 164).

In Japanese system of decision making the power of bureaucracy has been acknowledged but contested (see chap. 2). The spectrum of opinions ranges from notions that “bureaucrats are far more powerful than politicians (Ikuta 2000: viii),” to the statements suggesting the opposite: “Bureaucrats may try to convince, oppose, and sabotage political leaders. They often are successful. But in the end they lose out to the political leadership when political leaders believe the stakes are high enough to fight for” (Curtis 2002: 5). The analysis of the second part of the Program for Autonomic Modernization, namely, the Request for Deregulation and Other Special Measures for the Industrial Promotion (hereafter cited as the Deregulation Project; *Kisei kanwa nado sangyō shinkō sochi ni kansuru yōbō*) will show that both stances are somehow justified. The bureaucrats were successful in blocking the local initiative that included various proposals for the deregulation measures – the area strictly protected by the central ministries; at the same time, under the political leadership of the LDP party organ, the politicians were able to implement one item of the airfare reduction between Tokyo and Naha.

### 1. The New Cabinet of Hashimoto and his Okinawa Policy

On 11 January 1996 the cabinet led by the Social Democratic Party (SDP) suddenly resigned. The new cabinet was formed by the Liberal Democratic

Party (LDP), in coalition with the SDP and the New Party Sakigake as the third partner. The sudden change of cabinets took the prefectural government by surprise. The change did not seem entirely disadvantageous for the prefecture, at least not initially.<sup>137</sup> Prime Minister Hashimoto Ryūtarō from the onset declared a deep commitment to the resolution of the Okinawa problem, which was wrapped up in the rhetoric of “utmost efforts and special consideration” (Murata 1998: 119). The consecutive developments revealed, however, that the prime minister and his party’s commitment were of a limited nature, namely, that it predominantly concerned the national security issues.

The new prime minister repeatedly displayed his interest in the Okinawa issue, making references to Okinawa virtually in all main policy speeches.<sup>138</sup> Hashimoto also appointed to the important position of the chief cabinet secretary people with close ties to Okinawa, the so-called “Okinawa sympathizers,” such as Kajiyama Seiroku (1926-2000) and Nonaka Hiromu (1925-). In addition, the prime minister created a new post of special advisor to the Prime Minister on Okinawa affairs, which went to a well-known political analyst, Okamoto Yukio.<sup>139</sup> Finally, Hashimoto conveyed numerous direct meetings with Governor Ōta (ten times in the first year of his premiership, including twice in Okinawa, and seven times in the following year of 1997), which was unprecedented for any preceding and consecutive prime minister.<sup>140</sup>

Nevertheless, Prime Minister Hashimoto was also the key member of the biggest Obuchi faction (later the Hashimoto faction), which traditionally had been concerned with the policies in the areas of national security and defense. Prospects for the fastest achievements, which, as noted, often influ-

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<sup>137</sup> Between 7 Nov. 1996 and 1 July 1998, the SDP and the New Party Sakigake were non-cabinet coalition members.

<sup>138</sup> See for instance, the Prime Minister Remarks (*Naikaku sōridaijin danwa*) delivered at the inaugural cabinet meeting on 11 Jan. 1996; Prime Minister Remarks on the Okinawa Issue (*Okinawa mondai ni tsuite no naikaku sōridaijin danwa*) approved by cabinet decision on 10 Sept. 1996; the first meeting of the Second Hashimoto Cabinet on 1 Jan. 1998 (*RSH* 1.01.1998); Prime Minister Hashimoto Speech on the Administrative Policies at the 140th Diet (1997: 2); and the Prime Minister Hashimoto Speech on the Administrative Policies at the 142d Diet Session (1998: 3).

<sup>139</sup> Okamoto Yukio worked as a division chief in the North American Bureau of the Foreign Ministry. He became later the director of Okamoto Associates consulting firm. Okamoto was appointed on 12 Nov. 1996, and served as a mediator between the prime minister, the governor and municipal chiefs until his resignation approved by the cabinet on 10 March 1998 (Okamoto 2004: 280-292).

<sup>140</sup> The meetings were held on: 23 Jan., 22 March, 17 April, 10 June, 10, 17 Sept., 3 Oct., 12 Nov., 5 and 17 Dec. – in 1996; and on: 17 Feb., 25 March, 26 May, 29 July, 19 Sept., 7 Nov., 24 Dec. – in 1997.



ence the choice of policy initiative by prime ministers (Hayao 1993: 192-194),<sup>141</sup> seemed most promising with the Special Action Committee on Okinawa (SACO) that was initiated by the former Prime Minister Murayama. On 12 April 1996, three days before the release of the SACO interim report and five days before summit with the U.S. President Bill Clinton (during which both leaders signed the U.S.-Japan Joint Declaration on Security: Alliance for the 21 Century),<sup>142</sup> Hashimoto announced the return of the most disputed Futenma Air Station at a press conference held together with the U.S. Ambassador to Japan, Walter Mondale.<sup>143</sup> Both Futenma and other military facilities included in the SACO interim report (15 April 1996) and in the final report (2 Dec. 1996)<sup>144</sup> were to reduce the military land in Okinawa by total 21 percent.<sup>145</sup> The proposed realignments were agreed, however, on the condition of relocations within the prefecture. Such condition ran against the prefecture's plans for complete base closures and hence soon after the announcement Governor Ōta voiced his opposition (Okinawaken 1997: 83). That in consequence was to lead to a major conflict between him and the central government a year later. But the relocation issue created also a powerful bargaining card vis-à-vis the central government, a card that the prefecture would use thereafter in negotiations on the local developmental policies.

Following the announcement of return of the Futenma Air Station, Prime Minister Hashimoto was determined to finalize the agreement by finding a relocation site, but so were the anti-base groups in Okinawa, not to let it happen. The influential Okinawa Branch of Japan Trade Union Federation

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<sup>141</sup> On the prime minister type of policy making, see Nakano (1997: 68-74), Anami (2002: 31-35), Fukui (1974: 79-127). On the *bōei zoku* or defense tribe, see Inoguchi et al. (1987: 282, 209-211).

<sup>142</sup> The declaration, signed on 17 April 1996, marked the new era of U.S.-Japan security relations. It reconfirmed the importance of the alliance and broadened its mission to entire Asia Pacific region. The president and the prime minister agreed also to initiate a review of the 1978 Guidelines which was finalized on 23 Sept. 1997, known as the New Guideline.

<sup>143</sup> In the reversion negotiations on the Futenma Air Station, reportedly, the United States in return for the reversion made Japan commit itself to review the 1978 agreement on defense guidelines and to a joint study on crisis planning that would commit Japan more concretely to support U.S. forces in a regional military conflict. This tacit quid-pro-quo agreement enabled Hashimoto to fulfill his promises on the resolution of the Okinawa issue, and to "pacify its Socialist coalition partner" (Cronin 1996: CRS6).

<sup>144</sup> The final agreement was signed by Foreign Minister Ikeda Yukihiko and Defense Agency Director General Kyuma Fumio on the Japanese side, and Defense Secretary William Perry and U.S. Ambassador to Japan Walter Mondale on the American side, during the Security Consultative Committee (SCC) meeting.

<sup>145</sup> As of 2004, only one part (38 ha out of 5,002 ha) of the agreed facilities has been returned (Okinawaken Sōmubu Chiji Kōshitsu Kichi Taisakushitsu 2004: 68).

(Rengō Okinawa) in cooperation with other citizen groups collected the required number of signatures in May 1996 and requested the governor to hold a referendum on the realignment, consolidation and reduction of the U.S. bases in Okinawa and the Status of Forces Agreement (SOFA) revision. The referendum, the first ever on a prefectural scale in Japan, was scheduled for 8 September, and although not legally binding, together with several other elections to the prefectural assembly on 9 June and to the Lower House on 20 October, in addition to the still unresolved proxy sign – all added to the pressure put on the central government. The June election to the prefectural assembly resulted in reversing the power structure in favor of the progressive block supporting Governor Ōta.<sup>146</sup> That gave a raise to concerns both among the Japanese and American officials that Okinawa would become the major issue also in the October general election and jeopardize the U.S.-Japan security relations.<sup>147</sup>

**The LDP Okinawa Special Research Council.** The prime minister and other LDP members took the matter seriously, and on 18 June 1996, established the intra-party Okinawa Special Research Council that was to cope with the growing number of issues related to Okinawa, mostly through economic means. The party, in other words, decided that the Okinawa issue was politically too important not to have it managed in a coordinated manner, and also that the most efficient strategy was through the financial and economic means. Such means, needless to say, were not an end in itself. What was at stake for the main ruling party was the national security, and more specifically the provision of military bases for the U.S. army stationed in Japan. The financial and economic means were to sustain thereby the control over the military bases in Okinawa.

The Okinawa Special Research Council became the main intra-party coordinator of the Okinawa policies, or in the terminology of the multiple streams theorists, acting “policy entrepreneur” of local policies, particularly in the negotiation on the airfare reduction discussed further in this chapter, as well as the All-Okinawa FTZ Plan analyzed in chapters 6 and 7. One of the indicators of the importance of the Okinawa problem for the LDP at the time was the prominence of the party members that joined the Council. The chair went to the LDP Number Two, Secretary General Katō Kōichi, and the other

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<sup>146</sup> The progressives won twenty five seats, while the opposition, the conservative block (the LDP, New Frontier Party) gained twenty three. The New Frontier Party actually supported candidates from both the progressive and conservative blocks (Egami 1997: 22-23).

<sup>147</sup> The concerns turned out premature, and in a result of the election, the LDP even regained seats.

members included: Nonaka Hiromu (chief cabinet secretary) who served as the council's secretary general, Obuchi Keizō (the LDP vice president), Shiyokawa Masajurō (chair of General Council or Sōmukai – the highest decision making body), Yamazaki Taku (chair of the Policy Research Council or Seichōkai – the highest policy deliberation body), Yamanaka Sadanori (chief advisor of the LDP Research Commission on the Tax System or Tōzeichō), Muraoka Kenzō (chair of Diet Affairs Committee), and others.<sup>148</sup>

Similarly, the LDP coalition partner, the SDP followed the suit and created the Okinawa Comprehensive Promotion Headquarter (Okinawa Sōgō Shinkō Hombu) on 4 July 1996. While the LDP Okinawa Special Research Council became the main intra-party organ to comprehensively tackle the prefectural financial and economic issues, the SDP headquarter became rather a “paper institution.” That was due to the fact that the Okinawa related problems were advocated by the party as whole, while some of its members (Murayama Tomiichi, Itō Shigeru and Oikawa Kazuo) with close personal ties to the prefectural executives functioned as the main communication channels and mediators, particularly in negotiations with the LDP (Yoshimoto 2001, Fumoto 2004g).

## 2. Policy Process of the Deregulation Project in the Prefecture

The political pressure created by the upcoming prefectural referendum (8 Sep. 1996), elections to the prefectural assembly (9 June 1996), and the House of Councilors (20 Oct. 1996) was too favorable for the prefecture to let it pass by. In addition, the annual budget drawing was approaching the time of submission of ministerial budget proposals (by the end of Aug.). Although the debate on the Modernization Projects with various interest groups in the prefecture had not been finalized yet, the local executives decided to submit the most important part of that document, the Deregulation Project prior to the submission of the entire Modernization Projects (Nov. 1996). The power of the central bureaucracy in the absence of political leadership of the prime minister was to prove decisive however for shelving off majority of those proposals, with only one item of airfare reductions being implemented for reasons detailed below.

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<sup>148</sup> Among other members were such prominent figures as: Kamei Shizuka (chair of Public Relations Headquarters), Sakano Shigenobu (chair of the General Assembly of the LDP members in the House of Councilors), Inoue Kichio (chair of party Ethics Committee), Koga Makoto (chief deputy secretary general), and others (Jiyū Minshutō 1996: 141).

The unofficial stage of prior consultations or *nemawashi* on the deregulation measures and the entire Modernization Projects is difficult to pin point precisely because of its very nature. They started around the time of the first official explanation of the Program for Autonomic Modernization and the Project for Return of the Military Bases in January 1996 at the Okinawa U.S. Base Problems Council.<sup>149</sup> The local newspapers reported on the prefectural government involvement in the formulation of the deregulation measures for the first time in length on 22 July 1996 (*RSH* 22.06.1996). Already on 6 June 1996 however, Governor Ōta held a meeting on the measures with the vice chairperson of the Social Democratic Party, Itō Shigeru in Okinawa (Ōta Masahide Seikei Bunka Kenkyūkai 1996: 56). On 26 June 1996, Vice Governor Yoshimoto brought up the proposals in a meeting with the former Prime Minister Murayama (*RSH* 5.07.1996), after which the vice governor visited and petitioned other executives of the SDP. From the onset the party had taken a positive stance toward the prefectural requests.<sup>150</sup> The local leaders were not able however to secure similar explicit support for the deregulation measures from the LDP members, particularly the prime minister or the members of the Okinawa Special Research Council.<sup>151</sup> On 22 June, Governor Ōta and Vice Governor Yoshimoto explained the prefectural proposals concerning deregulation and other special measures to the Okinawa Development Agency Director General Okabe Saburō, who attended the Okinawa Memorial Day for All the Fallen in the Battle of Okinawa on June 23, but no specific promises or commitments were obtained (*RSH* 25.06.1996).

On the local level, Governor Ōta explained the proposals for special measures in the prefectural assembly on 3 July 1996. Two days later, on 5 July, the prefecture made public its decision to establish the Investigation Group for Deregulation (Kisei Kanwa Nado Kentōhan) chaired by Kuba Katsuji in the prefectural government office, for a comprehensive investigation and formulation of the final document. The study of the deregulation measures had been carried until that point by several prefectural departments such as the Commerce, Industry and Labor Department (Shōkō Rō-

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<sup>149</sup> The prefectural requests for special measures started already in the end of 1995, but the number of meetings between the prefectural and central governments concerning the subject reached its peak between June and Aug. 1996 (Yoshimoto 2004).

<sup>150</sup> In Aug. 1996, the SDP issued a document that promised creation of a support system on the national level for the execution of policies initiated by the prefectural government: *Okinawa shinkōsaku ni kansuru seisaku teigen (Sōan)* [Policy proposal for the Okinawa promotion policy (Draft)], 1 Aug. 1996.

<sup>151</sup> The deregulation measures were discussed at the first meeting of the LDP Okinawa Special Research Council on 25 June, where the prefectural officials explained them and requested the party's assistance (Jiyū Minshutō 1996: 140-142).

dōbu), and the Planning and Development Department. The new organ was to coordinate the work across the departments that, as aforementioned, functioned in a vertical system of decision making linked to the central government bureaus.

In the formulation of the draft of the Deregulation Project, the Investigation Group for Deregulation referred to the opinions and proposals provided by experts participating in the discussions of the UERI's Discussion Group for the Formation of International City of OKINAWA, and the prefectural Discussion Group for International City of OKINAWA.<sup>152</sup> The Investigation Group finalized formation of the Deregulation Project by August. Since the deliberation forum for the prefecture and Tokyo to discuss socio-economic policies, such as the Okinawa Policy Council, was not established yet at that time, Governor Ōta, utilizing the existing institutions for military bases explained the draft at the second meeting of the Working Committee to Resolve Issues Concerning Total Return of Futenma Air Station (Task Force, chaired by the Deputy Cabinet Secretary Furukawa Teijirō), and at the sixth meeting of the Okinawa U.S. Base Problems Council secretaries meeting, both held consecutively on 9 August 1996 (*RSH* 10.08.1996).<sup>153</sup>

Ten days later on 19 August, Vice Governor Yoshimoto, on behalf of the governor who was on a foreign trip to South America, officially submitted the Deregulation Project. The vice governor handed it first to Chief Cabinet Secretary Kajiyama and to Deputy Cabinet Secretary Furukawa, who were the main prefectural contact channels with the prime minister (*RSH* 20, 24.08.1996). Yoshimoto continued visits on the same day to various top officials of the coalition parties, the vice chairperson of the SDP, Itō Shigeru, and the president of the New Party Sakigake, Hatoyama Yukio. The Next day, on 20 August, the vice governor visited the LDP headquarters and handed the Deregulation Project to the chair person of the General Council, Shiokawa

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<sup>152</sup> The Discussion Group for International City of OKINAWA, established in May 1996, submitted its proposal in Oct. 1996. Most of the deregulation proposals (e.g., enforcement of the FTZ system and creation of a special economic zone, liberalization of the airways, and Naha port designation for the base port) were discussed already at the first meeting conveyed on 11 June 1996. The majority of the interviews with the group members were conducted by the prefectural office between June and July 1996 (*Kokusai Toshi OKINAWA Konwakai gaiyō* 1996; see also chapter 5).

<sup>153</sup> The *nemawashi* activities were carried also by the members of the local branch of the ruling LDP that supported Governor Ōta's policy for introduction of the special measures. The LDP Okinawa party President Nishida Kenjirō and other executives directly petitioned the LDP Okinawa Special Research Council on 30 July 1996 to conduct the FTZ feasibility research studies and to include the necessary expenses for such research into the fiscal 1997 budget (*RSH* 31.07.1996).

Masajurō, and other prominent LDP officials (*RSH* 20.08.1996). Such a supplication route, accompanied usually by the Okinawa district Diet members, followed the standard operating procedure of the prefecture when requesting the central authorities.

Submitting the Deregulation Project while the political pressure was the strongest was seen crucial because local executives expected a strong opposition from some of the managers of the state, particularly the central bureaucracy that controlled the measures targeted by the prefecture for change. The introduction of the deregulation measures was important because they constituted a prerequisite for execution of other goals set up in the Modernization Projects: the promotion of industry, trade and investment, and ultimately development of a self-standing economy and the autonomous region.

**The Deregulation Measures.** The Deregulation Project was formulated into twenty six sub-items grouped under five main items (see Tab. A-2): (1) expansion and reinforcement of the free trade zone (FTZ), including preferential tax measures, special customs system, duty-free shops, selective system of tariffs,<sup>154</sup> removal of import quotas (IQ), and establishment of a special independent corporation to manage the zone<sup>155</sup>; (2) designation of Naha port as a base port; (3) expansion of no visa system and other measures necessary for promotion of international tourism and destination-type resorts; (4) enhancement of the information industry, including preferential tax system; and (5) utilization of the government's development aid (Okinawaken May 1997a: 10).

The special measures, particularly related to the FTZ and promotion of new industries, articulated under the items (1) and (4) were radical. The local policy makers were convinced at that time however that they were in tune with the economic trends of globalization and regional integration, as well as with the political trends for decentralization. They hoped that Okinawa would be allowed to adopt them as a model case to be followed later by other regions and localities in Japan.<sup>156</sup>

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<sup>154</sup> The selective system of tariffs refers to a system where an importing company based in the FTZ (or special FTZ) can choose between tariffs of the raw materials or manufactured goods (although not applicable to some products).

<sup>155</sup> The special corporation was to manage the facilities in the zone, to be in charge of improvements of the land and facilities, and be entitled to make investments to support business activities of the enterprises located in the zone.

<sup>156</sup> Such opinions and expectations were expressed by various actors at that time: Yoshimoto (2001; *RSH* 22.07, 10.08.1996); Uema Tsuyoki of Okinawa Social Masses Party, Uehara

### 3. The Ministerial Evaluation of the Deregulation Project

Two days after the official submission of the Deregulation Project, on 21 August 1996, the Okinawa U.S. Base Problems Office in the Cabinet Internal Affairs Office – in charge of all the Okinawa related policies at that time – sent a notice to the concerned ministries. The Office asked for investigation of the deregulation items under their jurisdiction and preparation of written replies in two days, by 23 August,<sup>157</sup> the day of the coalition parties meeting. The notice included also the evaluation scale (A, B, C, D), in which A signified “possible for immediate realization,” B – “the same effect can be achieved quickly by an alternative,” C – “should be considered for intermediate-term investigation,” and D – “realization difficult,” the euphemism for “not viable” (see Tab. A-2).

The ministries, which from the onset showed a negative attitude toward the Program for Autonomic Modernization (Yoshimoto 2001; Kōzuma 2001: 76),<sup>158</sup> as in fact towards any new policy formed by the local governments (Reed 1986: 164), investigated the prefectural proposals. In result, among the total twenty six sub-items, only three were given A, one – B, nine – C, and thirteen – D (including the airfare reduction). Two requests were given double marks of A & C and C & D respectively.<sup>159</sup> The ministries’ explanation for A-marked items was based predominantly on the assessment that they did not require any alterations of the existing systems of taxes, customs, tariffs and other, no new budget frameworks (just budget increase), and that they could be executed under the programs already in implementation. The ministries concluded hence that the financial compensation, namely the budget allocation was the only option for meeting local demands, while more fundamental structural changes were unacceptable. The deregulation measures, such as removal of import quotas, introduction of a selective system of tariffs, special customs system and other in addition to the estab-

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Yoshiji of New Frontier Party Okinawa (Dai 7 kai Okinawa Kengikai Dec. 1996); *Kokusai Toshi OKINAWA Konwakai gaiyō* (1996: 7).

<sup>157</sup> Based on the internal document “Jimu Renraku” [Office notice] dated 21 Aug. 1996 with no specific title, signed by Satō and Eguchi from the Okinawa U.S. Base Problems Office in the Cabinet Internal Affairs Office.

<sup>158</sup> The former deputy counselor in the prefecture Promotion Office of Program for Autonomic Modernization, Fumoto Reiji (2004e, f) recalled Vice Governor Yoshimoto instructing the prefectural staff to “omit” the Okinawa Development Agency (OD) and to directly petition the Prime Minister Office.

<sup>159</sup> The duty-free shops system was assigned for separate investigation. The evaluation was also reprinted in the simplified form (◎- realization possible, △- possible in intermediate term, ×- realization difficult) by the RSH 16.03.1997.

lishment of an independent institution to manage the FTZ in Okinawa – were opposed by the ministries presumably because their introduction would lead to a loss or weakening of the control over particular area by the relevant ministry, and thereby infringing upon the ministerial territory (Downs 1994: 211-222).

Four days after the official submission of the Deregulation Project, on 23 August 1996, the leaders of the three coalition parties of the LDP, the SDP and the New Party Sakigake conveyed a six-member meeting (*rokusha kyōgi*) to discuss the proposals.<sup>160</sup> The meeting was attended by each party's secretary general, and the chairs of the policy deliberation councils, joined in addition by the ministerial bureau directors (*kyokuchō*). In the end, the group agreed only on the implementation of the airfare reduction (detailed below) and inclusion of the related costs (¥7.7 billion) in the fiscal 1997 budget.<sup>161</sup> The rest of the proposals due to the resistance of the bureaucracy were shelved off until next circumstances brought them back on the national governmental agenda (see chap. 6).<sup>162</sup>

The upcoming Upper House election, the referendum and the proxy trial generated nevertheless a substantive political pressure upon the central government. To diffuse that pressure, Prime Minister Hashimoto decided to announce allocation of a special budget for execution of the non-distributive policy proposals of the Modernization Projects (unofficially negotiated with the central government prior to the official submission of the Projects). The prime minister decided also to establish a special council to supervise Okinawa related policies, discussed in the next chapter. In result, the prefecture's demands for deregulation measures were compensated by the financial means. The Deregulation Project, with the exception of one item discussed below, was adjourned by the central bureaucracy. The decisive factor was the lack of political leadership on part of the prime minister to counter the bureaucratic opposition and set the policy on the government decision agenda.

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<sup>160</sup> The LDP Okinawa Special Research Council had in fact already concluded discussions two days after the official submission on the 21 Aug. (Jiyū Minshutō 1996: 142).

<sup>161</sup> The group also agreed on the appropriation of a budget for a research study on the free trade zone (¥42 million), which were included in the ODA budget draft for FY 1997 (OSK Feb. 1997a); reported also in the *Ryūkyū Shimpō* on 30 Aug. 1996.

<sup>162</sup> The decisions were conveyed to Governor Ōta on the following day, 24 Aug., by the LDP secretary general and the chairperson of the LDP Okinawa Special Research Council, Katō Kōichi, who visited Okinawa to held direct talks with the governor (RSH 24.08.1996).



#### 4. Negotiations on the Tokyo-Naha Airfare Reduction

The Tokyo-Naha airfare reduction was the only item among the special measures included in the Deregulation Project, which the central government agreed on and promptly implemented from July 1997. The reasons behind that decision were related to the earlier agreement of the coalition parties under the Socialist Cabinet of Murayama Tomiichi and to the political pressure created by the proxy trial, prefectural referendum, elections and other issues concerning the military bases discussed above. The Murayama Cabinet, in other words, set the issue on the governmental decision agenda, and political pressure made the airfare reduction politically important for the LDP to carry on with execution under the consecutive Hashimoto Cabinet.

The final policy output of the negotiations on the airfare reduction resulted from the interplay of three factors: (a) the political leadership of the LDP Okinawa Special Research Council that coordinated the negotiations between the governmental actors; (b) the routine decision making structures of the central government, such as the *zoku*, the LDP organs and bureaucratic agencies; and (c) petition activities of the local interest groups. Consequently, the local request was assimilated through a twofold method of refraction of the content through substitution of the fuel tax exemption with the introduction of the fuel tax reduction for a limited period of time, and of a financial compensation paid to the Ministry of Transport in exchange for lowering the airport landing charges.

The request for “fundamental airfare reduction”<sup>163</sup> was of special importance for the Okinawan government because the prefecture is located on the south-western periphery of Japan and gains its main revenues from tourism. As the prefectural government explained in the Deregulation Project, the overwhelming majority of tourists visiting Okinawa (97.5%) use the airplanes as means of transportation, and as much as 88 percent of customers flying in to Okinawa, are tourists. Lowering the airfare was therefore indispensable for further promotion of that industry (Okinawaken Aug. 1996: 15). The prefectural government proposed that such reductions should be achieved through the exemption of the fuel tax (imposed only on domestic flights) and the airport landing charges.

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<sup>163</sup> The request for fundamental reductions of the airfare was contained in the third main item of the Deregulation Project concerning measures necessary for creating a site of international tourism and destination-type resorts. The item included in addition, the expansion of no visa system for tourists from Taiwan, Korea and Hong Kong (main visitors to the prefecture), and the establishment of new international commercial air routes (see Tab. A-2).

The request for the airfare reduction was in fact one of the first measures petitioned by the prefectural government amidst political upheavals instigated by the September 1995 rape incident. The negotiations on the reduction started hence much earlier than the official submission of the Deregulation Project (see Fig. A-5 for the outline of the process of airfare reduction). In response to local request, already on 23 December 1995, the Coalition Parties Policy Coordination Council (Yotō Seisaku Chōsei Kaigi) formed by the SDPJ, the LDP and the New Party Sakigake under the Murayama Cabinet (Murakawa 2000: 103-109) signed an agreement concerning the airfare reduction. The Coordination Council set thereby the issue on the governmental decision agenda (Yotō Seisaku Chōsei Kaigi 1995). The parties agreed that the experts group (*yūshikisha kondankai*), established by the Ministry of Transport would investigate and prepare a proposal in time for formation of the budget request for fiscal year 1997 (usually by the end of August each year). There was no mention of means though through which such reduction was to be achieved.

Consequently, the LDP Special Committee on Aviation (Kōkū Taisaku Tokubetsu Iinkai) and the Transport Division (Kōtsū Bukai) – the two party organs in charge of the issue – approved the airfare reduction at their joint meeting in mid July 1996 (*RSH* 23.07.1996). The secretary general of the LDP Okinawa Special Research Council, Suzuki Muneo announced the party's decision to substantially reduce the airfare on the day of the approval of the government's policy for budget request (30 July), although no specific sums were given publicly at that time yet.<sup>164</sup>

The LDP Okinawa Special Research Council, established, as noted, in June that year out of the party's concern for the security issues (particularly the relocation of the Futenma Air Station) became the main coordinator of negotiations between the governmental actors. The Council served also as the main petition forum for the local branch of the LDP. The request for airfare reduction made by the LDP Okinawa, unlike the prefectural government's, concerned only the total sum of the reduction, without stipulating means through which it was to be achieved. At the meeting of the LDP Special Research Council that preceded the Suzuki's announcement on 30 July 1996, the LDP Okinawa, represented by the party president, Nishida Kenjiro and other local executives submitted a request for the airfare cut of a minimum 5,000 yen one way. That was necessary, according to the local party branch, for achieving substantial economic effect. The amount requested by

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<sup>164</sup> Initially, the press reported that the LDP officials promised to reduce the airfare by half, which would have been by ¥17,100 one way (*RSH* 22.07.1996, 31.07.1996).

the LDP Okinawa, became the target reduction for consecutive intra-governmental negotiations, while the prefectural demand for abolition of fuel tax did not appear among alternatives taken into consideration during that negotiations.

## 5. The Clash of the Ministries and the LDP over the Airfare Reduction

Although the LDP and its coalition partners agreed on the airfare reduction, the ministries directly involved in the issue voiced their strong opposition. In the aforementioned ministries' evaluation report of the Deregulation Project, the Ministry of Transport (MOT) gave the airfare reduction the lowest grade D – “realization difficult” (see Tab. A-2). Quoting the opinion of the experts group established for the investigation of the issue (Okinawa Beigun Kichi Mondai Kyōgikai Naikaku Naiseishitsu 1996a: 32), MOT voiced its opposition because the airport charges – through lowering of which the reduction was to be achieved – constituted the core of revenues of the Airport Development Special Account.<sup>165</sup> The ministry argued that if the revenues were not substituted with some alternative other projects depended on that account would be adversely affected.<sup>166</sup> In spite of the objection, MOT concluded nevertheless that if the Cabinet approved it as the official governmental policy, the ministry would further investigate the issue. MOT left thereby some leeway for further negotiations. The Cabinet already in the budget request policy for fiscal year 1997 stipulated that “the expenses concerning Okinawa should be given priority in the budget drawing” (Zaisei Chosakai 1997: 1065).<sup>167</sup> The Cabinet did in fact reaffirm its policy towards Okinawa in the Outline of the Budget Compilation FY 1997.<sup>168</sup>

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<sup>165</sup> The Airport Development Special Account (*Kūkō Seibi Tokubetsu Kaikai*) is a system similar to the Airport and Airway Trust Fund in the US. It was established in 1970 to secure specific revenue sources, which include (1) airport user charges such as landing and parking fees, (2) air navigation facility charge, and (3) the aircraft fuel tax.

<sup>166</sup> Explanation given by the MOT in the internal document of the Okinawa Beigun Kichi Mondai Kyōgikai Naikaku Naiseishitsu (Aug. 1996b: 28).

<sup>167</sup> *Heisei 9 nendo no gaisan yōkyū ni tsuite* [On the budget request for FY 1997], approved by cabinet decision on 30 July 1996, reprinted in Zaisei Chosakai (1997: 1065).

<sup>168</sup> *Heisei 9 nendo yosan hensei taikō* [Outline of the budget compilation for FY 1997] approved by the coalition parties on 18 Dec. 1996, listed the Okinawa promotion and development among the government's top priority policies (*jūyō seisaku*) (reprinted in Zaisei Chosakai: 1068).

The negotiations continued enlarged by the officials from the Ministry of Finance (MOF). That was due to the insistence by the Ministry of Transport on securing the alternative source of revenues for the Airport Development Special Account, which in practical terms meant additional allocation from the governmental purse under discretion of the MOF. The Finance Ministry was headed at that time by Mitsuzuka Hiroshi, an influential *unyu zoku* or a transport tribe member (Inoguchi et al. 1987: 189-192, 297). The tribe, as aforementioned, alike the *ōkura zoku* (finance tribe) belong to a category of the *zoku* that usually strongly support the policies of the concerned ministries. The Ministry of Finance opposed hence the idea of airfare reduction from the onset, arguing that introduction of special measures limited only to Okinawa was not fair to other regions, and that it would adversely affect the whole Japanese economy (RSH 23.07.1996). The same argument against measures limited only to Okinawa that were in violation of the principle of “fare-share” (Vogel 1980: xxiii-xxiv), and the adverse effects on the entire economy surfaced hereafter in the negotiations on other special measures discussed in the consecutive chapters.

Bounded by the earlier decisions and pressed by several aforementioned problems related to the military bases, the LDP proceeded with the execution of airfare reduction. The LDP Okinawa Special Research Council reconfirmed introduction of the airfare reductions from 1997 at the meeting conveyed on 21 August 1996,<sup>169</sup> two days after the official submission of the Deregulation Project by the prefecture (19 Aug.), and so did the coalition parties of the LDP, the SDP and New Party Sakigake at the aforementioned six-member meeting on 23 August 1996 (RSH 24.08.1996). The issue left thereafter for negotiations with the relevant ministries, was the scale of the prospective reduction.

At the meeting of the LDP Okinawa Special Research Council on 27 November 1996, the party set up a specific target of 5,000 yen cut of one way airfare between Tokyo and Naha,<sup>170</sup> as requested by the LDP Okinawa delegation earlier in August that year. It was to be achieved through: (a) the reduction of the aircraft fuel tax for airplanes arriving and departing from Naha airport,<sup>171</sup> and (b) the reduction of the airport charges by approximately 3,000 yen one way, to which the Transport Ministry officials attend-

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<sup>169</sup> The LDP secretary general and the chairperson of the LDP Okinawa Special Research Council, Katō Kōichi, conveyed the decision directly to Governor Ōta on 24 Aug. during his visit to Okinawa (Jiyū Minshutō 1996: 142).

<sup>170</sup> The total ticket price was ¥34,200 one way at that time (OT 28.11.1996).

<sup>171</sup> The fuel tax was ¥26,000 for one kiloliter at the time of negotiations.

ing the meeting responded with a promise of further investigation (*RSH* 22.04.1997).

On the same day, 27 November 1996, the acting chairperson of the LDP Okinawa Special Research Council and the former ODA general director, Okabe Saburō, attended the meeting of the LDP Research Commission of the Tax System (*Tōzeichō*) to negotiate the reduction of the fuel tax agreed earlier that day at the LDP Okinawa Special Research Council. In result, the *Tozeichō* agreed to reduce the tax and include it in the revision of the fiscal 1997 tax system.

By 12 December 1996, the government, partly yielding to the demands of the Ministry of Transport (MOT), decided to lower the deduction from 5,000 to 4,000 yen (*OT* 12.12.1996). Moreover, MOT was to be compensated for the costs incurred by airfare reduction. The Ministry was to receive ¥7.7 billion in FY 1997 transferred to the Airport Development Special Account, which two years later (from FY 1999) was arranged to be appropriated out of the third special adjustment fund. That fund was allocated for Okinawa economic promotion by the consecutive Prime Minister Obuchi (see chap. 8).

The final symbolic negotiations took place on 18 December 1996, during the annual ritual of the budget revival negotiations (*fukkatsu sesshō*) between the ODA Director General Inagaki Jitsuo, the Finance Minister Mitsuzuka Hiroshi, and the Transport Minister Koga Makoto. In consequence, it was reconfirmed that the airfare between Tokyo-Naha would be discounted by 4,000 yen one way for a period of five years starting from July 1997. The reduction was agreed to be achieved through such means as: (a) reduction of the airport charges (from existing 2/3 to 1/6 that lowered the fees by ¥2,400); (b) reduction of the aircraft fuel tax (to 3/5 that lowered the fee by ¥1,000); and (c) cooperation from the airline companies (that lowered the fee by ¥600) (*OSK* Feb. 1997b). The airline companies cooperated in expectation of increasing the demand for trips to Okinawa, and of strengthening thereby its competitiveness against the influx of cheap tours abroad to places like Guam and Taiwan (*OT* 2.07.1997). The MOF budget draft for fiscal year 1997 disclosed on 20 December 1996 included the agreed item and so did the budget approved by the Cabinet on 25 December that year. Consequently, the airfare reduction was introduced from 1 July 1997.<sup>172</sup>

In conclusion, the Deregulation Project was adjourned on the national level due to the lack of political leadership on part of the prime minister to

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<sup>172</sup> Further airfare reductions (¥1,000 one way) were introduced from 1 July 1999 (achieved by lowering the fuel tax from 3/5 to 1/2) in response to the request by the newly elected pro-LDP candidate Inamine Keiichi (see chapter 8).

counter the bureaucratic opposition and set the policy on the government decision agenda. Consequently, although the circumstances were favorable for the prefecture, the lack of existence of a “national policy entrepreneur” committed to the local policy proved to be decisive. The favorable circumstances were brought about by the confluence of three sets of factors: (1) the political pressure on the central government created by the referendum, elections of the prefectural assembly and of the House of the Representatives, and the proxy trial in the stream of politics; (2) the need for securing a relocation site for the Futenma Air Station that functioned as a bargaining card vis-à-vis the central government in the stream of problems; and (3) the policy proposal of the Deregulation Project. The political pressure had to be diffused, but other methods of assimilating local demands, such as financial compensation and institutional arrangements, discussed in the next chapter, were viable that did not require structural changes or infringe upon the ministerial territory.

Nevertheless, one of the items of the Deregulation Project – the Tokyo-Naha airfare reduction was implemented. That was possible due the earlier inter-parties agreement of the Murayama Cabinet that set the issue on the governmental decision agenda. In the Politicians-led Policy Making Pattern of the airfare reduction project, the central role was played by the LDP Okinawa Special Research Council. In addition to the political leadership of the Council, two other factors influenced the policy output. That included the routine decision making structures of the central government, such as the *zoku* politicians and the bureaucracy with whom the LDP Okinawa Special Research Council conducted negotiations. The second factor included the activities of the local interest groups that petitioned the Council for a particular level of the reduction. The analysis of the process underscored several features that have important implications.

First, the process demonstrated the importance of the Social Democratic Party for setting the local policy on the governmental decision agenda (c.f. the Project for Return of the Military Bases in chap. 3). That invalidates the general assumption of the limited influence of that party as a coalition partner during the premiership of Murayama and Hashimoto (Murakawa 2000: 103-109). Setting the issue on the governmental agenda does not secure its further implementation, but it does constitute its prerequisite.

Second, the policy process also demonstrated the power of bureaucracy to block the local policy proposals in absence of the political leadership of the prime minister or other politicians. At the same time, the case of the airfare reduction, which constituted part of the Deregulation Project, and which initially was indeed opposed by the ministries, underscored the cru-

cial role of the politicians for the policy execution. Under the leadership of the LDP Okinawa Policy Research Council, the airfare reduction was implemented. It has to be noted though that the final policy outcome was a result of the negotiations between the Council, the ministries and the *zoku* politicians, whose relations are of consensual rather than conflictual nature (which does not preclude all conflicts).

## CHAPTER 5



# The Modernization Projects: The Corporatist Pattern of Policy Making

(January – November 1996)

The response of the government [to demands by the increasing number of interest groups] ... has been consciously to seek to incorporate a more diverse set of interests into a structure of consultation and decision-making of an orderly kind (Stockwin 1985: 162).

In the Japanese system of policy making, the “corporatist” relations has been identified between the politicians, bureaucrats and various interest groups, although not necessary the labor, for which the term was originally coined for. As a result variety of modification has been proposed, such as “corporatism without labor” (Muramatsu et al. 2001: 70-73) and other mentioned in chapter 2. The theory of corporatism has not been applied to central-local relations in Japan yet. The case of the Modernization Projects (*Kokusai toshi keisei kōsō – 21 seiki ni muketa Okinawa no gurando dezain*, literally, Program of the international city formation: Grand design of Okinawa toward the 21st century) disused in this chapter seems however to fit very well into the definition proposed by R. A. Rhodes (1986: 24; 1981: 4-6, 112-125), who studied central-local relations in Britain. Rhodes defines corporatism as “integration of different ... tiers of government (for example, central and local) by means of formalized bargaining between central government and the outside organization to be controlled.”<sup>173</sup> The most important aspect

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<sup>173</sup> Moreover, Toyonaga (2000: 74) in her definition of corporatism, that concerns the national level politics in Japan, adds two other conditions: (1) the existence of a social democratic party (or a labor union) that is firmly identified with union power and is assumed to have the bulk of nation’s labor movement under its control; and (2) a record and or realistic prospect of that party actually forming a government. These conditions are fulfilled in the case of



of the Rhodes's argument for the case under study here, is that such arrangement serve to maintain the central control over the local government. The bargaining between the two entities "is not between the equals and the centre can unilaterally alter the rules of the game" (Rhodes 1981: 21). The means of formalized bargaining in case of the Modernization Projects became the Okinawa Policy Council (OPC). Prime Minister Hashimoto Ryūtarō created the Council under the pending problems of finding a relocation site for the Futenma Air Station and the political pressure created by a series of elections and a prefectural referendum. The prime minister appropriated also special adjustment fund (1st SAF) for the implementation of the Modernization Projects. The arrangements were to prove useful in meeting local needs and accommodating local policy proposals.

## **1. Public Commitment of the Prime Minister to Okinawa Development**

Developments in the streams of politics and problems discussed in the previous chapter generated a substantial political pressure on the central government to necessitate a response to local demands presented in the Deregulation Request and the Modernization Projects, the former submitted in August 1996 and resubmitted with the Modernization Projects in November that year. The demands for deregulation and other special measures with the exception of airfare reduction were adjourned, as argued in previous chapter, because of the lack of political leadership on the part of the prime minister and other national leaders to counter the bureaucratic opposition. On the other hand, the distributive policy proposals of the Modernization Projects did not infringe upon the territory of any of the managers of the state (the *zoku*, other politicians or bureaucrats). The proposals could have been assimilated through financial compensation, namely allocation of a budget in a form of special adjustment fund for their execution, and institutional arrangement of the Okinawa Policy Council. The OPC was to supervise the allocation process and to become the new policy making forum for Okinawa.

Under political pressure, Prime Minister Hashimoto decided to make a public display of his will to bring solution to the Okinawa issue, and more

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the first special adjustment fund allocation, discussed in this chapter. For a summary on corporatism in Japan, see Muramatsu et al. (2001: 70-73); Tsujinaka (1996: 140-152); Richardson et al. (1984: 374).

specifically to the Futenma relocation. Hashimoto decided to make a formal announcement of the policy initiatives that the central government was going to undertake for the prefecture. The timing was very important. On 8 September 1996, the prefectural referendum was held, in result of which 89.09% of Okinawans at the 59.53% turnout approved reductions of the military bases and the revision of the Status of Forces Agreement (SOFA). Two days after the referendum Prime Minister Hashimoto met with Governor Ōta. In a forty five minute session conducted first in private, later joined by Chief Cabinet Secretary Kajiyama and Vice Governor Yoshimoto for another thirty minutes, Hashimoto informed Ōta about the content of the Prime Minister Comments on the Okinawa Issue (hereafter cited as Prime Minister Comments, *Okinawa mondai ni tsuite no naikaku sōri daijin danwa*) that he was to present at the cabinet meeting later that day. The prime minister informed the governor, in other words, about the list of policies requested by the prefecture in the Modernization Projects (officially submitted on 11 Nov. 1996) that he intended to set on the national decision agenda,<sup>174</sup> by making a public commitment (Hayao 1993: 192-194).

The Prime Minister Comments, which were phrased in general terms as to leave some room for further maneuvers on the execution stage, stipulated several distributive policy proposals, avoiding at the same time any explicit references to the deregulation measures.

Based on the plan [Modernization Projects],<sup>175</sup> and in cooperation with the prefecture, the government is conducting research studies on projects related to the development of communication, airports, harbors and hubs for international, economic and cultural exchange; promotion of industry and trade through the FTZ expansion; new promotion and betterment of the tourism policies; promotion of the international research exchange focused on medicine, environment and agriculture, which will take into consideration the specificity of the subtropical zone. The government is making this *utmost effort* [emphasis mine] with the support from the ruling party in order to establish a self-standing [*jiritsu*] local economy in the prefecture, to secure employment, and to improve living standard of the people of Okinawa, as well as to create a region that will contribute to the development of society and economy of our entire country.

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<sup>174</sup> At the meeting, prime minister also assured the governor that taking into consideration the results of the prefectural referendum, the central government was going to make the “utmost efforts” to promote the realignment and reduction of the bases, revision of the SOFA, and to continue discussions with the U.S. government on the structure of the American forces in Japan (RSH 11.09.1996).

<sup>175</sup> Grand Design of Okinawa Toward the 21st Century was a draft of the Modernization Projects and the Basic Plan of the Program for Autonomic Modernization that the prefectural government discussed with the central government prior to the official submission of the plans (see Fig. A-4). It also became the subtitle of the Modernization Projects.

The policy initiatives mentioned by the prime minister were followed by a declaration of a financial back up of a five-billion yen special adjustment fund (1st SAF). That became the first fund in the series of financial compensation policies of the central government aimed at solving the pending problem of the intra-prefecture relocations of the Futenma and other military bases. The major institutional innovation<sup>176</sup> was the establishment of the OPC that was to be presided over by the prime minister's closest associate, the chief cabinet secretary, and consist of almost all the cabinet ministers (with the exception of the director general of the Hokkaidō Development Agency and the prime minister), and the governor of Okinawa (*Okinawa seisaku kyōgikai no setchi ni tsuite* 1996). The establishment of a policy council for only one prefecture seemed like an extraordinary step, and the prime minister at a press conference on the Okinawa issue following the cabinet meeting, gave a following account.

There exists the [Okinawa U.S.] Base Problems Council, but it is limited only to the base issues. This time, the plan [Program for Autonomic Modernization], namely, the action plan formed from the hopes and dreams of the people of Okinawa for the future, has been already presented.<sup>177</sup> Based on that vision we are trying to make *the utmost* [emphasis mine] for the Okinawa's future. I decided that we needed a forum not limited only to discussions on the base issues, but a place where the central government and the prefecture would become one in thinking about the [Okinawa's] future, a place established officially by the cabinet decision, where the concerned state ministers and the governor of Okinawa would be able to hold an equal voice.

The prime minister pointed out to the limits of existing institutions concerning the military bases,<sup>178</sup> and emphasized a necessity for close cooperation between the central and local governments. The OPC was to become

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<sup>176</sup> Kōzuma Takeshi (2004) explained that the idea of a "policy deciding institution" (*seisaku kettei kikan*) was proposed by UERI in the Okinawa tokubetsu sochi taikō (An) [Outline of special measures for Okinawa (Draft)], dated March 1996, under the name of Okinawa kihon seisaku kaigi (Okinawa basic policy council). Vice Governor Yoshimoto, according to Kōzuma, requested the establishment of such institution both to the chief cabinet secretary and deputy cabinet secretary (The Outline reprinted in Toshi Kezai Kenkyūjo June 2001: 83-84; Yoshimoto 2001).

<sup>177</sup> The statement is imprecise, because the Modernization Projects were officially submitted on 11 Nov. 1996. At the time of the Prime Minister Comments on 10 Sept. 1996, the unofficial discussions with the central government had been conducted however for several months. The prime minister and other governmental officials were well acquainted thereby with the content of prefectural policies.

<sup>178</sup> Until the OPC establishment, the base-related forums, along other routes of direct petitions to the governmental and party organs, were also utilized by the prefecture for the socioeconomic policies. For instance, at the 2d session of the Futenma Task Force chaired by Deputy Cabinet Secretary Furukawa, and the 6th session of the secretaries meeting of the Okinawa U.S. Base Problems Council, held in succession in the PMO on 9 Aug. 1996, Vice Governor Yoshimoto explained the UERI report (*RSH* 10.08.1996).

the highest political decision body for Okinawa policies (Adachi 2002), differing in this respect from the existing structure of the Okinawa Development Agency, or the intra-agency Okinawa Development Council, dominated by bureaucrats from various ministries.<sup>179</sup> Prime Minister Hashimoto, in other words, emphasized his effort to resolve the Okinawa issue by political leadership, placing the decisions concerning economic policies for Okinawa directly under the supervision of the Prime Minister Office and the highest echelon of politicians.<sup>180</sup> The OPC designated by Hashimoto as the “place of political discussion” was later juxtaposed by Chief Cabinet Secretary Kajiyama with the “place of administrative discussion” which the latter hoped the OPC would also become. Kajiyama referred to the problem of the administrative sectionalism and its harmful effects on the Japanese policy making (*RSH* 4.10.1996).

Pressed by the security and defense issues, Prime Minister Hashimoto decided thereby to meet several of the local demands, mostly by the methods of financial compensation and institutional arrangement. It is important to note that the prime minister did not declare approval of the entire local policy (Program for Autonomic Modernization) or promised its realization in the future. Hashimoto did not either state that the special adjustment fund was to be used by the prefecture on its own discretion. The financial compensation in the form of the special adjustment fund was given to a local community, but with various strings attached to it. The fund was placed under the supervision of the chief cabinet secretary and the cabinet ministers gathered in the OPC, as to ensure overall governmental control over the policy process. Moreover, ultimately the functioning of the council was to become susceptible to the political influence of the national and local leaders (c.f. third special adjustment fund discussed in chapter 8). At the time of the establishment, the new arrangements for policy and decision making on matters concerning Okinawa looked very promising. The council allowed the prefecture exercise a substantial influence over the allocation of the first special adjustment fund.

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<sup>179</sup> The council consists of members appointed by the prime minister, including the prefectural representatives, but it is the central bureaucrats that gather and analyze the necessary materials and data, prepare and often present proposals for deliberations. Representative of the situation is request made by the speaker of the Naha assembly, Uehara Kiyoshi at the 36th session of the Council on 30 June 1998. Uehara requested the materials presented at any given meeting to be handed two or three days before the session, to enable prior reading and preparation of questions (*Dai 36 kai Okinawa Shinkō Kaihatsu Shingikai* June 1998).

<sup>180</sup> Strengthening administrative leadership of the cabinet and the prime minister was one of the leading objectives of Prime Minister Hashimoto not only in case of Okinawa but also for the entire political system of Japan. Hashimoto greatly contributed to the enactment of the Law to Amend the Cabinet Law and the Law to Establish the Cabinet Office in 1999, both of which strengthen the functions of the cabinet.

## 2. The Proxy Compliance by Governor Ōta

After the meeting with Governor Ōta on 10 September 1996, Prime Minister Hashimoto commented that a “trust relationship has been established between them.” He also added that would wait for the prefectural investigation of the content of his comments, and specific decisions in regard to them. Hashimoto did not explicitly mention the problem of the proxy, which was on a hold after the Supreme Court defeating verdict for the prefecture on 28 August 1996. Three days after the meeting, on 13 September Governor Ōta announced his decision to comply with the proxy.<sup>181</sup> On 18 September the governor officially notified the authorities, and on 19 September started the required procedures. The decision was welcomed by the central government officials with “appreciation,” and by the prime minister calling it “extremely though” (*RSH* 14.09.1996). Hashimoto announced also on that day that in a telephone conversation with the governor he had promised a prompt cabinet decision on the establishment of the OPC. The decision was approved one week later, on 17 September 1996.

The question why Ōta decided to comply with the proxy in spite of the outcome of the prefectural referendum that showed local citizens’ opposition to the military bases, and in spite of the Supreme Court defeating ruling, which antagonized Okinawans and united them against the central government – is very complex. Especially that both events contributed to increase in public support for the governor, strengthening thereby his position vis-à-vis the central government. Soon after the proxy sign, the governor realistically commented that in order to solve various local problems, the cooperation with the central government was necessary. Still later Ōta added that he also feared revision of the Special Measures Law on Land for the U.S. Military Use (*Beigun yōchi tokusohō*), which would have eliminated the need for local approval for the land lease, which the central government in fact did following year in April 1997 (*OT* 23.10.1996). The governor also calculated, as he confessed, that if the prefecture cooperated on the proxy,

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<sup>181</sup> At the meeting with the vice governors and other top officials that was hold before the press conference, no objections to Ōta’s decision were raised. Similarly, at the meeting with political factions of the prefectural assembly, the governor’s support and other citizens groups on 12 Sept. – few opposing views were expressed. At that point, compliance with the central government’s request was considered by the majority as the best choice (with the exception of the Anti-War Landowners Association, Joint Struggle Council Against Constitutional Violations, and the Anti-War Landowners Defense Council). After the proxy sign, however, critical voices started mounting against Ōta and his staff, who were accused of inconsistency. It was pointed out that in previous statements, the executive leaders had promised to take into consideration outcomes of the proxy trial and the referendum (*RSH* 14.09. 1996).

the central government would press the U.S. government for the resolution of the military base problems.<sup>182</sup>

Moreover, given the frequency of the cabinet changes in the 1990s (*RSH*, 11.09.1996),<sup>183</sup> it is also plausible that the governor and his staff worried about the Diet dissolution and the outcome of upcoming general election on 20 October, which might have brought a cabinet less committed to the Okinawa case. Already the resignation of Prime Minister Murayama, as noted, caused distress in the prefecture. The governor signed the proxy in the end, but the political pressure afflicting the central government did not subside completely. The general election was still to come, and more importantly, the Futenma relocation site had still not been agreed upon.

### 3. The Third Reorganization of the Prefectural Office

The prime minister public announcement of the policy initiatives for Okinawa formulated on the basis of the Modernization Projects set the local policy on the national decision agenda. The Prime Minister Comments named the policy initiatives only in general terms, and so the details still had to be finalized. The policy formation process of the Modernization Projects that started in the beginning of 1996 was to transform the policy making in the prefecture (see Fig. A-4 for the outline of the process). The policy making process was revolutionized even further in terms of broad public participation during formation of the FTZ plan discussed in the next chapter.

The organizational reforms in the prefectural office continued throughout the 1995 and 1996. That responded to the growing amount of work and a necessity for policy coordination of all prefectural office departments. The Project Team for Modernization and Return of the Military Bases, created in November 1995, was transformed into a seventeen-member Promotion Office of Program for Autonomic Modernization (*Kokusai Toshi Keisei Suishinshitsu*) in April 1996.<sup>184</sup> The office supervised formation of the Modernization Projects and related plans, coordination with other prefectural

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<sup>182</sup> The proxy sign approval took place before several important U.S.-Japan meetings: the Working Group of the Special Action Committee on Okinawa (SACO) Working Group on 13 Sept., Security Consultative Committee (SCC, known as 2+2) on 18 Sept., and the Hashimoto-Clinton meeting in New York on 24 Sept.

<sup>183</sup> In result of the general election held on 20 Oct. 1996, the Second Hashimoto Cabinet was created on 7 Nov. that year. During three years since 1993, there had been four cabinets, and thus the anxiety of the prefectural executives seemed substantiated at that time (see Tab. A-1 for the cabinets in the 1990s).

<sup>184</sup> The Office at its peak in Dec. 1997 included 23 members.

offices, communication with municipalities and other interest groups until its closure on 1 April 2000 by the subsequent governor. The closure of the office became at the same time the most conspicuous mark of termination of the entire Program for Autonomic Modernization, the flagship of the Ōta's administration.

During the year of 1996, the Promotion Office of Program for Autonomic Modernization continued the work on three main fronts: first, the explanation meetings for various interest and citizens groups that was to build public support for the plan and strengthen its validity vis-à-vis the central government; second, discussions at newly established by the prefecture advisory committee of the Discussion Group for International City of OKINAWA (Kokusai Toshi OKINAWA Konwakai)<sup>185</sup> – to help develop new policy ideas; and third, opinion exchange with the municipalities – to realize one of the Program's goals of bringing the policy process to the level closest to local citizens. Alike discussions with various interest groups, participation of the sub-prefectural units was also to add to the validity of local policy in negotiations with the central government.

First, the explanation meetings on the Modernization Projects were held for: local business, industry and labor groups, associations of the owners of the military land, citizens groups, mass media (including foreign media), and also for the national Diet and prefectural assembly members, as well as the representatives of central government agencies. The number of those meetings reached 112 with approximately 8,000 participants between 16 December 1995 and mid-December of the following year.<sup>186</sup>

Second, to discuss new ideas for the "grand design for Okinawa in the 21st century," the prefecture created a twenty nine-member Discussion Group for International City of OKINAWA on 28 May 1996. The group included representatives of the business, industry, labor, universities and think tanks, both from the prefecture and outside. Among the members there were such prominent figures, as the Japan IBM Chief Executive Shiina Takeo, invited by the director of the Okinawa Prefecture Managers Association (Okinawaken Keieisha Kyōkai) and the subsequent governor of Okinawa, Inamine Keiichi, who also joined the group, and the director of the American Chamber of Commerce and Industry in Okinawa, Joseph Thompson. The Discussion Group for International City of OKINAWA conveyed three meetings (11 June, 21 Aug., and 25 Sep. 1996), and submitted its pro-

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<sup>185</sup> It is sometimes spelled without the capitalized letters [Okinawa], and it is not to be confused with the Discussion Group for the Formation of International City of OKINAWA (Kokusai Toshi OKINAWA Keisei Kondankai) created in 1993 by UERI.

<sup>186</sup> The data on the explanation meetings is based on the prefectural government unpublished document *Okinawaken Kokusai Toshi Keisei Suishinshitsu* (Dec. 1996).

posals on 15 October 1996. Many of those ideas, such as: introduction of deregulation measures, enforcement of the FTZ system and creation of a special economic zone, liberalization of the airways, Naha port designation for the base port, promotion of education, research, health, and resort industries, training of human resources, and other – were already included into the Deregulation Project (submitted on 19 Aug. 1996), and later in the Modernization Projects (11 Nov. 1996) (Kokusai Toshi OKINAWA Konwakai 1996).

Third, the Promotion Group of Program for Autonomic Modernization coordinated its work on the Modernization Projects with the municipalities through the Municipalities Liaison Council for Autonomic Modernization. In order to discuss the proposals for particular areas in greater detail,<sup>187</sup> the Section for Autonomic Modernization under the Municipalities Liaison Council was further subdivided by regions on 31 May 1996 into three sections: the Northern Region (Hokubu Bukai), Central-Southern Region (Chūnanbu Bukai), and Isolated Islands (Tōsho Bukai), which held their first discussion meetings in the end of July and beginning of August that year.

Such integrated and multi-level inclusive policy making was unprecedented for the prefecture, but not without problems. The prefectural government was planning to submit the final official draft of the Modernization Projects to the central government in the beginning of October 1996 (RHS 8.08.1996), prior to the general election scheduled for the twentieth of that month. Due to the intra-organizational problems,<sup>188</sup> the prefectural office managed to do it only a month later, in November 1996.

Having received various opinions, requests and policy proposals from the municipalities, Discussion Group for International City of OKINAWA, and local interest groups, the Promotion Office of Program for Autonomic Modernization formulated the final version of the Modernization Projects. They included the Proposal on the Program for Autonomic Modernization (*Kokusai toshi keisei kōsō ni kansuru teigen*, literally, Proposal for the program

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<sup>187</sup> The Modernization Projects in the second part, which concerned the functional structure of the prefecture, proposed formation of four exchange zones. They were further subdivided into twelve hubs (*kyoten chiiki*) that related to Zensō. Each of the hubs was to take advantage of local characteristics of particular prefectural sub-regions, and respond to their needs.

<sup>188</sup> The deputy counselor of the Promotion Office of Program for Autonomic Modernization commented that the delay resulted from the inexperience of the prefectural departments' members, who had little practice in the independent policy making. Initially some policy proposals prepared by the particular departments tended to imitate those of the Okinawa Development Plans. Such proposals were turned down and sent for reformulation by the vice governor (Fumoto 2004f).



of the international city formation) prepared by the Okinawa Prefecture Economic Groups Council (Okinawaken Keizai Dantai Kaigi) that was in fact established in January 1996 in response to the policy initiatives undertaken by the Ōta administration. The Council was to become one of most influential peak association in the prefecture.

**Modernization Projects.** The Modernization Projects set up the general goals of the autonomous (*jiritsu*) development of the prefecture, and contribution to peace and sustainable development in the Asian Pacific region. This was to be achieved by fostering international exchange and making full use of the Okinawa's historical and cultural heritage, as well as its natural, subtropical environment (see Fig. A-6). The fundamental principle on which such goals were based was *jiritsu* (self-standing, autonomy) discussed in detail in chapter 6, along the values of coexistence (*kyōsei*) and peace (*heiwa*). To fulfill the goals, the Modernization Projects named seven main programs that were to be realized in the next twenty years (1995-2015): (1) improvement of the transportation system (seaports, airports, and transportation infrastructure); (2) conversion of the land returned by the U.S. military; (3) fostering international exchange and cooperation in education, research and development; (4) creation of new industries – medicine, welfare, recuperation, and information, through establishment of special economic zone or *keizai tokubetsuku*, expansion of the FTZ system, deregulation of air and sea routes, etc.; (5) establishment and promotion of research institutes; (6) training and securing human resources; (7) promotion of international contribution. Many of these proposals were mentioned by Prime Minister Hashimoto in his Comments due to the unofficial discussions conducted prior to the Modernization Projects' formal submission on 11 November 1996. These programs became the basis for formulating the specific projects to be funded by the first special adjustment fund, discussed below.

The most radical parts of the Modernization Projects, alike the UERI report on which it was based, were the conversion plans for the military land. The second radical part was the creation of a support system, both institutional and legal to promote the Program for Autonomic Modernization (although still without specifics). That would ultimately lead to a creation of the entirely new system of decision making for Okinawa. The third radical part of the Modernization Projects was the deregulation measures, mentioned only generally in the UERI Report. They were contained in the Deregulation Project, which, as aforementioned was submitted to the central government already in August 1996 and resubmitted with the Modernization Projects in November that year.

After the formation of the final proposal, the Modernization Projects went in unprecedented manner through all the levels of approval. First, it was approved at the municipal level of the Sections of the Municipalities Liaison Council for Autonomic Modernization on 24 October, and second, by the general meeting of the Municipalities Liaison Council for Autonomic Modernization on 5 November. The project was approved at the prefectural office level of the Prefectural Liaison Council for Autonomic Modernization on 8 November. Finally, Governor Ôta and other executives formally approved the plan (*chôgi* – the prefectural level equivalent of the cabinet decision) on 11 November 1996. The proposal of the Modernization Projects was submitted to the central government at the Okinawa Policy Council secretaries meeting on the same day, and at the second OPC meeting on the following day, 12 November 1996.

#### **4. The Corporatist Arrangements for the Modernization Projects**

By the time the prefectural government officially approved and submitted the Modernization Projects on 11 November 1996, the assimilation process of the distributive policy proposals contained in the plan had already started. The final policy output of Modernization Projects, that is projects funded by the first special adjustment fund, resulted from the interplay of such factors as: (1) political leadership of the prime minister who established the OPC with specific stipulations of procedures to include local actors; (2) the existence of the OPC, namely a corporatist forum for local policy making, which included representatives of the central government, bureaucrats and prefectural government; (3) and political will of local executive leaders to initiate local policies and actively pursue their execution at the OPC.

The corporatist arrangement of the OPC and allocation procedures of the first special adjustment fund, which required local cooperation and approval, led to formation of projects that corresponded to prefectural demands concerning distributive policy proposals of the Modernization Projects although it functioned differently under different leaders (see chap. 8). The allocation process of the first special adjustment fund began soon after the announcement by Prime Minister Hashimoto on 10 September 1996 and ended with the approval of the final appropriation at the 11th OPC meeting on 19 September 1997 (see Fig. A-7). The main forums of policy making became the sections and project teams established under the OPC.

The preparations for the investigation and formulation of the concrete projects began in a very unusual manner that is with the ministries' lobby-

ing activities in the prefecture.<sup>189</sup> Since Prime Minister Hashimoto arranged the approval process for the projects in a way that it required prefectural consent – to limit bureaucratic control and adverse effects of administrative sectionalism – the representatives from the central government agencies started visiting the prefectural departments as early as the end of September 1996. After one of such visits paid by the section chief from the MOF Tax Bureau, the staff member of the Promotion Office of Program for Automatic Modernization commented that until then it had always been the prefecture that had to go to Tokyo to petition the central government, but that at the end of 1996 the opposite pattern – the central government officials coming to Okinawa to lobby for projects – was actually taking place (OT 13.10.1996).

The lobbying activities of the ministries were carried also among the Okinawa district Diet members (OT 27.12.1996), and local interest groups. The later was to gain local support, and thereby justify the proposals at the OPC as “requested or supported by the prefecture.” One of such meetings was held on 18 October 1996, organized by the Naha Chamber of Commerce and Industry under the title “Information, Communication and the Okinawan Promotion.” It was a lecture given by the Policy Section Chief Genyo Hisamitsu from the Communication Policy Bureau of the Ministry of Post and Telecommunication (MOPT). That was in fact, an explanation meeting of the MOPT on proposal of the Okinawa Multimedia Special Zone Plan, later approved as one of the key project of the first special adjustment fund (RSH 19.10.1996).

Under such circumstances, Vice Governor Yoshimoto warned the directors of the prefectural office departments that the ministries started making moves to secure part of the special adjustment fund, and that they would try to push through with some items that otherwise would have not been accepted by the MOF under its stringent budget policy.<sup>190</sup> The vice governor

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<sup>189</sup> The ministries began the organizational preparations for the policy formation by creating new institutions that corresponded to the tasks of projects teams in the OPC. The ODA established, for instance, the Okinawa Promotion Project Team (Okinawa Shinkō Purojekuto Chīmu) in the General Affairs Bureau (Sōmukyoku) on 17 Sept. 1996 with two sub-teams of the FTZ Promotion Group (Jiyū Bōeki Shinkōhan) and the Returned Land Conversion Measures Group (Atochi Riyō Taisakuhan). The third Scientific Exchange Group (Gakujutsu Kōryūhan) was added on 22 Oct. to investigate the establishment of a comprehensive research institute that was to become an exchange hub for studies on subtropical zone. Moreover, to directly supervise the projects in the prefecture, the ODA decided also to create the Returned Land Conversion Measures Section (Atochi Riyō Taisaku Bukai) in the Okinawa General Bureau, the ODA local bureau in Naha (see Fig. A-8).

<sup>190</sup> In the compilation process of the national budget for the fiscal year of 1997, on 30 July 1996, the government approved the annual Budget Request Policy that set up FY 1997 a “starting year of the budget of financial and structural reforms.” The specifications for budget

emphasized also that while investigating and approving proposals prepared by the central agencies, the main selection criteria should be their compatibility with the Program for Autonomic Modernization (OT 13.10.1996).

The investigation of the new projects took place in the projects teams, which were established under the OPC at the first session conveyed on 4 October 1996 in the Prime Minister Office.<sup>191</sup> The ten project teams grouped into three sections corresponded to the basic policies proposed in the Modernization Projects. They included: (1) Infrastructure Section in charge of plans related to the development and improvement of basic infrastructure and conversion of the land returned by the military, (2) Industry and Economy Section to supervise industrial promotion, and (3) Environment, Technology and International Exchange Section in charge of respective areas.<sup>192</sup>

In order to create the inter-ministerial body, each section was headed by the secretaries comprising the bureau directors (the highest administrative posts after the administrative vice minister) on the governmental side, and of the vice governor, policy coordination counselor and the head of the Promotion Office of Program for Autonomic Modernization on the Okinawan side. In regard to the project teams, it was decided later that they would be chaired by a chief counselor and a secretary, both supported by deputy counselors of different organizational affiliation.<sup>193</sup> It was also agreed that the general affairs of the OPC would be handled by the Cabinet Internal Affairs Office in the Prime Minister Office, specifically the Okinawa Affairs Office. That placed the process under the direct supervision of the prime minister. Following the first OPC session, the three sections held their first meetings, focusing on the proposals that the central bureaus and the

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request included: minus 15% decrease on general administrative expenditures, minus 12.5% on other administrative expenditures, minus 5% on interest rate supply, minus 0.8% on personnel expenditures and 0% on investment (within which 500 billion yen was set up as the public investment priority framework, ¥400 billion as public works related framework, and ¥100 billion as the other facilities related framework). In addition, ¥1.3 trillion framework was set up for projects based on the Special Measures Law for Infrastructure Development for 1990-1997 (Zaisei Chōsakai 1997: 1064-65). On the national budgetary policy, see also chap. 2.

<sup>191</sup> The meeting, chaired by Chief Cabinet Secretary Kajiyama, was exceptionally attended by Prime Minister Hashimoto, in addition to cabinet ministers and Governor Ōta (RSH 4.10.1996).

<sup>192</sup> The proposals of the sections subdivided into ten project teams (PTs) were created by the prefectural government and later adopted by the OPC. The problems aroused in relation to the project team in charge of the land conversion of the military land, and it took some time before that project team (2PT) was approved (Fumoto 2004f).

<sup>193</sup> The structure of the project teams was discussed at the OPC secretaries meeting on 16 Dec. 1996 (RSH 17.12.1996).

prefectural departments had been preparing since the announcement of the first special adjustment fund in September 1996.

**Generation of the Policy Alternatives.** The first drafts of concrete policy proposals were presented at the second session of the OPC on 12 November 1996. At the meeting, the governor officially submitted also the Modernization Projects.<sup>194</sup> The ministries briefed on content of the 88 projects (referred to “items” or *jikō*), formed after preliminary consultations with the prefectural office departments (equivalent of the ministerial bureaus). Those 88 items became the basis for consecutive discussions. They were regrouped at first stage into 34, to reach the final number of 61 implemented items.<sup>195</sup>

In regard to those policy proposals, on 27 November 1996, Vice Governor Yoshimoto paid a visit to Deputy Cabinet Secretary Furukawa Teijirō and the director of the Cabinet Internal Affairs Office, Tanami Kōji. The two served as the main communication channels of the prefecture with the prime minister, and also the main coordinators of the OPC sections and projects teams. Well acquainted with the methods of the central bureaucracy, the vice governor requested anew the adherence of the projects being formulated by ministries to the principles and basic directions envisioned in the Modernization Projects.<sup>196</sup>

The following day, on 28 November 1996, the policy proposals were discussed at the first joint meeting of the OPC project teams. Ten projects under the first project team (1PT) were approved. The items supervised by the second to tenth project teams (2-10PTs) were investigated at the second joint meeting of the teams, which was held a week later, on 6 December. The result of discussions was presented at the next OPC secretaries meeting on 16 December and the plenary session on the following day.<sup>197</sup>

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<sup>194</sup> At the 2nd OPC secretaries meeting held on 11 Nov. 1996, Vice Governor Yoshimoto submitted the Modernization Projects that was approved by the governor at the prefectural executives meeting in the morning that day. Yoshimoto also informed about the progress on the more detailed Basic Plan of the Program for Autonomic Modernization that the prefecture was planning to submit soon after, although he did not specify the exact date (*RSH* 12.11.1997).

<sup>195</sup> Some of the original 88 items were dropped, renamed or combined with others. Number 61 is the figure given in the assessment report presented at the 11th OPC on 26 April 1999, Okinawa Tokubetsu Shinkō Taisaku Chōseihi Kankei Jigyō: Kekka Gaiyō Hōkoku [Outline report of the results of the programs and projects related to the adjustment fund for Okinawa special promotion measures] (see Tab. A-3 for the list of all projects).

<sup>196</sup> During the meeting the vice governor received also an official confirmation of the incorporation of the 1st SAF into the fiscal year 1996 supplementary budget, which was officially approved by the cabinet on 20 Dec. 1996, by the HR on 29 Jan. 1997, and by the HC on 31 Jan. 1997.

<sup>197</sup> The secretaries meeting was attended on the government side by Deputy Cabinet Secretary Furukawa, bureau directors and counselors of the related ministries, special advisor to

The selection of the policy alternatives thus generated took place between 20 to 23 January 1997 at the meetings of OPC project teams (2-10PTs) held in Okinawa. Over one hundred central governmental bureaucrats, in the unprecedented manner, traveled to the prefecture for that purpose (Fumoto 2004e, g). It was during those deliberations that most of the final items were discussed in detail, corrected, evaluated and selected, although detailed budget estimates prepared by the ministries were examined later. The results of the negotiations carried in Okinawa were reported by the Chief Cabinet Secretary Kajiyama at the fourth OPC session on 18 February 1997. (OSK Feb. 1997e) The list of policy proposals generated by the central bureaus in cooperation with the prefectural departments was decided thereby, and the only items added later were the requests forwarded by local interest groups. Those concerned employment promotion measures, which in fact took over one fifth of the entire fund, as detailed below.

## 5. Negotiations on the Allocation of the Special Adjustment Fund

The general policy for selecting policy alternatives – explained by Chief Cabinet Secretary Kajiyama first at the third OPC meeting on 17 December 1996, and again in detail at the fourth OPC meeting on 18 February 1997<sup>198</sup> – contained four main clauses. They were formulated on the basis of the Prime Minister Comments and stipulated that the projects should foster: (I) self-standing (*jiritsu*) of the prefectural economy, (II) employment opportunities, (III) improvement of living standard of the Okinawan people, and (IV) regional development that would also contribute to the prosperity of the entire national economy and society (OSK Feb. 1997f).

Moreover, under the clause of the “important notice,”<sup>199</sup> the selection policy stated that: (1) the overall vision of the projects should be clear and precise, (2) the following year’s execution plan (*jigyō keikaku*) and the budget plan (*shikin keikaku*) should be specific, (3) the balance with other ministries’

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the Prime Minister on Okinawa affairs, Okamoto Yukio, and on the Okinawan side, by Vice Governor Yoshimoto, Policy Coordination Counselor Matayoshi Tatsuo, and the head of the Promotion Office of Program for Autonomic Modernization, Miyagi Masaharu (RSH 17.12.1996).

<sup>198</sup> At the meeting, the Cabinet Internal Affairs Office presented also the Okinawa Seisaku Kyōgikai Purojekuto Chimu no Kentō Jōkyō ni tsuite [Status quo of investigation studies of the Okinawa Policy Council project teams].

<sup>199</sup> The notice was divided into two clauses of expenses for research studies (*chōsahi*) and programs/projects (*jigyōhi*). Among the above mentioned stipulations (2), (4-a), and (4-d) referred only to the expenses of programs/projects (OSK Feb. 1997f).

projects maintained, and that (4) the priority will be given to items that: (4-a) will enhance the effects of comprehensive promotion even if they are part of the already existing programs implemented through the regular budget, (4-b) that will be pursued in cooperation by various ministries, (4-c) that were mentioned in the Prime Minister Comments, and (4-d) that could be finalized within one budget allocation, of which the (4-b) and (4-d) were to prove most problematic.

In regard to the distribution procedures (see Fig. 4-1), the policy – under the schedule clause – stipulated that the related ministries, Okinawa Affairs Office in the Cabinet Internal Affairs Office and the prefectural representatives should first discuss and coordinate the allocation. After that the projects should be approved by the financial authorities (MOF). Through such arrangements, the prefecture was given an important voice in the decision making over particular items, and the Cabinet Internal Affairs Office in the Prime Minister Office was to ensure political control over the entire process.

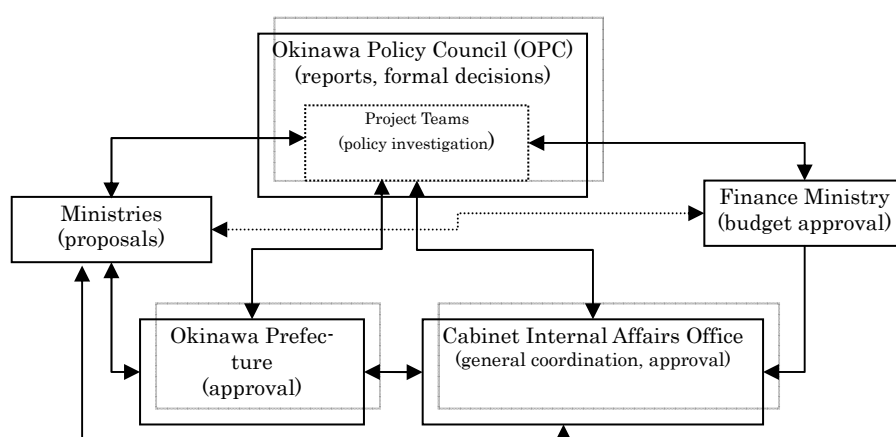


Fig. 4-1. Allocation Procedures of the First Special Adjustment Fund (SAF)

Source: Based on the OSK (Feb. 1997e)

Based on the distribution policy, the allocation of budget proceeded in four stages, according to the progress of discussion on the specifics of particular items. The Cabinet Internal Affairs Office and the prefecture evaluated and categorized each item into four groups of A, B, or C (see Tab. A-3). That indicated their strategic importance for local economic development, and also the level of readiness at the time of their submission in the beginning of 1997. The first four projects from group A were approved for realization and announced on 28 February 1997 by the Chief Cabinet Secretary

Kajiyama,<sup>200</sup> but only two were finalized in time and allocated a budget in the first round of the so-called February allocation (total ¥57 million).<sup>201</sup> The other two were moved to the next round of distribution.

The coordination of proposals between the ministries, the Cabinet Internal Affairs Office and Okinawa prefecture continued till the end of May. In result, most items from the category of A (31 out of 37) and B (9 out of 15)<sup>202</sup> were allocated funds (see Tab. A-3). The first announcement of the proposals for the second allocation came on 1 April 1997 (*RSH* 2.04.1997), after which negotiations between the MOF and the concerned ministries continued till 24 April, when the MOF approved the final sums. The MOF-sanctioned appropriation was disclosed the next day on 25 April by the Chief Cabinet Secretary Kajiyama (*RSH* 25.04.1997). That reached the total 2.68 billion yen, down from 2.86 billion, which constituted a cut by approximately 180 million yen from what was originally requested by ministries (*Sōrifu Naisei Shingishitsu Okinawa Mondai Tantōshitsu* March 1997; *RSH* 2.04.1997).

The Cabinet Internal Affairs Office and prefectural Promotion Office of Program for Autonomic Modernization further reviewed the proposals and announced the allocation list on 10 May 1997 (*RSH* 11.05.1997). That was formally approved at the fifth OPC held on 27 May 1997.<sup>203</sup> The particular emphasis in the second allocation was put on the employment measures, the multimedia island plan concerning communication and information businesses, industrial development, and establishment of a research center on subtropical zone (*RSH* 18.02.1997).<sup>204</sup>

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<sup>200</sup> It included: (1) training of simultaneous translators and the overseas training of Okinawa citizens under the supervision of the MOE; and (2) the Communication Promotion Project and organization of a symposium on economic issues in Okinawa supervised by MITI (*RSH* 1.03.1997).

<sup>201</sup> It included the training of simultaneous translators (¥36 million) and the MITI sponsored symposium (¥21 million) (OSK Feb. 1997b).

<sup>202</sup> It included the two projects from the February allocation list, which were given additional funds in the second round, and the two items that were announced in February but not appropriated specific budget at that time. All the other five A projects (under the Labor Ministry) were allocated budgets in the third round due to prolonged negotiations between the prefecture and the Labor Ministry on the employment measures (Fumoto 2004e, g).

<sup>203</sup> During the meeting, Governor Ōta explained the Basic Plan of the Program for Autonomic Modernization that included a detailed distribution of the approved projects into particular zones, while the Cabinet Internal Affairs Office presented the Status Quo of the Okinawa Policy Council Project Teams' Main Activities (*Kaku purojekuto chīmu no omona katsudō jōkyō*) that including progress reports on the 34 projects, and delivered the government's promise to include the budget for those items in the FY 1998 budget request (OT 27.05.1997, ev.ed.).

<sup>204</sup> Among the approved items, there was also the Project for Human Resources Training of the Okinawa Citizens in Foreign Countries (¥32 million) and Simultaneous Translators



The third allocation was made public on 30 May 1997 by the Cabinet Internal Affairs Office (*RSH* 31.05.1997), and formally approved at the sixth OPC session on 29 July that year (OSK July 1997).<sup>205</sup> The distribution, which included most of the B and C projects,<sup>206</sup> was supposed to be the final one, and thus the total sum announced at first reached 2.27 billion yen. Due to delays in negotiations between the Labor Ministry and the prefecture on the items concerning the employment measures, particularly the establishment of the Employment Activation Organization (EMPACTO, or *Koyō Kaihatsu Suishin Kikō*),<sup>207</sup> the third allocation totaled in the end 1.11 billion yen.

The negotiations between the Labor Ministry and the prefecture concerning employment measures were finalized by September and approved at the seventh OPC session on 19 September 1997. That brought the distribution process to an end (OSK Sept. 1997). The final allocation totaled 1.03 billion yen, and the biggest portion of one billion yen was appropriated for establishment of the aforementioned employment promoting organization EMPACTO. The establishment of this organization was strongly petitioned both by the Rengō Okinawa and the Okinawa Prefecture Managers Association.<sup>208</sup> The other two items allocated funds included research studies on employment for the military base workers affected by the prospective closures of the military facilities.<sup>209</sup> They were requested by the governor and also by the All Okinawa Base Workers Labor Union (*Zenokirō*).

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Training Project for Okinawa Prefecture (¥55 million, totaled ¥91 million with the first allocation) under the supervision of the MOE, both requested by Governor Ōta to Prime Minister Hashimoto in Nov. 1996. The prompt approval and allocation of funds for those projects were to prove the prime minister's "utmost efforts" and determination to solve the Okinawa issue, as revoked by the prime minister himself on several occasions (*Dai 140 kai Kokkai Shūgiin Yosan linkai giroku* no. 2, Jan. 1997: 44; *RSH* 2.04.1997). The two projects were, in fact, among the only four out of total 61 that received the amount of funding that was initially requested by the ministries.

<sup>205</sup> During the meeting the Cabinet Internal Affairs Office presented also an interim report on the activities of the OPC project teams.

<sup>206</sup> The list of proposals from the third allocation included two of the joint inter-ministerial programs; (1) the Program on Countermeasures for Water Protection from the Red Earth Spills under four institutions of the EA, ODA, MOAFF and the MOC; and (2) the Research Study on the Okinawa Type Marine Farming Concept supervised by the MOAFF and ODA; other items included the Expenses of the Convention on Development in Okinawa under MOFA, and the Research for a Formation of the Ryūkyū History Theme Park under the ODA.

<sup>207</sup> The discussions focused on the nature of the organization. The Labor Ministry opposed the idea of creating a regular fund operating on interests. Ultimately it was agreed that the organization would use up the fund of one billion yen over ten years (Fumoto 2004g).

<sup>208</sup> In the project team of the Industry Creation and Employment Development of the second section (*OT* 28.05.1997).

<sup>209</sup> The two allocations were given to the project teams of the Comprehensive and Regional Planning (1PT; ¥22 million) and the Returned Bases Land Conversion (2PT; ¥10 million) in the first section (OSK Sept. 1997).

**The Outcome of the SAF Distribution Process.** In result of the distribution process of the first special Adjustment Fund, the biggest sums were allocated to (1) the Ministry of Labor (¥1.42 billion), followed by: (2) the Ministry of International Trade and Industry (¥920 million), (3) the Ministry of Post and Telecommunication (¥838 million), (4) the Ministry of Education (¥292 million), (5) Okinawa Development Agency (¥283 million), and (6) the Ministry of Construction (¥245 million). The ministries increased their budgets concerning Okinawa by four to fifteen times between FY 1996 and 1997. The Ministry of Labor raised its Okinawa budget from 11 to 122 million yen, the Ministry of Post and Telecommunication – from 141 to 506 million, the Ministry of Transport – from 574 million to 8.35 billion, and the Agency of Science and Technology – from 162 to 782 million yen. The Ministry of Labor further increased its Okinawa budget by ten times between fiscal years 1997 and 1998, from 122 million to 1.22 billion yen (Zaisei Chōsakai 1996-1998).<sup>210</sup>

With the exception of Okinawa Development Agency, and to lesser degree the Ministry of Education, the other ministries had not been major recipients of the Okinawa related budgets until then. The allocations, therefore, did not follow the routine pattern of the annual budget drawing. The allocations, supervised by prefecture and the Cabinet Internal Affairs Office, followed in fact the policy priorities articulated in the Modernization Projects, or directly requested by the governor, the vice governor and other interest groups (e.g., Okinawa Rengō, Zenokirō). The Labor Ministry received the biggest budget for the implementation of measures to tackle unemployment, deemed by the prefecture as the single most serious problem facing local economy (OT 23.10.1996). Ministry of International Trade and Industry was granted the budget for projects related to the FTZ (predominantly the infrastructure, and PR activities to attract companies), while the Ministry of Post and Telecommunication – for the multimedia projects targeting development of new industries in the field of communication and information, another two policy initiatives strongly promoted by the prefectural government.

Placing the allocation process under the supervision of the OPC, the corporatist mechanism for political decisions, and in the hands of the project teams for policy discussions that combined bureaucrats of different ministerial affiliation and local representatives – seemed for the time being effective in meeting demands of the Okinawa prefecture. The process exposed however several problems, which became most salient during the

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<sup>210</sup> All the budgets are of the general account, with the exception of the Labor Ministry's, which is of the special account budget.

allocations of the consecutive special adjustment funds (see chap. 8). First, among the total 61 items, only 8 were carried by more than one ministry (see Tab. A-3). That was in spite of the emphasis on the inter-ministerial cooperation in the distribution policy, obviously targeted at the problem of administrative sectionalism as voiced by the chief cabinet secretary on several occasions (*RSH* 4.10.1996).

Second, the majority of projects (47 out of 61) were the research studies (*OSK* April 1999b), allocated one time budget. Some of them were continued afterwards under the third special adjustment fund (see chap. 8), but being incorporated into the regular budgets of respective ministries, they were not coordinated comprehensively or susceptible to prefectural supervision. The emphasis on the one-budget allocation, which might be related to the particular nature of the special adjustment fund – as argued by the ministries although not applied in case of the third special adjustment fund – can arguably obstruct long-term planning aimed by the prefectural government (Yoshimoto 2004).

Moreover, the allocation process of the first SAF fund showed that under the governmental reduced budget policy, the fund appropriated by the political leadership of the prime minister became a chance for the ministries to fairly easy secure a budget. The central agencies rushed with various proposals, which total budget estimates reached 11.94 billion yen for a five-billion yen special adjustment fund. The requests on average exceeded the final allocation sum by 200 percent, but also in some cases by 300 or 400 percent (see Tab. A-3). The governmental agencies usually do submit higher budget requests for given projects than it is actually calculated as necessary for their execution in expectation of the substantial cuts by the Finance Ministry. Such requests usually reach between 50 to 100 percent more than the estimated cost (but not between 200 to 400 percent as was the case with the fund). The central agencies in charge of generating the policy alternatives were not restricted by budgetary concerns or accountable to local electorate for solving given local problems (e.g., unemployment in the prefecture), and hence their prime concern arguably revolved around the issue of using up the appropriated budget.

Summing up, the policy process of the Modernization Projects presents an unusual case of the corporatist pattern of policy making in Japan that involved different tiers of government. Under the pending problem of finding a relocation site for the Futenma Air Station and the political pressure created by a series of elections and a prefectural referendum, Prime Minister Hashimoto set the distributive policy proposals of the Modernization Projects on the governmental decision agenda. Hashimoto decided to accom-

moderate those proposals by allocating a special adjustment fund (1st SAF) and by establishing the Okinawa Policy Council. The corporatist arrangements of the OPC included representatives of the prefecture, national politicians and the bureaucratic officials, as well as the specific stipulations for the allocation procedures that required local approval of particular projects. Those new arrangements proved to be effective for formulating policies that corresponded to local needs.

Furthermore, the analysis of the policy process of the Modernization Projects in the prefecture demonstrated that it included participation of a variety of local interest groups, which strengthened the validity of the Projects vis-à-vis the central government. Interestingly thereby, the necessity to negotiate the locally initiated policy with the central government, led to revitalization and democratization of the policy making on the local level (the theme is further elaborated in chap. 6).

## The All-Okinawa Free Trade Zone (FTZ) Plan in the Prefecture: The Pluralist Pattern of Policy Making

(January – November 1997)

It is most important that a meeting should reach a unanimous conclusion; it should leave no one frustrated or dissatisfied, for this weakens village or group unit and solidarity. The undercurrent of feeling is: 'After all we in the same boat, and we should live peacefully without leaving anyone behind as a straggler.' In order to reach unanimity, they do not care how long it takes – whatever time and trouble they may have in its procedure, all should reach a final consensus (Nakane 1972: 145).

Political pluralism assumes existence of a dispersed influence among multiply actors who freely compete for access to governmental agencies in order to influence the policy output. In Japan, the existence of such form of pluralism (or its close version assuming that this is the ideal form), has been questioned on the grounds that the channels of access to the central authorities have been structured during the long dominance of the Liberal Democratic Party (Schwartz 1993: 40-47; Muramatsu 1994: 50-71). In result, variety of concepts has been created to define the Japanese system, such as "patterned pluralism," or "bureaucracy-led masses-inclusive pluralism," and other (Muramatsu et al. 1987: 18-22). The observations were made for national level politics. In local politics, the general assumption was, as aforementioned, that the local governments rather than initiating their own policies respond to policies formulated by the central government (Pempel 1982: 19). Pluralism, if used in regard to local politics, signifies multiplicity of local interest groups that focus their activities on direct petitioning of the central agencies for particular projects (Reed 1986: 38-40).

The All-Okinawa FTZ Plan – (*Kokusai toshi keisei ni muketa aratana sangyō shinkōsaku: Sangyō, keizai no shinkō to kisei kanwa nado kentō iinkai hōkoku*)

*o ukete* (*Jiyū bōeki kōsō* [FTZ] *Ken saishūan*), literally, New industrial promotion policy for the international city formation: Based on the “report by the committee of industrial and economic promotion and deregulation study” (prefectural final free trade zone [FTZ] plan) – formulated by the prefectural government presents a case that does not fit into those assumptions (for the outline of the process see Fig. A-9). On one hand, the Okinawa government engaged in the comprehensive regional policy formation, and on the other, incorporated variety of local groups in the policy making. The process was unprecedented both in scale and methods. The “citizens’ consensus” formed in result was to strengthen the validity of local the policy in negotiations with the central government. The local government began the formulation process in the prefecture after having secured the central government promise for the policy execution, in the form of inter-partisan agreements and a Diet resolution concerning the special measures for Okinawa in April 1997. The LDP responded to the calls from its coalition ally, the SDP and the opposition parties’ for cooperation on prefectural policies in exchange for the revision of the Special Measures Law on Land for U.S. Military Use.

## 1. The Inter-Party Agreements on the Okinawa Development

A new “window of opportunity” for the prefecture to push with local policies opened again when Prime Minister Hashimoto and the members of his party decided to revise the Special Measures Law on Land for the U.S. Military Use. The revision was to allow the government a provisional lease of land in case the procedures for the proxy sign on behalf of recalcitrant landowners have not been finalized, if the governor refused to comply, as did Governor Ōta in August 1995. The revision allowed avoiding thereby the future necessity of having to go through the time-consuming and politically-risky legal procedures.<sup>211</sup> The LDP was determined to secure the lease of land for the American forces, an obligation put on the central government by the U.S.-Japan Security Treaty. Short of majority in both houses of the Diet (HR – 239 seats out of 500; HC – 107 seats out of 252), the LDP

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<sup>211</sup> The proxy sign by the prime minister became a matter of time, with no other legal or political consequences. Such was the case, for instance, with the illegal occupation of a part of the land at the Sobe Communication Site in Yomitan village (popularly known as the “elephant’s cage”). The lease expired on 31 March 1996, but in result of Governor Ōta’s proxy refusal in Aug. 1995, the procedures were not finalized till 2 Oct. that year, creating a legally “blank period” (31 March – 2 Oct. 1996).

needed however a support both from its coalition partners,<sup>212</sup> and from the opposition parties. In the beginning of 1997, the SDP and the opposition parties used this “implicit influence” for the benefit of the prefectural policies.

The SDP, in fact, had been calling on the prime minister to exercise political leadership in overcoming the bureaucratic inertia, and to execute the special measures requested by the prefecture in August 1996. On 27 January 1997 in the House of Representatives Budget Committee, for instance, the SDP Diet member from the Okinawa district, Uehara Kōsuke, after pressing both Chief Cabinet Secretary Kajiyama and Prime Minister Hashimoto for specific answers on the deregulation measures, urged the two to execute the necessary economic policies, even on a scale of “one country, two systems.” Uehara argued that the prefecture deserved such measures due to the “excessive burden of the U.S. military bases,” it carries (*Dai 140 kai Kokkai Shūgiin Yosan linkai giroku* no. 2, Jan. 1997: 44-45).<sup>213</sup> The pleas have not been answered however until the LDP became in need of the cooperation from the SDP and other parties.

The LDP started preparations for securing the passage of the revision of the Special Measures Law on Land for the U.S. Military Use by conveying an informal gathering of the Okinawa Issue Deliberative Group (Okinawa Mondai Kondankai) on 12 March 1997 with its coalition partners, the SDP and the New Party Sakigake. The group was presided over by of the LDP Top-Three, the Policy Research Council chairperson, Yamazaki Taku, and attended by the parties’ chairs of the policy deliberation councils, and the security and foreign affairs councils.<sup>214</sup> At the first meeting held on 14 March 1997, the group began discussions on the pending revision problem, which the SDP from the onset objected to, while the New Party Sakigake

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<sup>212</sup> In the period under study, the SDP hold 15 seats in HR and 38 in the HC, and the New Party Sakigake – 2 in the HR and 3 in the HC. Both parties were the non-cabinet members since the general election in July 1996 (see Tab. A-1).

<sup>213</sup> Similar claims were made by Uehara on 13 Feb. 1997 in the HR Budget Committee (*Dai 140 kai Kokkai Shūgiin Yosan linkai giroku* no. 12, Feb. 1997: 27-28); and the representative of the Kōmeitō, Shiraho Taiichi, from the Okinawa district at the HR Budget Committee on 3 April 1997 (*Dai 140 kai Kokkai Shūgiin Yosan linkai giroku* no. 23, April 1997: 11).

<sup>214</sup> The group initially included 9 persons, enlarged later to 11: five from the LDP, four from the SDP, and two from the New Party Sakigake. From the LDP, it included the chairpersons of the Policy Research Council – Yamazaki Taku, of the Foreign Affairs Research Commission – Nakayama Tarō, of the Security Research Commission – Miyashita Sōhei, acting secretary general – Nonaka Hiromu, and the former ODA Director General – Okabe Saburō; from the SDP, the chairpersons of the Policy Council – Oikawa Kazuo, of the Foreign Affairs and Security Division – Uehara Kōsuke (HC), Teruya Kantoku (the last two from the Okinawa district), and Hamada Kenichi; from the New Party Sakigake, the chairperson of the Policy Council – Mizuno Seiichi, and Okumura Tenzō (HC) (*RSH* 15.03.1997).

refrained from making commitments (*RSH* 15.03.1997). No agreements were reached on that day. The parties decided to continue discussions from 17 March 1997, first on the Okinawa economic issues, followed then by two day discussions on the revision bill. On 17 March, the parties agreed on the expansion and enforcement of the FTZ and other special measures (*OT* 17.03.1997 ev. ed.), which was included in the final eight-item Coalition Parties Agreement on Okinawa Promotion Policy (*Okinawa shinkōsaku ni kansuru yotō gōi jikō*) announced on 10 April 1997. The agreement included a following passage on deregulation measures:

(2) Aiming at such audacious reforms as even “one country, two systems,” the parties agreed to come up with the final decision on expansion and reinforcement of the free trade zone system within the year of 1997; (3) In regard to the request for other deregulation measures, the parties agreed to pay the utmost consideration for the results of the research study by the prefectural Deregulation Study Committee [Tanaka Committee].

The coalition parties agreed thereby on execution of the “audacious” special measures, setting also a timetable for reaching an agreement in regard to them. It differed in this respect from the earlier promises contained in the Prime Minister Comments announced a year ago in September 1996 (which included only a general promise of “promotion of industry and trade through the FTZ expansion.”

## **2. Negotiations on the Revision of the Special Law on Land for the U.S. Military Use**

The agreement on the revision of the Special Measures Law on Land for the U.S. Military Use was to prove however more problematic for the coalition partners. The Okinawa Issue Deliberative Group continued discussions on 18 and 19 March 1997. In result, the New Party Sakigake decided to support the bill, but not the SDP that maintained its opposition to the very end. The SDP objected to the revision on the grounds that it, first, violated constitutional rights to private property, second, ignored the wishes of the prefectural citizens for the base closures as expressed in the referendum and other resolutions, and, third, run against the political climate of the post Cold War era, by trying to preserve the structure of the U.S. forces in Japan. The SDP went even as far as to call the bill “the Okinawa discrimination law” (*Okinawa sabetsu no hō*) (Dai 140 kai Kokkai Shūgiin Kaigiroku no. 25, April 1997: 7).

The coalition parties’ disagreement over the revision became the first visible sign of the coalition’s weakening (*OT* 18.04.1997), which already



began in October 1996 after the SDP's crushing defeat (loss of 55 seats, from 70 to 15) in the general election to the House of Representatives. The SDP shaken position in the coalition (that survived till July 1998) was also to have consequences for prefectural policies, as will be detailed in consecutive chapters, particularly on the approval stage.

The LDP unable to secure cooperation for revision from one of its coalition partners, succeeded however in obtaining the consent from almost all opposition parties. The first agreement with the New Frontier Party (Shinshintō) was announced on 4 April 1997,<sup>215</sup> and another with the Democratic Party (Minshutō) on 8 April 1997. The latter was signed in the Agreement on the U.S. Bases in Okinawa (*Okinawa beigun kichi ni kansuru gōi jikō*).<sup>216</sup> The successful agreements with the two biggest and other opposition parties were results of the competing efforts of the LDP factions. With an eye to the upcoming party presidential election (Sept. 1997), the factions started realigning their forces and masterminding new coalitions with the New Frontier Party or the Democratic Party to strengthen their own positions within the LDP.<sup>217</sup> On the other hand, the revision approval by the opposition parties had various origins. The New Frontier Party that was also the most severe critic of the SDP for staying in the ruling coalition in spite of its opposition to the revision (Dai 140 kai Kokkai Shūgiin Kaigiroku no. 25, April 1997: 7), agreed to support the bill in expectation of a prospective power sharing.<sup>218</sup> The Democratic Party, on the other hand, that was the rising second biggest supporter after the SDP of the Okinawa issues in the Diet (and the ruling party as of 2010) – agreed on the revision under the pressure

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<sup>215</sup> The agreement with the New Frontier Party concerned only the issues of the reductions, realignment and transfers of the U.S. military bases, and not the regional development policies (Dai 140 kai Kokkai Shūgiin Kaigiroku no. 25, April 1997: 6).

<sup>216</sup> The agreement with the Democratic Party included a clause on the economic policies: the parties “at the OPC forum, will actively engage in investigation of necessary conditions for development of tourism and expansion of the FTZ through introduction of a special, audacious [*daitanna*] system and other means, and that they will reach conclusions on those matters within 1997.” Similar references to the economic policies, the Program for Autonomic Modernization, the FTZ system and other economic issues were agreed on in discussions between Prime Minister Hashimoto and the leader of the Taiyō Party, Hata Tsutomu (Dai 140 kai Kokkai Shūgiin Kaigiroku no. 25, April 1997: 8).

<sup>217</sup> The agreement with the New Frontier Party was orchestrated by Chief Cabinet Secretary Kajiyama, the former Prime Minister Nakasone Yasuhiro and Construction Minister Kamei Shizuka. The similar agreement with the Democratic Party was mediated by the LDP Secretary General Katō Kōichi. The latter was undertaken in attempt to prevent the coalition with the New Frontier Party (OT 18.04.1997).

<sup>218</sup> The New Frontier Party leader at that time, Ozawa Ichirō as a president of the Liberal Party (*Jiyūtō*) that was a splinter of the dissolved in January 1998 the New Frontier Party, joined in fact the LDP Obuchi coalition government in January 1999. The coalition survived till October 1999.

of the earlier New Frontier Party's consent. The Democrats expected to increase its bargaining power during the consecutive negotiations with the LDP, including those on the military base issues.<sup>219</sup>

In result of the inter-party agreements, the revision of the Special Measures Law on Land for the U.S. Military Use<sup>220</sup> passed both Houses with overwhelming majority, the House of Representatives on 11 April, and the House of Councillors on 17 April (promulgated on 23 April 1997). Only the Communist Party, the SDP, and few other individual members of various affiliations voted against it.<sup>221</sup> The revision bill was also strongly protested by the Okinawa prefectural and municipal executives, assemblies, and the local interest groups.<sup>222</sup>

Besides the inter-party agreements, the trade off for the revision bill, and at the same time "a collateral" for the future policy execution, as calculated by the prefectural government,<sup>223</sup> was the Diet Resolution on the Okinawa Base Problems and Regional Economic Development (*Okinawa ni okeru kichi*

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<sup>219</sup> After the passage of the revision bill, one of the Democratic Party leaders, Hatoyama Yukio visited Vice Governor Yoshimoto to explain in person the reasons for the party's approval of the bill. It was also the Democratic Party in addition to the LDP that the prefecture approached with the request for the Diet resolution on the military bases and economic policies (including deregulation and other special measures) discussed further in this chapter (OT 22.04.1997 ev. ed.).

<sup>220</sup> Together with the revision bill, both Houses of the Diet passed the supplementary resolution that was to ensure further governmental actions towards base realignments and closures, and promotion of the prefecture's economic development. *Nihonkoku to Amerika Gasshūkoku to no aida sōgo kyōryoku oyobi anzen hoshō jōyaku dairokujō ni motozuku shisetsu oyobi kuiki narabi ni Nihonkoku ni okeru Gasshūkoku guntai no ichi ni kansuru kyōtei no jishshi ni tomonau tochi nado no shiyō nado ni kansuru tokubetsu sochihō no ichibu o keisei suru hōritsuan ni taisuru futai ketsugi* [The supplementary resolution on the partial revision of the special measures law for use, etc., of land, etc., concerning execution of the agreement on the status of the U.S. forces in Japan, and facilities and areas based on article six of the Japan-U.S. mutual cooperation and security treaty].

<sup>221</sup> Among the Diet members that voted against their party line, was Shiraichi Taiichi (New Frontier Party) from the Okinawa district (OT 12.04.1997).

<sup>222</sup> On 26 March 1997, the prefectural assembly passed the Resolution Opposing Revision of the Special Measures Law on Land for the U.S. Military Use (*Chūryū gunyōchi tokubetsu sochihō no kaisei ni hantai suru ketsugi*) by a majority vote, with the local branches of the LDP and the New Frontier Party abstaining from the voting (RSH 27.03.1997). The Naha City Assembly passed similar resolution on 11 April 1997 (OT 12.04.1997). For the vice governor's criticism of the revision, see for instance OT 18.04.1997.

<sup>223</sup> The idea for the resolution came from the vice governor as confirmed by him in the prefectural assembly (Dai 5 kai Okinawa Kengikai (Teireikai) October 1997; OT 23.04.1997 [editorial]). Yoshimoto, who requested both the LDP and the DP, complained later to the DP leader Hatoyama Yukio that the resolution was passed "too late" (in relation to the revision bill). That caused omission of the requested by the prefecture expressions from the resolution: "economic promotion through deregulation" and "base realignments and reductions including the cuts of military force" (OT 22.04.1997 ev. ed.).

*mondai oyobi chiiki shinkō ni kansuru ketsugi*). It was the second ever of such documents concerning Okinawa passed by the Diet.<sup>224</sup> The resolution negotiated together with the reversion bill was brought up for formal discussion in the Diet on 17 April 1997,<sup>225</sup> the same day the revision bill of Special Law on Land for the U.S. Military Use was approved by the House of Councilors. The resolution passed the House of Representatives on 22 April as a joint proposal of all the political parties, factions and clubs of the Diet, with the exception of the Communist Party.<sup>226</sup> The Communists criticized the resolution as a “buy off” in exchange for the revision bill and for the lack of stipulations regarding concrete measures for the reductions of the Okinawa military bases.

The passage of the resolution and the revision bill was finalized in time for the Prime Minister Hashimoto’s visit to the U.S. (24-26 April 1997). The documents were accompanied by the rhetoric of “utmost efforts” and “special considerations,” which constituted one of governmental assimilation methods employed towards the local citizens to sooth the impression of the “politics by force,” or “by money.” The resolution started with the unprecedented apology for “inadequacy of the past policies for easing the excessive burden of the U.S. military bases.” The chair of the HR Standing Committee on Rules and Administration, Hiranuma Takeo (LDP), who read the document at the plenary session on 22 April 1997, added afterwards that “the entire nation feels gratitude for the peace and stability that was achieved through the great sacrifices and too heavy burdens inflicted upon the people of Okinawa” (Dai 140 kai Kokkai Shūgin Kaigiroku no. 29, April 1997: 2). In the same manner, Prime Minister Hashimoto continued that “the Okinawa issue has been of the highest priority to the national administration,” and that his Cabinet “has made the *utmost efforts* [emphasis mine] to tackle the problems of the U.S. military bases and socio-economic policies.”

The prime minister also promised deep engagement in realizing the commitments of the resolution. That included a renewed promise of the “utmost efforts” towards solving the military base problems, and of respect

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<sup>224</sup> The first of such documents, the Diet Resolution on Okinawa U.S. Military Base Reductions (*Okinawa Beigun kichi shukushō ni kansuru ketsugi*) was passed in November 1971.

<sup>225</sup> On that day, the coalition partners finally reached the agreement on the issue of the Okinawa military bases at the Okinawa Issue Deliberative Group. The agreement included a promise of further efforts to realign and reduce the bases and of further discussions with the U.S. government on the structure of its forces in Japan (OT 18.04.1997).

<sup>226</sup> The sponsors of the bill included seven party and the Diet clubs: the LDP, the New Frontier Party, the Democratic Party, the Social Democratic Party and the Citizens’ Alliance (Shimin Rengō), the Taiyō Party, the 21st Century Club (21 Seiki Kurabu), and the New Party Sakigake.

for local opinions in promoting the economic policies.<sup>227</sup> The document, which for the central government was also to ensure prospective agreement on the relocation site, was passed “too late”<sup>228</sup> however, namely after the revision bill. It was “too late” to force the LDP to include the prefectural request for the phrase “economic promotion through deregulation” (OT 22, 23.04.1997), contained in the coalition parties’ agreement. The phrase was substituted with the promise of “comprehensive, feasible [*jikkōsei no aru*] and audacious [*daitanna*] reforms.” That allowed more space for maneuvers for the central government in the consecutive negotiations on the local policy proposals. The resolution nevertheless, together with other inter-party agreements set the local policy on the central government’s decision agenda.

### 3. The Tanaka Report on the FTZ Measures

The Diet resolution and party agreements set the new policy formation on track in the prefecture (see Fig. A-9). The policy process that unfolded on the local level, involved a great diversity of actors, numerous public debates, hearings and proposals, leading to formation of a plan that was to be advocated by the governor as the plan build on the “citizens’ consensus.” That added to the plan’s validity vis-à-vis the central government. The policy proposal brought out a radical scheme for the prefecture wide FTZ that was to realize the long-held ideas for the Okinawa’s autonomy or *jiritsu*.

Given the precedence of the Deregulation Project (shelved off after submission in August of the previous year), and the lack of response to the prefectural request for establishment of a special commission to investigate special measures by the central authorities to investigate those measures (RSH 17.12.1996, 18.02.1997), Governor Ōta proposed that the prefecture would establish such commission independently. The governor added that based on the recommendations of the commission, the local government would submit a new proposal. Chief Cabinet Secretary and other cabinet ministers attending the fourth meeting of the OPC on 18 February 1997 consented. Such arrangements delayed the need for governmental decision,

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<sup>227</sup> The resolution included also promises of the utmost efforts for the prompt implementation of the agreement of Special Action Committee on Okinawa (SACO), and of negotiations with the U.S. government on the structure of the U.S. forces in Japan (although in line with the U.S.-Japan Joint Declaration on Security signed on 17 April 1996).

<sup>228</sup> The expression was used by Vice Governor Yoshimoto in conversation with the DP leader Hatoyama Yukio. Hatomya visited Okinawa to explain the reasons of the party’s consent to the revision (OT 22.04.1997 ev. ed.).

avoided antagonizing the bureaucracy by forcing them to correct their earlier evaluations (e.g., of the Deregulation Projects), and also made the final recommendations by the locally-created advisory body less compelling for the central government (Schwartz 1993: 217-241; Nakamura Akio 2001: 214).

Having received the approval by the chief cabinet secretary and the cabinet ministers, the prefecture established a deliberative body for special measures on 30 March 1997. The Committee of Industrial and Economic Promotion and Deregulation Study (*Sangyō Keizai no Shinkō to Kisei Kanwa nado Kentō Iinkai*) was popularly known as the Tanaka Committee after the name of the presiding Professor Tanaka Naoki. It was this committee that came up first with the prefecture-wide FTZ scheme. To rise the prestige of the committee and its recommendations, the prefecture invited several prominent business people, researchers and academics, both from inside and outside the prefecture: the dean of Economics Department of the Osaka University, Professor Honma Masaaki; the president of one of the biggest local oil distributors the Ryūseki Corporation, Inamine Keiichi (also the next governor); chairperson of the Kyosera board directors, Inamori Kazuo; the president of Kawasaki FAZ, Tsukakoshi Hiroshi; and the president of Teco Information Systems from Taiwan, Theodore M.H. Huang, among others.

The committee was to investigate introduction of deregulation and other special measures in Okinawa. Such means were to help revitalize local economy, and also, solve the two most pending problems of the existing free trade zone in part of the Naha port that was almost at a complete standstill at that time. One the problems of the Naha port FTZ was the scope (2.7 ha). That was insufficient for accommodating processing facilities, and thereby preventing some businesses from opening branches in the zone. Another problem concerned the available measures. Already in March 1992, the special measures were expanded by introduction of the general bonded system in the entire FTZ area<sup>229</sup> and the extension of those measures to new businesses: road freight transport, warehousing and wholesale. That did not lead, however, to the revitalization of the zone. The situation was further worsened by the fact that new foreign access zones (FAZ) were established on the mainland Japan that made the Naha port FTZ less attractive for business. The solutions to these and other prefectural problems, such as high unemployment, and the weak secondary industry,

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<sup>229</sup> Bonded system is an arrangement in which customs are not paid on goods kept in a designated area (or a bonded warehouse) pending either payment of the duty or re-export. If the imported materials are processed in that area and later exported, the customs are exempted.

etc., recommended by the Tanaka committee were to be radical (prefecture-wide FTZ) and controversial.

**The Tanaka Report.** The Tanaka Committee proposed its final recommendations in the Report by the Committee of Industrial and Economic Promotion and Deregulation Study. New Okinawa Creation: Toward 21 Century Industrial Frontiers (hereafter cited as Tanaka Report; *Sangyō keizai no shinkō to kisei kanwa nado kentō iinkai hōkokusho. Atarashii Okinawa no sōzō: 21 seiki no sangyō furontia o mezashite*), which it submitted to the governor on 24 July 1997. The report was based on research studies of the committee as well as on the results of the Investigation of Effects of the Okinawa Special Economic Zone on Prefectural Industry conducted by the prefectural office between 26 June and 3 July 1997<sup>230</sup>. The Tanaka Report reconfirmed the earlier prefectural claims that the introduction of special measures, the implementation of economic structural reforms, the improvement of transportation system (airports and seaports), and the infrastructure for information and communication industries – were essential, if the prefecture was to achieve economic *jiritsu* (self-standing, autonomy) and survive in the “mega competition age.”

In regard to the industrial development, the committee pointed to the promotion of: (1) the trading industry through the FTZ system, (2) the information and communication businesses, and (3) the tourism and conventions – as the key industries and businesses of the prefecture. These proposals were to become the main policy pillars of the future industrial policies, including those formulated by the central government *for* the prefecture, and those by the consecutive, conservative governor.

The Tanaka Report recommended also, in what became its most radical and controversial part, the introduction of the all-Okinawa FTZ system (the prefecture in fact requested investigation of the 200ha area) from the year 2001. That took into consideration broader factors of the APEC market liberalization scheduled for 2010 and the termination of the Third Okinawa Development Plan in March 2001. The special measures for the free trade zone included: the abolition of trade tariffs and import quotas (IQ), simplification of customs procedures, introduction of investment tax deductions

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<sup>230</sup> The survey (questionnaires and hearings) was conducted for ninety companies and groups from various sectors: (1) the agriculture, forestry and fisheries, (2) the manufacturing, (3) the retail and wholesale, (4) tourism, (5) transport, (6) communication and information. The survey inquired in detail about merits and demerits of the prefecture-wide FTZ system for particular businesses. The results showed the opinions divided along the types of business: the tourism and information – most aggressively in favor, while the manufacturing and agriculture – most concerned about the adverse effects of the increased competition (Okinawa-waken July 1997).

and open sky policy, and other. The only items the Tanaka Report did not include, but which were proposed in the Deregulation Project, were the introduction of the corporation tax reduction and the no-visa system. Both of these measures were included, nevertheless, by the prefectural government in its final FTZ plan.

#### 4. Public Debate on the FTZ in the Prefecture

**The Project Team for the Deregulation.** Having received the Tanaka Report, the prefectural Project Team for the Deregulation (Kisei Kanwa Nado Purojekuto Chimu) – the successor of the Investigation Group for Deregulation from July 1997 – prepared a policy draft titled Towards the Expansion of the All-Okinawa FTZ (*Zenken jiyū bōeki chiiki no tenkai ni mukete*). The Project Team began then a series of explanation meetings for local business, labor and citizens groups, municipalities, political parties and members of the prefectural assembly. The approximately thirty meetings that the Project Team for Deregulation organized between July and September 1997 were attended by over 1,350 participants (Okinawa Kengikai Sept. 1997: 46).

**Mass Media.** The public debate on the Tanaka Report and the prefectural draft, and particularly on the prefecture-wide proposal, was mediated by the local mass media. The two main local newspapers led the opposing camps: the *Ryūkyū Shimpō* applauded the proponents of the all-Okinawa FTZ system, while the *Okinawa Times* – the opponents of that proposal (Kurima 1999: 163-176). For several months until the final plan submission to the central authorities, the two newspapers in tandem with other local media (Ryūkyū Asahi Hōsō TV, NHK, Okinawa TV, Ryūkyū Hōsō TV and other) continued almost daily publishing and broadcasting the opinions and interviews with representatives of different local groups, private and public organizations, and average citizens from both sides. The media coverage provided also a detailed analysis of particular items in the proposal, and the estimated effects on local economy and people's living standard. Moreover, the media also gauged the local opinion, of which the public poll conducted in September 1997, showed that 37 percent of Okinawans supported the prefecture-wide FTZ scheme, while 27 percent were against.<sup>231</sup>

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<sup>231</sup> It is interesting to note that the partisan affiliation did not seem to matter: 44% of the LDP supporters, 47% of the SDP, and 50% of the DP opted for the prefecture-wide proposal, while 44% supporters of the local Okinawa Socialist Masses Party and 38% of the Communist Party were against (OT 1.10.1997).

**The Interest Groups.** The local business and economic groups were also among those that decided to join discussions and voice their own position. One of the prefectural peak associations, the Okinawa Prefecture Economic Groups Council,<sup>232</sup> chaired by an influential local business leader, the president of the Confederation of the Commerce and Industry Chambers, Sakima Akira prepared a common opinion of the groups associated in the council in the Proposal for the FTZ Plan (*Jiyū bōeki chiiki kōsō ni kansuru teigen*). The document, handed to the governor on 13 October 1997, supported the majority of the Tanaka Committee recommendations on which the prefectural draft was based on. The Council opted however for the year 2005 (not 2001) for opening the prefecture-wide free trade zone. The proposal agreed also with the policy of promoting the three main business areas in the prefecture: the trading, the communication and information, and tourism and the final destination resorts. The Council emphasized at the same time the need for a special policy to support the weak sectors of the manufacturing industry and the agriculture.

**The Prefectural Assembly.** The media and public deliberations on the FTZ plan were jointed by the prefectural highest legislative organ, the prefectural assembly officially in the beginning of September 1997. The assembly Steering Committee (chaired by Nakazato Toshinobu) after establishing the Prefectural Assembly Special Committee on the FTZ Measures (Kengikai No Jiyū Bōeki Chiiki Taisaku Tokubetsu Iinkai),<sup>233</sup> decided to convey a general session for the executive leaders, for the prefectural government officials and for the assembly members (17 Sep.) to discuss the draft. The Steering Committee decided also to hold public hearings for the local interest groups (14-16 Oct.) (OT 3.09.1997).

At the general meeting held on 17 September, Governor Ōta and Vice Governor Yoshimoto accompanied by other officials from the prefectural departments explained the details of the FTZ draft, and answered related inquiries from the assembly members. Furthermore, the public hearings began on 14 October 1997. Similarly to the results of the prefectural questionnaires, the interest groups related to the agriculture and fisheries – the Central Confederation of Agriculture Cooperatives (Nōgyō Kyōdō Kumiai

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<sup>232</sup> The council increased from the initial (Jan. 1996) eight to nine groups, joined by the Okinawa Tourist Convention Bureau chaired at that time by Governor Ōta Masahide. The proposal was reprinted in the OT 14.10.1997.

<sup>233</sup> The decision of the Steering Committee to establish a twenty two-member Special Committee on the FTZ Measures (presided by Iha Eitoku) was approved at the plenary session (chaired by the House Speaker Tomoyori Shinsuke) on 26 September 1997. After that a query on the FTZ plan was held by the representatives of all political parties (OT 3.09.1997).



Chūōkai), and the Central Confederation of Fisheries Industry (Gyogyō Kyōdō Kumiai Rengōkai) – voiced their opposition to the introduction of the prefecture-wide FTZ system. These groups, which were also among the most heavily subsidized by the central and the local governments, argued that the severe competition of the open market would put them out of business (RSH 15.10.1996).

On the other hand, the prefectural most powerful business, labor and manufacturing groups – the Managers Association, the Industrial Federation (Kōgyō Rengōkai), and the Central Association of Small and Medium Size Enterprises (Chūshō Kigyō Dantai Chūōkai) – expressed their support for the prefecture-wide FTZ scheme. The groups opted for a gradual extension from a limited area to the all-prefecture zone from the year 2005.

The only group that expressed approval for the introduction of the prefecture-wide FTZ from 2001 was the labor union Rengō Okinawa. The union agreed that such scheme would be most effective for revitalization of the prefectural economy and securing its survival in the new global era (RSH 15.10.1997). Such polarization of opinions represented by the local interest groups was to be reflected both in the assembly opinion and the final All-Okinawa FTZ Plan.

After having completed the hearings, the Prefectural Assembly Special Committee on FTZ Measures conveyed a meeting on 16 October 1997, during which representatives of the assembly political factions drafted the common Opinion on Development of the All-Okinawa FTZ (hereafter cited as Prefectural Assembly Opinion; *Zenken jiyū bōeki chiiki no tenkai ni kansuru ikensho*). The Opinion disapproved of introducing the all-Okinawa FTZ from 2001, arguing that some local businesses would not be able to prepare for that in such a short period of time. The Opinion suggested gradual extension of the zone, but did not specify any particular date or the final scope. Such wording allowed the draft of the Prefectural Assembly Opinion to be unanimously approved by the Prefectural Assembly Special Committee for FTZ Measures on 17 October, and also unanimously, by the prefectural assembly at the plenary session held on 21 October.

**The Okinawa FTZ Plan.** Based on the aforementioned reports, proposals and requests, the prefectural Project Team for Deregulation prepared the official prefectural draft, the All-Okinawa FTZ Plan, which was officially submitted to the central government on 5 November 1997.

The plan consisted of 28 sub-items of concrete policies (*gutaiteki na shisaku*) grouped under 8 main items. That included: (1) the expansion and reinforcement of the FTZ system on the entire prefecture; (2) the preferential tax system; (3) deregulation of transportation by sea (port regulations, re-

duction of port charges and the petroleum transportation costs<sup>234</sup>) and by air (reduction of the airport landing charges for international flights); (4) simplification or omission of formalities for the entry (visas); (5) improvement of the fundamental infrastructure of the seaports, airports, roads, and of the information and communication industries; (6) improvement of major facilities for tourism, industrial promotion, and creation of new businesses; (7) nurturing of human resources; and (8) other related policies, such as integrated conversion of the returned U.S. military land, utilization of the government's development aids, and the international cooperation.

The All-Okinawa FTZ Plan ultimately proposed introduction of the prefecture-wide FTZ system from the year 2005. The Plan altered the timing from the original 2001 in result of the aforementioned requests made by the local business and the industry groups. The director of the Promotion Office of Program for Autonomic Modernization, Miyagi Masaharu explained that in addition the prefecture was not sufficiently prepared for the early introduction (from 2001) in terms of the special legal measures, the infrastructure of airports and harbors, human resources, the protective policies for the presumably most affected industries of the local agriculture, fisheries and shipping (*RSH* 5.11.1997).

In regard to the FTZ scope, as the governor explained at the September assembly session, the prefecture adopted the Tanaka Committee recommendation for enlarging the zone onto the entire prefecture in expectations of larger economic effects. Those included: the bigger influx of companies and investment from Japan and the overseas; the stronger incentives for promoting new industries (information and communication) and tourism, and for establishing new companies, thereby increasing job opportunities (Okinawa Kengikai 1997: 10, 13). The governor exemplified his claims by various estimates: the number of new jobs in case of the prefecture-wide FTZ would increase by 25,000, while in case of the limited area, only by approximately 14,000; the shipment revenues of the manufacturing industry would increase by up to 580 billion yen, due to introduction of the preferential tax and other financial measures; the prices of food would fall by 9.4% and of drinks by 6.2%, leading in result to a rise of a living standard (due to the tariffs exemption) (Okinawa Kengikai 1997: 25-26, 48). The all-Okinawa FTZ system was hence presented by the governor and other executive leaders as the best solution to the economic problems of the prefecture.

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<sup>234</sup> The petroleum related businesses (mainly refinery) are the biggest manufacturing industry in the prefecture. The import of crude oil reached ¥129.4 billion (out of total ¥204.4 billion revenues from the imports) in 2001 (Okinawaken Kikaku Kaihatsubu January 2004: 51).

## 5. The FTZ and the Idea of Autonomy (*jiritsu*)

The introduction of the all-Okinawa FTZ system, justified by the economic merits of scale that was mathematically estimated by various specialists was necessary for the local executives to rationally justify their policy choice. The introduction of such system seemed to strike as well the deeper chords pertaining to regional identity, culture, history, economy and politics, epitomized in the idea of *jiritsu*. The complexity and depth of the issues contained in the term *jiritsu* can explain the reasons why the idea of the prefecture-wide FTZ led to such impassionate debates and found such strong advocates among local executives, the business, industry and labor groups, and the general public.

The idea of *jiritsu*, which in fact appeared fifteen times in the original version of the sixteen-page Modernization Projects, and which was set, as previously noted, as one of its fundamental objectives,<sup>235</sup> has had a long tradition in Okinawa (Kawamitsu 1983: 30-79). Although subjected to various polemics, the term can be categorized as signifying: (1) economic self-standing, related to the need for prefecture's financial independence from the national government's grants and subsidies, and for a strong private sector (particularly the manufacturing and trade industries)<sup>236</sup>; (2) political autonomy of local government, concerning independence of decisions over the community issues, propagated at times also as a political independence (of a separate state), although the latter has never gained broader public support; and (3) the cultural independence, pertaining to respect for regional identity, history, tradition, language, customs and values, perceived as discriminated against by the central authorities and the "proper Japan" (Ōta 2000: 125-129). The three elements often function combined,<sup>237</sup> as in the

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<sup>235</sup> The prefectural executives in various public speeches delivered at the time clearly indicated their desire for greater local autonomy and the economic self-standing. Vice Governor Yoshimoto, for instance, commented that "under the same system of policy making for the entire country, the future of Okinawa is dark. That introduction of a new system and a complete changeover of perspectives are necessary" (RSH 17.10.1996; Ōta Masahide Seikei Bunka Kenkyūkai 1991: 92-115).

<sup>236</sup> The prefecture has depended on the central finances higher than the Japanese prefecture on average. For discussion on economic *jiritsu*, see for instance, Yamamoto (2001: 166); Miyagi Hiroiwa (1998); and Tomikawa et al. (1999).

<sup>237</sup> Ultimately one could even argue that the political and economic *jiritsu* are to realize the cultural *jiritsu*. In the political arena, the three elements function separately resulting in different policy proposals. For instance, a local group called the Okinawa Initiative, led by Professors Ōshiro Tsuneo, Takara Kurayoshi and Maeshirō Morisada, limits the usage of *jiritsu* to the economic aspect. The group holds a controversial among Okinawans postulate that: "As long as the U.S. bases are necessary for this [U.S.-Japan] alliance, we acknowledge

final FTZ plan, and representative of such multiple meanings is also the following passage written by the prominent local business leader, Miyagi Hiroiwa, who participated in the formation of the Tanaka Committee's recommendations.

Within the existing framework of the Japanese state, the equation for the Okinawa's *jiritsu* cannot be constructed. If one considers philosophical, social, or historical characteristics [of Okinawa], one cannot think, in my opinion, of any other way for Okinawa's *jiritsu* but only through "reaching beyond the borders." ... There was a period in [Okinawa's] history [15-16 c.] that we were not only materially rich, but possessed a clearly defined identity, engaged in exchange with the unknown world on our own responsibility through the means born out the Okinawa's cultural, social and philosophical tradition, and not through the money or the military power. That was the time when we managed to create a borderless society by deciding our own fate with our own hands.

Okinawa has always insisted on "freedom [*jiyū*]." Cherishing the dream of the unbounded liberty contained in that word, our ancestors worked to foster our development by envisioning a "free commercial state" stretching as far as to Siam (Thailand) and the Malacca Strait.

Today, in the borderless era and in the midst of globalization, we can clearly see that the historical Ryūkyū and the present Okinawa came to the same point. What today's Okinawa needs, is not the money from the central government. What Okinawa needs is a guarantee of a freedom to build the commercial city of Okinawa [*tsūshōtoshi Okinawa*] (abolition of regulations), wisdom reaching beyond the borders, and the energy and courage to aim at the economic *jiritsu* for the reconstruction of the great age of commerce (Miyagi Hiroiwa 1998: 10).

Prior to the prefecture wide FTZ plan, there have been several policy proposals created with the purpose of realizing the idea of *jiritsu*.<sup>238</sup> The emphasis in those proposals was placed predominantly on the political aspect of the autonomous decision making that was to be realized through creation of a "special political system" for Okinawa. The All-Okinawa FTZ Plan differed in this respect from the preceding plans, formally proposing creation of the independent "economic system," in which the decision rights over the economy were to be devolved to the local government. In fact, the executive leaders planned that the autonomous economic system (e.g., FTZ) would be followed by the introduction of the Ryūkyū Islands

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their *raison d'être*. That is, we share the sense that Okinawa makes a greater contribution to the security of Japan than any other region" (Ōshiro et al. 2000: 181).

<sup>238</sup> The proposals included: "Okinawa system" (*Okinawa hōshiki*) advocated by Kuba Masahiko in 1971; "Okinawa autonomous province" (*Okinawa jichishū*) – by Higa Kanrō in 1971 that was further argued by Noguchi Yūichirō in 1973; "special administrative system" (*tokubetsu todōfukensei*) – by Miyamoto Ken'ichi in 1979; "special prefecture system" (*tokubetsu kensei*) published by Jichirō in 1976 and 1981 (Zen Nihon Zenkoku Jichi Dantai Rōdō Kumiai Feb. 1998: 77-82).

special self governing system (*Ryūkyū shotō tokubetsu jichi seido*). That was formulated into a concrete policy proposal in the Pacific Crossroad of Okinawa in February 1998.<sup>239</sup> According to that proposal, within the limits set by the Japanese constitution, all the decisions and legislative rights concerning local community (with the exception of the defense and diplomacy) were to be devolved to the Ryūkyū local government (*Ryūkyū jichi seifu*) (RSH 21.06.1997). The problems arising between the central government in Tokyo and the local one, would be resolved by the institution specially established for that purpose. The Pacific Crossroad of Okinawa was never adopted as an official prefectural policy or submitted to the central government due to the change of the prefectural administration in the end of 1998, but the FTZ plan was perceived as the first step towards that goal.

The All-Okinawa FTZ Plan was therefore to realize the objective of *jiritsu* or autonomy by establishing a special economic system for the prefecture. In order to be accepted by the central government, the plan had to be justified also in more universal terms. The plan emphasized that the prefecture deserved special measures because it had been bearing the disproportionately high cost of national security. More importantly, the plan was advocated as a model case in tune with the more general trends of globalization, borderless economy, regional integration, decentralization and deregulation. Such model case would benefit the entire country and test plausibility of such system for other localities and regions in Japan. The power of these arguments was to be tried on the national level, on which the plan moved onto, after being submitted on 5 November 1997. The All-Okinawa FTZ Plan became also the last policy proposal handed to the central government under the Ōta's administration.

In conclusion, the policy process of the All-Okinawa FTZ Plan presents an unusual case of the policy making pattern in Japan (c.f. the Modernization Projects). In addition to the fact that the plan concerned a comprehensive regional development planning *by* the local government that is usually conducted *by* the central ministries, it also followed the pluralist pattern on the local level. The prefecture began formulation of the All-Okinawa FTZ Plan after the issue of special measures was set on national decision agenda in April 1997. The interaction of three set of factors can be accounted for

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<sup>239</sup> Vice Governor Yoshimoto requested Jichirō to prepare the proposal in Feb. 1997. Submitted to the governor on 20 Feb. 1998, the proposal included also the "Outline of a Bill Proposal for the Ryūkyū Islands' Special Self-Government System" [*Tokubetsu jichisei ni kansuru hōritsuan yōkō*]. The Bill stipulated the legal framework for Okinawa's new system. Yoshimoto (2001) was planning to concentrate on the realization of that scheme during the third term in office of Governor Ōta.

that: (1) the political pressure for cooperation on the special measures put on the LDP by the SDP and opposition parties that resulted in signing several inter-party agreements and a Diet resolution in the politics stream; (2) the need for the LDP to revise the Special Measures Law on Land for the U.S. Military Use that forced the party into concessions on the local policy, in the stream of problems; and (3) the policy proposals generated on the local initiative in the policy stream. The policy formation of the All-Okinawa FTZ Plan on the local level was unprecedented both in scale and methods, involving a great variety of interest groups, prefectural government and public debate led by the local mass media. The “citizens’ consensus” formed in result of such process strengthened the validity of the Plan in negotiations with the central government. The resulting Plan proposed introduction of the prefecture-wide FTZ system, and was to realize the long-held idea of autonomy or *jiritsu* for Okinawa.

The policy process of the All-Okinawa FTZ Plan demonstrated the significance of the Social Democratic Party and the opposition parties in setting the local policy on the national government agenda (their influence on the policy approval is discussed in chap. 7). Second, the analysis of the FTZ policy process also revealed that the necessity to strengthen the validity of the local plan vis-à-vis the central government can lead to revitalization and democratization of the policy formation on local level (c.f. the Modernization Projects in chap. 4). The need to bargain with the central authorities, in other words, worked as a catalyst fostering broader participation of the citizens in the local policy making.

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## **The Okinawa Free Trade Zone (FTZ) Plan in Tokyo: The *Zoku* Politicians-led Policy Pattern**

(November 1997 – March 1998)

Japanese state ... can be characterized as “refractive,” absorbing and responding to demands emanating from groups in civil society and from the electorate, but trying in the process to bend those demands into a shape that conforms as much as possible to the interests and the preferences of the managers of the state themselves. The state, however, is hardly a unitary actor (Curtis 1999: 9).

The policy tribes or the *zoku* politicians of the Liberal Democratic Party (LDP) exercise influence over certain policy areas, such as for instance, air transportation, education, telecommunication, fisheries, tobacco or taxes (see chap. 2). They function as “political agents of the special interests, intermediating between individuals, groups in civil society and bureaucracy” (Curtis 1999: 53). The case of the All-Okinawa FTZ Plan formulated by the Okinawa prefecture presents the ample case of their influences and methods of assimilating local demands, mostly by “refraction” as discussed further in this chapter (for the outline of the process see Fig. A-10). The power of the *zoku* shaped therefore the outcome of the local policy but other factors were also at play. Those included the lack of political will on the part of the prime minister to counter the power of the *zoku*, and the justification provided by reports of the think tanks and deliberative commissions that uphold the LDP position. Another factor was also the absence of an experienced player on the prefectural side in negotiation with the central government under favorable for the prefecture circumstances.

When the prefectural government submitted the All-Okinawa FTZ Plan to the central government on 5 November 1997, it seemed that another window of opportunity might be opening for the Okinawan policy. On 2 Octo-

ber that year, the Nago City Assembly decided to hold a referendum (scheduled later for 21 Dec.) on the construction of an offshore heliport in Henoko (Camp Schwab) in Nago city. That was to become a relocation site for the Futenma Air Station that was announced for the return by Prime Minister Hashimoto in April of the previous year. The prime minister and the ruling LDP were determined to win the referendum and finally put an end to the ongoing problem of the Futenma relocation. The situation hence seemed to provide the prefecture with a new bargaining card vis-à-vis the central government in negotiations on the local plan. The chance was however missed due to several factors detailed below.

## 1. The Conflict within the Prefectural Governing Coalition

The first signs of problems in the prefecture surfaced in the fall of 1997, when an inter-coalition discontent with the prefecture's managerial style erupted in a form of severe criticism against Vice Governor Yoshimoto. Yoshimoto was accused by political factions of the prefectural assembly, ironically by the members of the ruling progressive camp (the Okinawa Social Masses Party and the Communist Party), for a "top-down style" and lack of consultation with the assembly on the important policy decisions, including the prefecture-wide FTZ plan (*RSH* 16, 17.09.1997; *OT* 17.10.1997). The Communist Party attacked Yoshimoto most severely however for pushing the governor into various concessions regarding the military bases in negotiations with the central government (Yoshimoto 2001). The Communists and the Okinawa Social Masses Party demanded that the vice governor withdraw his remark made at the assembly session in December 1996 about a possibility of relocating the bases within the prefecture. Specifically, it concerned the Naha port military facilities being transferred to Urasoe city (*OT* 17.09.1997, 15.11.1997; *Dai 7 kai Okinawa Kengikai (Teireikai)* no. 2, Dec. 1996). The Okinawa Social Masses Party changed its position in the end and voted in favor of Yoshimoto's reappointment, but the Communist Party remained unmoved.

The opposition LDP Okinawa on the other hand, recognized its chance for shaking up the ruling local coalition, although initially against the stance of the LDP party headquarter in Tokyo.<sup>240</sup> The party joined the Communists in opposing the vice governor's reappointment. The LDP Okinawa was quick to see the post-Ōta era coming with the gubernatorial election due in

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<sup>240</sup> The Tokyo headquarter requested the LDP Okinawa to vote in favor of the Yoshimoto's reappointment. The request was ignored by the local branch (*Dai 5 kai Okinawa Kengikai (Teireikai)* no. 3, Oct. 1997; *RSH* 18.10.1997; *OT* 18.10.1997).



November 1998. The party even successfully pushed through with the resolution for a secret voting to enable “honesty,” which became crucial in deciding the final outcome. Consequently, short of the majority, the Prefectural Assembly voted down the motion of Yoshimoto’s reappointment, first on 17 October 1997 (20 in favor, 21 against and 1 blank),<sup>241</sup> and the second time, on 22 December of the same year (21 in favor, 16 against and 8 blank).<sup>242</sup> Due to the secret voting, as calculated by the LDP Okinawa, more members from the ruling camp decided to actively or passively oppose the reappointment than it was initially expected.

The rejection of Yoshimoto’s reappointment reverberated strongly both in prefecture and among the central government officials. At home, the concerns were voiced that the exclusion of the vice governor, who was considered the main channel of communication with the central government – would have adverse consequences for the economic policies (*RSH* 17.10.1997). In Tokyo, the officials worried that it would obstruct negotiations on the relocation site for the Futenma Air Station (*OT* 17.10. 1997 ev. ed., 18.10.1997). It is hard to estimate the exact impact of the Yoshimoto’s rejection on the outcomes of the FTZ plan and other local policies, but his removal from the post was perceived both by the local and central actors as one of the major obstacles to proper communication between the two (Higa 2000; Fumoto 2004c; *OT* 18, 20.10.1997, 23.12.1997).

## 2. The Second Public Commitment of the Prime Minister to Okinawa Development

Vice Governor Yoshimoto was dismissed just before the FTZ policy process entered its crucial stage of negotiations with the central government, and also, in the midst of preparations for the Nago city referendum on the construction of an offshore heliport for the Futenma relocation. The referendum

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<sup>241</sup> Among 48 total number of the assembly members, one seat was vacant and one vote belongs to the assembly chairperson. Out of the 23-member ruling coalition (Socialist-Movement to Defend the Constitution Club or Shakai-Goken, Socialist Masses Party, Yui no Kai, Kōmeitō, New Wind Club or Shimpukai), 4 members of the Communist Party left the assembly before the voting. That lowered the mandatory majority number to 22, but two members objected and one cast a blank ballot. The opposition New Frontier Party on the other hand voted in favor of Yoshimoto (*OT* 17.10.1997 ev. ed.).

<sup>242</sup> One member of the ruling camp from the Socialist-Movement to Defend the Constitution Club left the assembly before the voting. That lowered the number of necessary votes for passing to 23, and two members of the ruling camp objected or cast the blank ballots. The New Frontier Party annoyed by the ruling camp infighting decided to vote against the Yoshimoto’s reappointment the second time (*OT* 22.10.1997).

campaign already started on 13 August 1997 when the Promotion Council for the Nago City Referendum Concerning the Heliport Base Construction (Heripōto Kichi Kensetsu no Zehi o Tou Nago Shimin Tōhyō Suinshin Kyōgikai) requested the Nago city mayor, Higa Tetsuya to hold a referendum. The Promotion Council handed the collected signatures (17,539), which was much above the required one fiftieth of total voters (31,479) (Takahashi 2001: 69 -124). The council was initiated by local labor unions and citizens' groups already in January that year (formally established on 6 June 1997).<sup>243</sup> The Council waited with the signature-collecting campaign however for the central government's decision to start the research study for the heliport construction (13 Aug.). The referendum, which is not legally binding and therefore not restricted by the electoral law, was to exceed all elections that the prefecture had ever seen in terms of the central government's interference.

The central government's pro-construction campaign began with Prime Minister Hashimoto's attendance at the convention of the Okinawa District Council of Japan Junior Chamber (Nihon Seinen Kaigisho Okinawa Chiku Kyōgikai) in Naha city on 23 August. At the convention, for over one hour Hashimoto talked about results of the government's "utmost efforts" for the resolution of the Okinawa base problems and economic promotion, with particular emphasis on the latter (Hashimoto 1997). The prime minister's resolution to settle the relocation issue did not stop there, particularly that on 23 September, following the April 1996 U.S.-Japan Joint Declaration on Security, Japan signed the New U.S.-Japan Defense Cooperation Guidelines (revision of the 1978 Guidelines) that committed Japan to cooperate with the American forces even stronger. On 30 September 1997, the Cabinet approved Hashimoto's proposal to organize the government-sponsored Commemorative Ceremony of the 25 Anniversary of Okinawa Reversion. The ceremony was to take place on 21 November 1997, a month before the

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<sup>243</sup> The council consisted of 19 groups, including Association of Nago Citizens Who Don't Need the Heliport (Heripōto wa Iranai Nago Shimin no Kai, known as Shimin no Kai or Citizens' Association), Heripōto Kichi o Yurusanai Minna no Kai (Association of Everyone Who Does Not Allow the Heliport Base, known as Minna no Kai or Everyone's Association), Council to Stop Construction of the Heliport Base (Heri Kichi Kensetsu Boshi Kyōgikai; known as Inochi o Mamorukai or Association to Protect Life), Rengō Northern District Council (Rengō Hokubu Chikyō), Jichirō Northern Region General Branch (Jichirō Hokubu Sōshibu), Nago City Employees Union (Nagoshi Shokurō), Northern District Union (Hokubu Chikurō), Okinawa Prefecture Employees Union (Ken Shokurō), Peace Movement Center (Heiwa Undō Centā), One-Tsubo Anti-War Landowners Association, the Social Democratic Party, the Okinawa Social Masses Party, the Communist Party, the Kōmeitō Nago and other (Takahashi 2001: 77-80).

referendum, and half a year after the actual date of the anniversary (15 May 1972).

At the commemorative ceremony, the prime minister was to present the main socio-economic policies for Okinawa. That was the second of such major public displays after the Prime Minister Comments on the Okinawa Issue announced on 10 September 1996, discussed in chapter 5. The first declaration took place two days after the prefectural referendum on the military bases, leading to allocation of the five-billion yen special adjustment fund (1st SAF) and establishment of the Okinawa Policy Council. This time the declaration was to take place, as noted, exactly a month before the Nago city referendum as a part of the government's PR campaign to show its "deep commitment" to local economic development, in exchange for the approval of the relocation.

The central government, who presented the specific relocation plans both to the prefectural and Nago city governments on 5 November 1997, was expecting replies concerning those plans from the local executives soon after the ceremony. At that point, Nago city Mayor Higa, although showing some signs of support for the pro-construction camp, was publicly declaring resolution to respect the referendum's result as well as the governor's final decision. Governor Ōta, on the other hand, was taking a more equivocal position. Ōta was emphasizing that in principle he was against the intra-prefecture relocation, but also that the city should make the decision independently without prefecture's interference. Moreover, the governor also announced that he would consider the referendum's results from the broader perspective of the development plans for the entire prefecture. At the same time, the governor pointed to the necessity of "a realist approach" to the resolution of the relocation issue. All together the governor's position was interpreted by the prime minister and other governmental official, as well as the general public in Okinawa as ambiguous (*Dai 5 kai Okinawa Ken-gikai (Teireikai)* No. 3, Oct. 1997; *OT* 7.11. 1997 ev. ed., 25.12. 1997). The prime minister openly showed the first signs of annoyance at the private meeting following the eighth session of the Okinawa Policy Council on 7 November 1997. Hashimoto angrily commented to Governor Ōta that the prefecture was not "cooperating enough," while the central government was doing its "utmost efforts" in regard to various Okinawa problems (*OT* 7.11.1997 ev. ed.).

In preparation for the commemorative ceremony, reminiscent of the April 1997 Diet resolution on Okinawa, the House of Representatives Special Committee for Okinawa and the Northern Territories Problems chaired by Sasayama Tatsuo passed the opinion On Fostering Resolution of the Okinawa Issue on 19 November 1997 (*Okinawa mondai no kaiketsu sokushin ni*

*kansuru ken*). The Opinion was proposed by the LDP members and sponsored by all the parties with the exception of the Communist Party. The Communists opposed it due to the lack of specifics on the base returns and the revision of the Status of Forces Agreement (SOFA). The party criticized also the government for its ulterior motives to “buy off” the voters in the upcoming city referendum (*Dai 141 kai Kokkai Shūgin Okinawa Oyobi Hoppō Mondai ni kansuru Tokubetsu linkai giroku* no. 3, Nov. 1997: 18). The opinion On Fostering Resolution of the Okinawa Issue, alike the earlier April resolution, stressed the utmost importance of Okinawa, and urged the central government to actively engage in promotion of the necessary conditions for creating self-standing economy in Okinawa, and narrowing the gap with the mainland Japan (the Okinawa Development Plans’ objectives), and to introduce the FTZ and other necessary special measures on a scale of “one country two systems.”

Also reminiscent of the April 1997 period was the coalition parties’ agreement on the economic policies for Okinawa. On 18 November 1997, the coalition Okinawa Issue Deliberative Group presided over by the chair of the LDP Policy Research Council, Yamazaki Taku approved a five-item agreement put forward by the SDP. The agreement included among others, promises for steady realization of the April 1997 coalition parties’ eight-item agreement and introduction of the special measures for the FTZ. The SDP also strongly insisted that the prefecture’s request concerning the all-Okinawa FTZ should be respected and the audacious reforms on scale of “one country, two systems” introduced. The latter was not however included in the text of the partisan agreement.<sup>244</sup> The Opinion of the lower House Special Committee for Okinawa and the Northern Territories Problems and the coalition parties’ agreement, were to have little impact however on the final outcome of FTZ plan, for reasons detailed below.

**The Okinawa Commemorative Ceremony.** At the ceremony that took place in the Okinawa Convention Center in Ginowan city on 21 November 1997, Hashimoto began the inaugural speech, the Prime Minister Address of the Commemorative Ceremony of the 25 Anniversary of Okinawa Reversion (*Okinawa fukki nijūgo shūnen kinen shikiten naikaku sōri daijin shikiji*; hereafter

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<sup>244</sup> The agreement included also a promise for improvement of the transportation infrastructure, establishment of the Okinawa Promotion Agency and nomination of a special minister for Okinawa after the administrative reforms (2001). The meeting was attended by Yamazaki Taku, the former Foreign Minister Nakayama Tarō; member of the Tōzeichō Okinawa Policy Subcommittee, Miyashita Sōhei; Acting Secretary General Nonaka Hiromu from the LDP; the chair of the Policy Council, Oikawa Kazuo and former ODA Director General Uehara Kōsuke from the SDP; and the chair of the Policy Council, Mizuno Seiichi from the New Party Sakigake (*RSH* 19.11.1997).

cited as the Prime Minister Address), as in fact most of his speeches concerning Okinawa, with personal remarks:

My relationship with Okinawa started when I engaged in activities related to the Tsushimamaru incident.<sup>245</sup> As a politician, I also learnt from Prime Minister Satō Eisaku who declared that “without Okinawa’s reversion, the postwar period has not ended.” Since my appointment as the prime minister in January last year, I put the Okinawa problems as the top priority of the national administration and have exercised leadership for their resolution. [...] The next quarter of the century has to open new prospects for Okinawa’s development in the 21st century. For that reason, I decided to organize today’s ceremony, which I meant as a landmark of the new powerful start of Okinawa.

The prime minister continued his address with acknowledgment and apology for the “too heavy burdens forced upon the prefecture,” and a call to the entire nation to feel “remorse for such situation.” The main part that followed afterwards, consisted of the key policies, which the government was going to execute for Okinawa. They were formulated based on the All-Okinawa FTZ Plan and other requests. The prime minister did not touch on the most controversial issues (e.g., the zone’s scope, introduction of the corporate tax reduction), presumably to avoid antagonizing the prefecture that was expected to announce its decision on the relocation plans soon after the ceremony. Hashimoto promised also formulation of a new plan by the spring of 1998, titled the Okinawa Development Plan for the 21st Century (*Okinawa keizai shinkō 21 seiki puran*), discussed in the next chapter. The plan was to include all the policy proposals mentioned by him in the speech.

At the press conference after the ceremony, Governor Ōta expressed relief at the fact that the prime minister committed himself publicly to the introduction of the deregulation measures. At the same time, the governor voiced the anxiety about their content, particularly about the lack of specifics concerning the prefecture-wide FTZ scheme (*RSH* 25.11.1997). The governor did not however make any comments on the Futenma relocation issue, as it was expected by governmental officials before the ceremony. Ōta was going in fact to keep his ambiguous position for several months thereafter, which led in consequence to rapid deterioration of his relations with the central government.

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<sup>245</sup> Tsushimamaru was a ship, which carried 1,788 Okinawans, including 741 children, and which was sunk on 7 July 1944 by the U.S. submarine. In result, 1,529 civilians died but the incident was not reported in Japan at that time because the authorities worried about adverse affect on the war morale. The details of the incident were revealed ten years after the end of the Pacific War (1955), and the place of the wreck identified in December 1997 (Une 2000: 39). The issue has been very sensitive in the prefecture and anybody’s engagement in clarifying the details of that accident creates a positive image of the “Okinawa sympathizer.”

### 3. The Electoral Upheavals in Nago City

**The Nago City Referendum.** The commemorative ceremony of the Okinawa reversion became the highlight of the government's pro-construction campaign in the Nago city referendum that intensified from the beginning of November 1997. The high governmental officials began then a caravan of visits to Okinawa with requests for cooperation on the relocation issue and explanations of the government's financial support measures for the economic development of the northern region near the construction site.<sup>246</sup> The appeal of the financial assistance worked most effectively on the local construction and business groups that became the leading local supporters of the heliport construction (Takahashi 2001: 83-84, 92-93).

The government's campaign escalated even further, in what was to become one of the most controversial incidents of the pre-referendum period, when on 9 December two hundred employees of the Defense Facilities Administration Agency began individual home visits. The visits were to persuade local residents into agreeing on the construction, while ensuring of the heliport safety and emphasizing the prospects for economic benefits. The home visits were actually preceded by a letter from the director general of the Defense Agency, Kyūma Fumio sent to over 5,500 agency employees in Okinawa, in which he requested "cooperation" at the city referendum (RSH 28.11.1997). Moreover, on 18 December, the government even ran an advertisement in the two main local newspapers, the *Okinawa Times* and *Ryūkyū Shimpō*, propagating its economic policies for the region, titled "The 21st Century Okinawa will become reality."

The pushy and banknote-flashing style of the central government's campaign accompanied by the openly displayed interests of local construction companies antagonized many local residents. In result, the anti-construction camp won. The 53.8 percent of residents (at the 82.45% turnout) voted against the construction, and 45.36 percent in favor. The referendum ballot contained four questions: "yes," "no," "yes under condition (for the economic benefits and environmental protection)," and "no under condition (the economic benefits and environmental protection cannot be expected)." That was the idea of the mayor and the local LDP branch holding

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<sup>246</sup> The visits included: Defense Agency Director General Kyūma Fumio (5 Nov., 13 Dec.), Okinawa Development Agency Director General Suzuki Muneo (9 Nov., 7-8 Dec.), former Chief Cabinet Secretary Kajiyama Seiroku (14 Nov.), the Defense Agency Administrative Deputy Director General Akiyama Masahiro (3 Dec.), the LDP Acting Secretary General Nonaka Hiromu (5-6 Dec.), Chief Cabinet Secretary Muraoka Kanezō accompanied by special advisor to the prime minister on Okinawa affairs, Okamoto Yukio and the Cabinet Okinawa Affairs Office Director General, Adachi Toshio (6 Dec.), and others (Takahashi 2001: 91-92, 435-436).

majority in the city assembly. The margin of votes was fairly narrow (2,372 or 7.54% of all ballots), but over 80 percent of the pro-construction voters (11,705 out of 14,267) agreed under the condition of economic benefits and environmental protection, and almost one forth of all votes (7,633) were the absentee ballots cast at the company offices, which led to accusations of malpractice (*OT* 18.12.1997; Takahashi 2001: 96).

The results of the city referendum surprised the city, prefectural and central governments, certain of the pro-construction camp's victory (*OT* 17, 22 ev. ed., 24, 24 ev. ed. 12.1997; Yoshimoto 2001). In line with the results and his pre-referendum vows, the conservative Mayor Higa<sup>247</sup> decided to disapprove of the heliport construction (Yoshimoto 2001; *OT* 24.12.1997). Prior to the public announcement, the mayor wanted to discuss the matter with Governor Ōta. The governor however was unreachable (Yoshimoto 2001; *OT* 5.01.1998.). On the morning of 24 December, Higa suddenly changed his mind, and went to Tokyo where in the evening met Prime Minister Hashimoto. The following day, 25 December, to everybody's surprise the mayor officially announced the approval of the heliport construction, and at the same time, his resignation (*OT* 5.01.1998; Okamoto 2004: 288-291). The relocation issue was put on hold thereby until the next city mayor election, scheduled for 8 February 1998. Both the pro- and the anti-construction camps immediately started preparations for that election.

The ambiguous position and the mixing messages that Governor Ōta was sending in his public and private statements and the peculiar behavior concerning avoiding the meeting with Mayor Higa, escalated the criticism among local political and business circles and the residents. The latter particularly awaited his support for the anti-construction camp.<sup>248</sup> Ōta chose the non-interference position justified by the principle of self-government (Yoshimoto 2001), that politically also aimed at upholding the bargaining card vis-à-vis the central government, convinced by the then Vice Governor Yoshimoto. Moreover, the governor was sure that Higa would disapprove of the heliport construction, as everybody else till 24 December 1997 (*OT* 5.01.1998). For that reason, Ōta presumably calculated that he could maintain the ambiguous position, useful for further negotiations with the central government. Mayor Higa consented however to the construction and the

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<sup>247</sup> Mayor Higa, the LDP-backed candidate, was originally against the Futenma relocation to the Nago area. In July and Nov. 1996 the mayor organized even the anti-construction rallies, but gradually shifted his position towards approval under the central government's pressures and offers of economic policies and financial assistance. For a summary on the evolution of Higa's stance, see *OT* 19.12. 1997.

<sup>248</sup> See for example, statement by the governor's support group Okinawa Citizens Association or Kenmin no Kai (*RSH* 29.12.1997), the LDP Okinawa (*RSH* 30.12.1997), and political parties in the prefectural assembly (*Dai 5 kai Okinawa Kengikai [Teireikai]*, no. 3, Oct. 1997).

governor had to take a clear position. Ōta still waited, and his indecision followed by the belated announcement against the construction in February 1998, were going to cost his administration defeats both in the city mayor and the gubernatorial elections.

**The Nago City Mayor Election.** The central government having learnt its lesson from the city referendum campaign, decided to stay out of the Nago city mayor election, at least in a visible way. In preparation to the election, the Nago branch of the LDP promptly recommended Deputy Mayor Kishimoto Tateo (31 Dec. 1997) for their candidate. Kishimoto, a one time member of the One-Tsubo Anti-War Landowners Association (*OT* 1.01., 1.02.1998), was regarded a “progressive” in the city office. He advocated a slogan of the local economic promotion, and throughout the campaign strongly insisted that the election was not about the heliport construction, the issue settled by the referendum, but about selecting a proper person to run the city (*OT* 11, 27.01.1998). Kishimoto was also repeatedly voicing his resolution to respect the governor’s decision in regard to the relocation issue, which even further blurred the contrast between him and his opponent.

On the other hand, the anti-construction camp candidate, the prefectural assembly SDP member, Tamashiro Yoshikazu, who resigned from the post and from the party to run for the mayor as an independent, made the opposition to the heliport construction his main pledge. Tamashiro brought also into campaign the image of the prefecture-backed outsider, which negatively contrasted with the “local” Kishimoto. In addition, Tamashiro lacked the organizational vote-gathering machine inherited by Kishimoto from the former Mayor Higa. Moreover, on 1 February 1998, Governor Ōta, who was still avoiding clarifying his position on the heliport issue, announced his support for Tamashiro and together with other prefectural officials joined the campaign trails, and so did the SDP leader, Doi Takako in a separate soapbox oratory (*RSH* 2.02.1998; *OT* 2.02.1998). To make things more complicated, two days before the election, on 6 February 1998, under the pressure from various citizens’ groups, the governor officially announced his opposition to the heliport construction (*RSH* 6.02.1998 ev. ed; *OT* 6.02.1998 ev. ed.). That antagonized even more part of the Nago city population. The complaints were voiced that the governor should have done it before the city referendum in December 1997, preventing thereby polarization of local community and the consecutive troubles with former Mayor Higa (*OT* 6.02.1998 ev. ed.).

The city mayor election was won by the LDP-backed Kishimoto, although the difference was only of 1,150 ballots: 16,253 for Kishimoto and 15,103 for Tamashiro (*RSH* 9.02.1998). The central government was relieved,



but angered by the Ōta's opposition to the heliport construction decided to put a ban on the governor. The government blocked all personal contacts with Ōta, suspended the sessions of the Okinawa Policy Council, and later even execution of projects initiated under the first special adjustment fund (*Asahi Shimbun* 6.11.1998). The only exception was the passage of the revision of the Okinawa Special Measures Law, which was submitted to the Diet for the final approval soon after the mayor election in February that year. The central government decided to wait for more favorable political circumstances to resolve the Futenma relocation issue. The prefectural officials were incapable of organizing another meeting for Governor Ōta with the prime minister, or conveying the OPC sessions until more "cooperative" governor took over the office in November 1998.

#### 4. The Influence of the LDP Institutions on the Local Policy

By the time the Nago city mayor election ended, the decision making process on the All-Okinawa FTZ Plan at the governmental institutions had been finalized although the policy, as noted, was put on a hold for the final Diet approval, in result of the Governor Ōta's objection to the heliport construction. Soon after the Kishimoto's victory, the process restarted. On 19 February the revised Okinawa Special Measures Law passed the House of Representatives, and on 30 March 1998, the House of Councillors (promulgated on 31 March 1998). The most significant aspect of that policy process was that the discussed above upheavals in the politics and problems streams had only slight influence on it. Those events affected the policy procedures, namely postponing the aforementioned passage of the revision bill, but not the policy content. The political pressures, in other words, created by various political events and actors, although significant in setting the local policy on the governmental agenda as discussed in the preceding chapters, were not sufficient enough to influence the final policy output.

The policy process that generated the final LDP FTZ plan officially began on 5 November 1997, when in absence of Vice Governor Yoshimoto, new Vice Governor Tōmon Mitsuko officially presented the All-Okinawa FTZ Plan (see Fig. A-10).<sup>249</sup> Tōmon handed the plan first to the new Chief Cabinet Secretary Muraoka Kanezō and other party officials,<sup>250</sup> and on 6

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<sup>249</sup> After the meeting, Vice Governor Tōmon paid customary visits to the LDP Secretary General Katō Kōichi and the former Chief Cabinet Secretary Kajiyama asking for their assistance in realization of the prefectural plans (*OT* 7.11.1997).

<sup>250</sup> Muraoka replaced Kajiyama Seiroku after the Hashimoto Cabinet's reshuffle on 11 Sept. 1997 and served until 30 July 1998.

November 1997, to the OPC secretaries meeting. The process of the behind-the-door consultations and negotiations or *nemawashi* began however already in June that year after the first release of the information on the Tanaka Committee recommendations (officially presented at the sixth OPC session on 29 July 1997) (OT 30.07.1997). At the same OPC session, the then Chief Cabinet Secretary Kajiyama requested the prefecture to submit its proposal concerning special measures by the end of August (with an eye to the schedule of the annual drawing of the tax system outline). At the same time, the chief cabinet secretary instructed the relevant ministries to begin investigation of the Tanaka Committee's proposals.<sup>251</sup> Consequently, Vice Governor Yoshimoto handed the draft of the prefectural FTZ plan to Kajiyama on 4 September 1997, still unofficially,<sup>252</sup> because the discussions in the prefecture at that point had not been concluded yet.

From the onset, one of the most controversial issues of the plan was the scale of the zone that the prefectural government, following the Tanaka Committee recommendation, envisioned for all Okinawa. Already at tenth meeting of the coalition parties Okinawa Issue Deliberative Group held on 20 June 1997, the former ODA director general, Okabe Saburō criticized the Ōta's administration for changing its initial policy of the limited area FTZ. Okabe called the prefecture-wide FTZ scheme "unrealistic," the argument to be repeated thereafter by other party members, including the chairperson of the LDP Research Policy Council, Yamazaki Taku (OT 19.10.1997). Such disapproving voices among the LDP members became prevalent, but there were also assenting opinions. Those were held, for instance, by Chief Cabinet Secretary Kajiyama Seiroku (on the post till 11 Sep. 1997),<sup>253</sup> and the LDP Acting Secretary Nonaka Hiromu (RSH 21.03.1997; Nonaka Hiromu 2002). The latter though avoided clarifying his stance completely, express-

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<sup>251</sup> The date was from the onset considered unrealistic for finalizing the intra-prefecture negotiations (OT 29.07.1997 ev. ed., 30.07.1997).

<sup>252</sup> Yoshimoto handed the plan to all members of the prefectural "routine petition list," including: Deputy Cabinet Secretary Furukawa; the SDP party leader Doi Takako and Secretary General Itō Shigeru; the President Hatoyama Yukio and the Secretary General Sonoda Hiroyuki of the New Party Sakigake; the chair of the LPD Policy Research Council, Yamazaki Taku, the Diet members from Okinawa, and the ODA Permanent Deputy Director General, Maki Takanaga (RSH 5.09.1997).

<sup>253</sup> Yoshimoto (2001) also commented that Kajiyama was "the only one in the LDP that truly sided with the Okinawa prefecture" and made efforts to realize the prefecture's requests (see also RSH 13.09.1997) for an interview with Kajiyama, who talks in length about his "special consideration" for Okinawa. On 19 Sept. 1997 Kajiyama (already resigned from the post of the chief cabinet secretary) remarked at the meeting with the prefectural assembly LDP members (President Nishida Kenjiro and Secretary General Kakazu Noriaki) that he opted for such audacious measures as "one country, two systems" (RSH 19.09.1997).

ing only a very strong support for audacious reforms on a scale of “one country, two systems.”

Among other LDP politicians, the position of the Prime Minister Hashimoto changed according to political developments concerning the relocation of the Futenma Air Station. Initially, Hashimoto was very enthusiastic, gradually grew reserved to openly antagonistic, distancing himself from the governor and the prefecture’s requests, including the all-Okinawa FTZ proposal (OT 7.11.1997 *ev. ed.*; Yoshimoto 2001). The prime minister’s stance was influenced by the developments related to his and his party’s main interest that is the military base issues, and more specifically, to the problem of the intra-prefecture relocation. Consequently, the lack of “cooperation” from the governor was going to be paid back by the lack of political initiative on the part of the prime minister necessary for countering the power of the *zoku* and preventing refractions incurred by them on the content of the FTZ plan.

The LDP coalition partners on the other hand, the SDP and the New Party Sakigake were strongly in favor of the all-Okinawa FTZ proposal (Fumoto 2004g; OT 19.10.1997). The other political parties, the opposition Democratic Party and the Kōmeitō also consented to the prefectural scheme (OT 19.10.1997). The backup support of various political parties, negotiated by Vice Governor Yoshimoto, did not in the end affect the policy outcome. Just before the decisive negotiations with the LDP powerbroker, the tax *zoku* member Yamanaka Sadanori, Yoshimoto was dismissed. Further talks were carried by the members of the LDP Okinawa Special Research Council. The Council was supportive of the prefectural policy for political reasons, but ultimately holding different interests (Futenma relocation) from those of the local actors’ (base removal and economic development), it was prepared for different type of concessions in negotiations with the tax *zoku* and other relevant actors, as the final policy outcome regarding the FTZ demonstrates.

The second main contested issue of the All-Okinawa FTZ Plan concerned the specific measures within the FTZ, with the corporation tax reduction (from the existing 37.5% to 30%), and abolition of tariffs and customs stirring most controversy. At the secretaries meeting of the Okinawa Policy Council on 6 November 1997, where Vice Governor Tōmon Mitsuko officially presented the All-Okinawa FTZ Plan, the MOF expressed the strongest opposition. Most of the FTZ plan proposals fell under the MOF jurisdiction, and hence the ministries’ objection to the “one country, two systems” scheme was of a serious concern. The Deputy Cabinet Secretary Furukawa, representing the prime minister, who instructed him to effectively coordinate negotiations on the plan (OT 29.07.1997 *ev. ed.*), settled the dispute by proposing a practical approach of separating the issues into two

categories of “possible for realization” and the “problematic” ones, and continuing negotiations on the latter (OT 7.11.1997).

The same objections to the All-Okinawa FTZ Plan were voiced at the eight OPC session by the cabinet ministers held on the following day, 7 November 1997, where Governor Ōta explained the plan in person. Finance Minister Mitsuzuka Hiroshi repeated his ministry’s opposition, arguing for the necessity of consistency in the tax or customs and tariffs systems for the entire country (principles of “equality” and “fair share”). Mitsuzuka also emphasized the need for the accurate estimation of probable effects for the national and local industries.<sup>254</sup> In result of the discussions, the MOF, and other cabinet ministers who also expressed serious concerns, promised further investigation of particular items under their competence.

**The NIRA Report.** At the same eighth meeting of the OPC on 7 November 1997, the ministers discussed also the interim report prepared by the National Institute for Research and Advancement (NIRA). The report was officially released on 17 November that year, and provided justification for the introduction of the special measures for Okinawa in the form proposed by the central government. NIRA, which serves as one of the major governmental think tanks, was commissioned by the Cabinet Internal Affairs Office to investigate the recommendations released by the Tanaka Committee in July 1997 (OT 29.07.1997 ev. ed). In the Research Study on Long and Medium Term Prospects for Okinawa Promotion: Interim Report (hereafter cited as NIRA Interim Report; *Okinawa shinkō chūchōki tembō ni tsuite no kentō chōsa: Chūkan hōkoku*), the Institute embraced several Tanaka Committee’s proposals. NIRA left however the final decision on the most controversial issue of the zone’s scope to the central government’s discretion. NIRA justified its opinion by the adverse effects on local industries of agriculture, forestry and fisheries, and recommended further investigation. On the other controversial issue of the corporate tax reduction, the report concluded with a similar ambiguity. It revoked, interestingly, the Tanaka Committee’s recommendation as justification of its own stance (the argument repeated later by the LDP members against the prefectural proposal).

There are suggestions that a system of the lowered corporation tax limited to a specific region runs against the principle of equality under law and international trend of disapproving the “tax heavens.” Moreover, the prefectural Deregulation Study Committee [Tanaka Committee] did not include the reduction of the corporation tax

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<sup>254</sup> The Finance Minister Mitsuzuka remarked again two days later (9 Nov.) that given a particular political situation in Okinawa the government and the coalition parties would give a special attention to those issues. Mitsuzuka also added that he would also consider the overall effects on the entire domestic industry (OT 9.11.1997).

in its final report. In consequence, although we recommend the reduction of corporation tax limited to the above mentioned region, we also think that a further investigation on the possibilities of achieving the objectives of the FTZ promotion within the existing tax system should be carried.

In response to the NIRA Interim Report, the director of the prefectural Promotion Office of the Program for Autonomic Modernization, Miyagi Masaharu positively evaluated inclusion of several deregulation and other measures proposed by the Tanaka Committee. At the same time, Miyagi expressed dissatisfaction with the omission of the corporate tax reduction and with the NIRA's passive position on the FTZ extension onto the entire prefecture. Governor Ōta commented along the same lines, adding that the central government should respect the introduction of the prefecture-wide FTZ, because it was formed based on "the consensus of the people of Okinawa."<sup>255</sup> The governor juxtaposed thereby the NIRA's arguments against the prefecture-wide FTZ plan with a justification of "a higher validity," namely of the citizens' support for such scheme.

The NIRA Interim Report recommendations, repeated in the NIRA Final Report released on 27 March 1998, became part of the governmental and the LDP policy on the FTZ system. That is not to say that the report formed that policy, but rather that it articulated opinions already existing within the party, as the above quoted statements by the LDP politicians (Okabe Saburō, Yamazaki Taku, Katō Kōichi, Mitsuzuka Hiroshi) have shown. While the NIRA Interim Report and the official discussions at the OPC constituted part of the justification process necessary for the policy approval, the concrete decisions were made at the LDP intra-party organs.

**The LDP Intra-Party Organs.** On the same day, 7 November 1997 in the afternoon, the All-Okinawa FTZ Plan was discussed by the LDP's two main organs responsible for the Okinawa policies: the LDP Okinawa Special Research Council established in June 1996 to coordinate proceedings on the prefectural policies within the LDP that arouse in relation to the Futenma relocation; and, second, the Okinawa Promotion Committee (Okinawa Shinkō linkai), chaired by the former ODA Director General Okabe Saburō that functioned as a forum for annual negotiations on the Okinawa related budgets. At the joint meeting held in the LDP headquarters, the Cabinet Internal Affairs Office explained the details of the prefectural FTZ plan (OT

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<sup>255</sup> Afterwards, the governor sent the prefectural representatives – the Policy Coordination Councilor, Matayoshi Tatsuo, the director of the Development Department, Hanashiro Kachō and the director of the Promotion Office of Program for Autonomic Modernization, Miyagi Masaharu – on a mission to Tokyo to request directly the central government for realization of the prefecture-wide FTZ plan (OT 17.11.1997).

9.11.1997). The issues that attracted most attention were the aforementioned corporate tax reduction and other included in the package of the tax preferential treatment. These issues ultimately fall under the competence of one of the most powerful party organs, the Research Commission on the Tax System (Tōzeichō).<sup>256</sup> The Tōzeichō already in June 1996 had established the Okinawa Policy Subcommittee (Okinawa Taisaku Shōiinkai) (OT 17.06.1997), which became the central forum for discussion on the special measures for Okinawa and negotiations with the Ministry of Finance.<sup>257</sup>

The chair of the Tōzeichō Okinawa Policy Subcommittee was given to Yamanaka Sadanori (1921-2004), an influential tax *zoku* with a long history of close ties to Okinawa. Yamanaka had served as the first ODA director general (15 May to 7 July 1972). In addition, Yamanaka was a holder of various important party and governmental posts: the chair (1979) and thereafter long-standing chief advisor (*saikō komon*) of the Tōzeichō, the minister of the Ministry of Industry and International Trade, the parliamentary vice minister of the Finance Ministry, and other.<sup>258</sup> It was Yamanaka who within the LDP ultimately shaped the final outcome of FTZ policy, as confirmed by both the policy makers,<sup>259</sup> and various internal documents.<sup>260</sup>

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<sup>256</sup> Tōzeichō has been particularly influential in shaping the structure of the entire national tax system (Kishiro 1985: 77).

<sup>257</sup> The LDP coalition partner, the SPD also created the Okinawa Promotion Subcommittee (Okinawa Shinkō linkai) to handle the special measures issues, but because its activities reported by the press were minimal (limited to the initial meeting on 20 June 1997) and the influence over the FTZ policy outcome also insignificant, the references to the subcommittee are omitted in the following discussion (OT 21.06.1997).

<sup>258</sup> Yamanaka Sadanori was very influential in the tax policy area ever since serving as the MOF parliamentary vice minister, and played a crucial role in several tax reforms in the 1980s. The Yamanaka's potent position in the tax area gained him several nicknames: "Misuta Shōhizei" (Mr. Consumption Tax), "Misuta Zeichō" (Mr. Tax Commission), or "Zeichō no Don" (Don of the Tax Commission) (Inoguchi et al. 1987: 266-273, Kishiro 1985: 92-98).

<sup>259</sup> The former LDP secretary general, Nonaka Hiromu pointed to Yamanaka as the key person, both in the formation of the final content and the policy approval (Nonaka Hiromu 2002). Similarly, Vice Governor Yoshimoto commented that, while planning the strategy for the negotiations on the All-Okinawa FTZ Plan with the central government, the main and the decisive challenge for the prefecture was to persuade Yamanaka (Yoshimoto 2001).

<sup>260</sup> The internal document Okinawa Shinkō Kaihatsu Tokubetsu Sochihō no Ichibu o Kai-sei Suru Hōritsu ni Kakawaru Okinawa Kaihatsuchō to no Chōsei Kekka ni tsuite (Hōkoku) [Report on the coordination results with the Okinawa Development Agency concerning the partial revision of the special measures law for Okinawa promotion and development] dated 19 Jan. 1998 and annotated "handle with care" (*toriatsukai chūi*) – reports the content of discussions between the ODA and the prefecture. The ODA officials mentioned the Yamanaka name four times (in six pages) as the decision maker in several cases. For instance, in relation to the establishment of the duty free shop system, the ODA says, "following the Tōzeichō policy, and especially the chairperson Yamanaka's position that was presented at the end of last year, we are coordinating efforts with the authorities in charge of customs [MOF] for the establish-

The Yamanaka influence over the local policy followed in fact the pattern of the policy tribe he was associated with. The tax *zoku* (subordinate of the finance *zoku*) belongs to a category that strongly supports the policies of its home ministry. The decisions of the chairperson of the Tōzeichō Okinawa Policy Subcommittee ran therefore along the policy lines drawn by the Ministry of Finance.

The discussions and refractions of the FTZ related measures took place at joint meetings of the Tōzeichō Okinawa Policy Subcommittee and the Okinawa Promotion Committee on 12 and 17 November 1997. At the first meeting on 12 November, the members confirmed that the all-Okinawa FTZ system was completely unrealistic. That *de facto* scraped the prefecture's request. The decision was justified by the adverse effects on both the national and local industries.<sup>261</sup> The committees agreed however on a necessity for other measures within the limited-area free trade zones, on which the consecutive discussions and negotiations with the Finance Ministry focused. Yamanaka was planning to finalize investigation of the special measures by the Commemorative Ceremony of the 25 Anniversary of Okinawa Reversion scheduled for 21 November 1997, during which as noted the prime minister was to announce their content (OT 13.11.1997). By the next meeting conveyed on 17 November 1997, the subcommittee chairperson decided however to wait with the final announcement of the details until after the ceremony.<sup>262</sup> Arguably, that was to avoid confrontation with the prefecture, which was expected to disclose its decision concerning the heliport construction plans.

**The LDP Coalition Partners.** The general list of measures approved by the Tōzeichō Okinawa Policy Subcommittee on 17 November was discussed at the meeting of the coalition parties' Okinawa Issue Deliberative Group presided over by the LDP Research Policy Council chairperson, Yamazaki Taku

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ment of such system;" or in relation to the prefecture request for lowering the required number of employees for companies establishing their offices in the FTZ, the ODA says "it is difficult [impossible] because of the opposition of Chairperson Yamanaka and the authorities in charge of the taxes [MOF]." In regard to the last item, Yamanaka changed his mind after petitions from the prefectural interest groups.

<sup>261</sup> The meeting was attended by five former ODA directors general, including Yamanaka Sadanori, Okabe Saburō, Inagaki Jitsuo, Tani Yōichi, and Inoue Kiichi. In addition, three LDP Diet members from Okinawa: Nakamura Seiji, Kakazu Chiken, and Shimoji Mikio; and two other: Hayashi Yoshirō and Miyashita Sōhei also attended the meeting (Jiyū Minshutō 7, 12, 17.11.1997; 9, 12.12.1997). Already at the meeting in June that year the members of the Tōzeichō Subcommittee for Okinawa Policies voiced their skepticism about the prefecture wide FTZ plan (RSH 13.11.1997).

<sup>262</sup> Yamanaka himself did not disclose the reasons behind postponing the announcement, when asked by the journalists (OT 18.11.1997).

on the following day, 18 November 1997.<sup>263</sup> At the meeting, Yamanaka explained the subcommittee's proposal for the limited area FTZ, adhering to earlier claims that the all-Okinawa FTZ was unacceptable. The Social Democratic Party strongly objected by stating that it violated the April coalition parties' agreement and insisted that the prefecture-wide scheme should be introduced. The conflict was not resolved at that meeting, but the SDP as a non-cabinet coalition partner at the time, holding only 15 seats in the House of Representatives<sup>264</sup> (in comparison to the LDP's 239),<sup>265</sup> was no longer in a position to influence the decision of its much stronger coalition partner.

At the meeting, the coalition parties also discussed the content of the Prime Minister Address, which delivered on 21 November 1997, included only brief remark concerning the FTZ: "the new special FTZ system will be created, within which companies establishing their headquarters in there will be eligible for substantive income tax deduction on profits earned within those zones." Prime Minister Hashimoto avoided thereby specifying the scope of the FTZ, presumably for reasons similar to those of the Yamanaka's. That was to prevent any open confrontation with the prefecture that was expected to deliver its decision on the heliport construction after the ceremony.

Following the prime minister public announcement of the policy initiatives for Okinawa concerning the deregulation measures, the relevant LDP intra-party committees proceeded with the final decision making in preparation for drawing the annual LDP tax system outline. The Tōzeichō Okinawa Policy Subcommittee chaired by Yamanaka and the Okinawa Promotion Committee chaired by Okabe, formally approved the final list and details of special measures at the joint meeting on 12 December 1997. The list was included afterwards in the LDP Special Tax System Policy for Okinawa (*Okinawa shinkō tokubetsu zeisei hōshin*), as a part of the LDP Fiscal Year 1998 Tax System Reform Outline (*Heisei 10 nendo zeisei kaisei taikō*). The Outline

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<sup>263</sup> The meeting was attended by former Foreign Minister Nakayama Tarō, the chair of the Tax Subcommittee, Miyashita Sōhei, Acting Secretary General Nonaka Hiromu on the LDP side; the chair of the Policy Board, Oikawa Kazuo, and the former ODA director general, Uehara Kōsuke (from the Okinawa district) on the SDP side, and Mizuno Seiichi from the New Party Sakigake (*RSH* 19.11.1997; *OT* 19.11.1997).

<sup>264</sup> For the SDPJ/SDP the losing streak continued during all the major elections in the 1990s. In consequence the party lost from 136 seats to 70 in the July 1993, and to 15 seats in 1996 HR elections. In the HC, the party lost from 46 to 22 in 1992, to 16 in 1995, and to 5 in 1998.

<sup>265</sup> As a result of October 1996 election to the HR, the LDP regained 16 seats to the total 239, leaving the party with only 12 seats short of majority. That led the LDP to resume its dominant position in the coalition.



released on 16 December 1997, is the most important document on taxes issued annually before the budget draft's endorsement by the LDP.

**The Refraction Patterns of the FTZ Plan.** The Special Tax System Policy for Okinawa proposed introduction of several preferential tax measures within limited-area special FTZ,<sup>266</sup> and other special zones for tourism promotion, industrial development, and information and communication industries.<sup>267</sup> The final content of those preferential tax measures showed the most conspicuous refraction patterns of the local non-distributive policy proposals contained in the All-Okinawa FTZ Plan under the first two main items of the (1) expansion and reinforcement of the FTZ, and (2) the preferential tax system.

The Special Tax System Policy for Okinawa refracted the sub-items of the first main item (1) of the expansion and reinforcement of the FTZ system in the following manner (see Tab. A-4): [1] The abolition of trade tariffs on raw materials, parts and partially completed products used, processed or manufactured in the zone (with some exceptions) – not granted; [2] abolition of customs on imports used or consumed within the zone such as machines for production, and exemption of the domestic consumption tax – not granted; [3] removal of import quotas (IQ) including restricted items and goods (with some exceptions) – not granted; [4] abolition of tariffs on products made in the zone for domestic distribution – not granted. The [1]-[4] items were substituted with the selective system of tariffs.<sup>268</sup> Further-

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<sup>266</sup> The basic distinction between the FTZ and the special FTZ is in relation to the corporate tax system (30% deduction of the pre-taxed profits in special FTZ for 10 years, and 20% corporate tax in the Naha FTZ), while the customs are the same. The ODA explained somehow vaguely that the new system was meant not only for a specific area like the Naha port FTZ, but for any area with a port or an airport, especially for the promotion of establishing new businesses. Based on the unpublished internal document Okinawaken (Jan. 1998).

<sup>267</sup> Nago city was designated a special information and communication industries promotion zone. From April 2002 a new type of financial business special zone (*kinyū gyōmu tokubetsu chiku*) was established and the Nago city was designated. Due to numerous regulations not a single company had used the system till March 2005 (OT 25.03.2005).

<sup>268</sup> The selective system of tariffs was requested by the prefecture in the Deregulation Project and not mentioned in the All-Okinawa FTZ Plan because of other bolder measures that called for the complete abolition of customs and tariffs. But even though the selective system was introduced, it followed the pattern of the deduction of the fixed property tax – its content was further restricted by the ministerial decisions. In case of beef, for instance, although the 50% tariff could be lowered by half to 25% if the meat is processed in the zone, the Customs Tariffs Law (*Kanzei teiritsuho*) stipulates that the meat has to be put into expensive container made of aluminum retort (a cheap plastic container cannot be used), which significantly raises the total cost and makes the selections system less effective (Momose et al. 2002: 62, 69-70). The beef issue, in particular, was arguably further complicated by the fact that Yamanaka served as the president of the National Beef Cattle Association (Zenkoku

more, [5] establishment of the duty-free shops at airports, seaports and other tourist facilities such as, for example, restaurants was admitted only to the Naha airport<sup>269</sup>; [6] establishment of special corporation to independently manage the special FTZ – not granted<sup>270</sup>; and [7] the introduction of simplified and prompt customs procedures – not granted.

The sub-items of the second main item (2) of the preferential tax system were refracted as follows: [8] 50% investment tax deduction of the invested cost to be deducted from corporate tax for maximum ten years with the deduction ceiling up to 40% of the corporation tax – was reduced in scope<sup>271</sup>; [9] corporate tax reduction from the existing 37.5% to 30% – substituted with the income tax deduction (35% from the pre-taxed income for 10 years) available to fewer types of businesses than requested<sup>272</sup>; [10] exemption of the local taxes, such as the business tax, real estate acquisition tax, and fixed property tax – limited to five years in case of the former two types of taxes, while restricted in application by ordinance in case of the fixed property tax<sup>273</sup>; and [11] compensation for the reduced local tax or unequal

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Nikuyōgyū Kyōkai) and director of the board of trustees of the National Association of Price Stability Fund for Calf Meat (Zenkoku Nikuyō Kōushi Kakaku Antei Kikin Kyōkai).

<sup>269</sup> Establishment of the special duty-free shops was not allowed in other places. Moreover, the exemption from the consumption tax and inclusion of several products (e.g., alcohol, tobacco, perfumes and other covered by the Special Measures Law for Okinawa Reversion or *Okinawa fukki ni tomonau tokubestu sochihō ni kansuru hōritsu*) – were not allowed (Momose et al. 2002: 65-71).

<sup>270</sup> In result, the various measures available in the zones remained under the jurisdiction of multiple ministries: the corporation tax, customs and tariffs – under the MOF, the import quotas (IQ) – under the MITI and MAFF, and the zone special corporation – under the ODA, enforcing the problem of administrative sectionalism.

<sup>271</sup> The request for the investment tax deduction was replaced by the 15% deduction of the investment cost on machinery and equipment, and 8% on buildings to be deducted from up to 20% of corporate tax within maximum 4 years. It also set up the limits on investment sum, which had to be higher than ¥10 million but lower than ¥2 billion.

<sup>272</sup> The income tax deduction was introduced for such businesses as manufacturing, packing and warehouse, without admitting the two other – land freight transportation and wholesale businesses – as requested by the prefecture. The government argued that due to the new measures, the tax burden of companies would decrease to 24.4% during the first 5 years, and to 33.5% between the 6th and the 10th year after starting operation (for the medium and small size companies, it would decrease to 16.3% during the first 5 years, and to 23.7% between the 6th and the 10th year after starting operation). Such tax burden decrease would thus be higher in the first 5 years than requested by the prefecture (30%); but only in those first few years after which the tax burden would go up. Furthermore, such deductions were to last up to ten years total, and were not a permanent arrangement. The estimates based on Tsūsanshō (Jan. 1998: 3); Onoda (1998: 12).

<sup>273</sup> In case of the exemption from the fixed property tax that was to be introduced both in the special FTZ and other special zones, the Ministry of Home Affairs ordinance (Art. 1, sec. 1, cl. 3 of the Fixed Property Tax or *Kōtei shisanzei* in the Ordinance Regulating Situations of Application of Measures for Article 15 and Other of Local Tax Exemption and Unequal Taxa-

taxation by the central government – substituted with compensation for the reduced local tax by the local transfer tax for 5 years.

Moreover, to prevent “paper companies” escaping the taxes in other parts of Japan, Yamanaka decided that the companies opening their business in the new zones would be required to employ over 200 people. The number of employees was altered afterwards by Yamanaka first to 50 people, and later to 20, due to requests by the local interest groups.<sup>274</sup> The groups argued that the initial requirement would exclude local companies, employing on average twenty three persons (as of 1996) (Onoda 1998: 13).

In sum, the refraction patterns comprised of: (1) substitution of all the permanent arrangements with the short-term measures, (2) narrowing the scope of eligible businesses, (3) narrowing the applicable area, and (4) limiting the effects by application of laws or other legal and non-legal means, including the cabinet ordinances (*seirei*), ministerial regulations (*shōrei*), communications (*tsūtatsu*), interpretations (*kaishaku*) and other that ultimately control the content of particular measures (Momose et al. 2002: 62-63). Furthermore, the approval of the special measures for Okinawa contained in the Special Tax System Policy for Okinawa followed in general the earlier precedence employed by the bureaucracy and the *zoku* in promoting particular industries and policies: the industrial policy,<sup>275</sup> trading policy (available in the bonded system), or foreign direct investment policy (available in the Foreign Access Zones [FAZ]).<sup>276</sup> The *zoku* thus not allowed one locality to adopt an entirely new system, independent from the central government authority.<sup>277</sup>

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tion under the Special Measures Law for Okinawa Promotion and Development or *Okinawa shinkō kaihatsu tokubetsu sochihō daijūgojō nado no chihōzei no kazei menjo ni tomonau sochi ga tekiyō sareru baai o sadameru shōrei* – stipulated that the exemption was applicable only to the surface area covered by the building itself and not the entire land on which the building is standing, which otherwise is a common practice (explanation given by the Okinawa prefectural government official and quoted in Momose et al. 2002: 62-63).

<sup>274</sup> The representatives of the Okinawa Prefecture Economic Groups Council visited the Tōzeichō Chief Advisor Yamanaka Sadanori and the ODA Director General Suzuki Muneo on 11 March 1998 with the requests to lower the requirements to 20 persons (changed to 50 in the Dec. 1997 Special Tax System Policy for Okinawa Promotion) (RSH 12.12.1997, 12.03.1998).

<sup>275</sup> For the history of the industrial policy, see Johnson (1982); for a detailed description of various tax breaks introduced by the LDP, see Shindō (1989: 214).

<sup>276</sup> It was stipulated by the 1992 Law on Extraordinary Measures for the Promotion of Imports and the Facilitation of Inward Investment (*Yunyū no sokushin oyobi tainai tōshi jigyō no enkotsuka ni kansuru rinji sochihō*).

<sup>277</sup> The deregulation measures adhered also to the party’s general policy, as expressed in the Deregulation Promotion Priority Items (*Kisei kanwa suishin jūten jikō*) approved by the LDP Administrative Reforms Promotion Headquarter (Gyōsei Kaikaku Suishin Hombu) on 14 March 1997. The document stated, for instance, that in regard to the economic deregulation,

## 5. The Postponing Strategy of the Ruling Party

The approval of the Special Tax System Policy for Okinawa finalized essentially the formation process of the FTZ and other special measures for Okinawa. After that the discussions focused on the bill passage strategy and specifics concerning the plan's implementation (e.g., designation of the Nakagusuku New Port area in Nakagusuku city and Katsuren town). The discussions began on the 17 December 1997 at the joint meeting of the Tōzeichō's Subcommittee for Okinawa Policy and Okinawa Promotion Committee but were stopped later in January 1998 (OT 27.01.1998). The LDP top officials decided to suspend the policy process due to the Governor Ōta's opposition to heliport construction (formally announced on 6 Feb.), and to await the results of the Nago city mayor election. In response to the party decision, the representatives of the prefectural government – the newly appointed Vice Governor Miyahira Hiroshi and the Treasury Yamauchi Tokushin – visited several top executives of the coalition parties and related ministries on 30 January 1998. The prefectural officials petitioned for the prompt bill's passage, and also for a meeting between Prime Minister Hashimoto and Governor Ōta, but without any success.<sup>278</sup>

Several LDP members (Nonaka Hiromu, Suzuki Muneo,<sup>279</sup> and Okabe Saburō) from the LDP Okinawa Special Research Council were concerned about the adverse effects of blocking the bill on the Nago city mayor election. The group tried to push through with the bill's passage. On 5 February 1998, at the joint meeting of the LDP Okinawa Special Research Council and the Okinawa Promotion Committee, Nonaka and others decided to restart the procedures in spite of opposition from some of the LDP members, who were angered by Ōta's "ingratitude" for the party's "utmost efforts."<sup>280</sup> Later that day, however, the party highest decision body, the General Council decided that the risk of losing the election was not imminent and uphold the suspension of the revision bill till after the election. On the other hand, the LDP coalition partner, the SDP, incapable of forcing the LDP to

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the party "aimed not only at the gradual deregulation but at a complete abolishment of regulations as its final aim."

<sup>278</sup> Vice Governor Miyahira paid visits to the chairperson of the LDP Okinawa Promotion Committee, Okabe Saburō, director general of the DA, Kyūma Fumio, the SDP leader, Doi Takako, and the chairperson of the Sakigake Party Diet members, Dōmoto Akiko (RSH 31.01.1998).

<sup>279</sup> Suzuki became the ODA director general on 11 Sept. 1997 in result of the reshuffle of the Second Hashimoto Cabinet. He replaced Tanigaki Sadakazu, and served till 30 July 1998.

<sup>280</sup> Here again the sentimental rhetoric so often voiced in the relation to Okinawa issue was heard, "We had done all we could for Okinawa, and yet we were betrayed and ungratefully rejected" (RSH 6.02.1998).

submit the bill, issued a party comment few days later, in which it criticized the LDP for linking the issues of military bases to the economic policies (Shakai Minshutō Zenkoku Rengō Feb. 1998).

The long-awaited turn in the policy process of the special measures came with the victory of the LDP-backed candidate Kishimoto Tateo in the election for the Nago city mayor on 8 February 1998. The LDP Policy Affairs Research Council and the General Council approved the revision bill of the Okinawa Special Measures Law two days after the election, on 10 February. The cabinet approval three days later, on 13 February, became a formality. After deliberations in the House of Representatives (HR) Special Committee for Okinawa and the Northern Territories Problems, the general session of the House of Representatives passed the bill without further revisions on 19 February, and the House of Councillors following similar procedures on 30 March 1998.<sup>281</sup> The passage of the bill finalized the decision making process for the FTZ plan, although the implementation was to start only after the change of the prefectural administration.<sup>282</sup>

Governor Ōta in the interview conducted on the day of the bill passage, commented that its enactment marked a “steady and certain start” for the industrial development of the prefecture. At the same time, the governor also strongly insisted that the government should approve introduction of the prefecture-wide FTZ system envisioned in the All-Okinawa FTZ Plan. For the plan was the “joint work of all the Okinawan people” (OT 31.03.1998), as the governor repeatedly emphasized to justify the prefecture’s demand for the prefecture-wide FTZ system. The demand for the all-Okinawa FTZ was not going to be granted, nor was the governor given another chance to petition the central authorities in person.

The assimilation process of the All-Okinawa FTZ Plan, discussed above, underscored several important features of the Japanese policy making, concerning, first, the power of the *zoku* in the absence of political leadership on the part of the prime minister and of an experienced local player in negotia-

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<sup>281</sup> The bill was accompanied by the Supplementary Resolution on the Revision of Special Measures Law for Okinawa Promotion and Development, which anew called on the government to further reduce the presence of the military bases and promote economic development.

<sup>282</sup> The procedures for the special zones designation began on 12 Jan. 1999 and were finalized at the end of March 1999, making the designation process exceptionally prompt. In regard to the other special zones, the designation was officially granted by the ODA director general on 17 Dec. 1999: the new information and communications industry promotion zones (Naha and Ginowan cities and other 23 municipalities in the center-southern part of the main island), and the new tourism promotion zones (Nago and other eight municipalities and regions in the northern part) (RSH 15.12.1999; OT 17.12.1999).

tions with the central government, and second, the weakness of the Social Democratic Party (and the New Party Sakigake) as a non-cabinet coalition partner at the decision making stage. First, the chairperson of the Tōzeichō Subcommittee for Okinawa Policy, Yamanaka Sadanori played the key role in shaping the content of the final FTZ plan. Yamanaka refracted local policy proposals along the policy lines of Tōzeichō and the Ministry of Finance. The power of the *zoku* politicians could have been arguably circumscribed if the prime minister had restored to political leadership in favor on the prefectural plan (conceivable, for instance, if the interests of the prime minister and his party had coincided with those of the local government's). Second, the power of the *zoku* politicians could have been possibly limited if the prefecture had been represented at the negotiation table by an experienced player on the prefectural side. Particularly that the prefecture was in possession of a powerful bargaining card vis-à-vis the central government that was created in the discussed period by the Nago city referendum, and a support of various political parties for the prefectural plan.

Third, the Social Democratic Party as a non-cabinet coalition partner had little influence upon the policy outcome concerning the All-Okinawa FTZ Plan. Those included, particularly the introduction of the non-distributive policy proposals, such as the prefecture-wide FTZ, corporate tax reduction or customs abolition that were strongly opposed by the LDP *zoku* politicians. The limited influence of the SDP sharply contrasted with the earlier stage of the national agenda setting, where the party's contribution proved to be substantial (c.f. agenda setting of the airfare reduction or the deregulation measures).<sup>283</sup>

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<sup>283</sup> For a related argument (agenda setting is more susceptible to political pressure than the choice of policy alternatives and policy approval), see Kindgon (1995: 199-200).

## **The Okinawa Development Plan for the 21st Century: The Bureaucracy-led Policy Pattern**

(July 1998 – August 2000)

As in all modern governments, they [bureaucrats] control most routine and detailed decision making in all policy areas. They will also prevail at the policymaking level wherever concentrated LDP pressures is lacking (Campbell 1994: 129-130).

The contribution of the bureaucracy to Japan's economic development has been acknowledged, but their influence over the policy making at present has been contested (see chap. 2). The least disputed area over which the central ministries hold *de facto* control is the routine type of policy making. The formulation of the Okinawa Development Plan for the 21st Century is the case in point. The formulation of the plan was first announced by Prime Minister Hashimoto in November 1997 but was held in abeyance for over a year in result of the conflict with the progressive Governor Ōta. The formulation of the plan started soon after the election of the new pro-LDP governor. The Okinawa Development Plan for the 21st Century was seen by the central government as a remedy for solving the intra-prefecture relocation of the Futenma Air Station. The plan was, in other words, to induce acceptance of the bases transfer by the local community. The changeover of local leaders, in addition to the need on the part of the central government to solve the relocation issue, led to setting the plan formulation on the governmental decision agenda (see Fig. A-11 for the outline of the process). Furthermore, due to the lack of political will on the part of the new governor to pursue locally-initiated policies, the formulation of the plan took place under the supervision of the central ministries.

## 1. New Prime Minister Obuchi and his Okinawa Policy

The central government's ban imposed on Governor Ōta in result of his refusal of the heliport construction and the intra-prefecture relocation in February 1998, lasted till his defeat in the gubernatorial election in November 1998. All the personal contacts were blocked, the meetings of the Okinawa Policy Council were suspended, and the Okinawa Development Plan for the 21st Century was shelved off. The standoff between Governor Ōta and the central authorities did not end even when Prime Minister Hashimoto,<sup>284</sup> taking responsibility for the LDP defeat in the 12 July 1998 election to the House of Councillors resigned,<sup>285</sup> and Obuchi Keizō formed a new, one-party cabinet on 30 July that year (the SDP and New Party Sakigake left the coalition already in June 1998; see Tab. A-1). The July HC election did not affect the central-prefectural relations because the Okinawa issue had already faded from the national political arena replaced by the economic issues.<sup>286</sup> In the prefecture on the other hand, all candidates pledged base reductions and resolution to the problem of military base relocation, which blurred the partisan and ideological affiliations.<sup>287</sup>

The new Prime Minister Obuchi, who was the leader of the LDP biggest faction (later the Hashimoto faction), alike his predecessor, claimed a long-standing personal involvement,<sup>288</sup> and commitment to the resolution of the Okinawa issue (*Dai 145 kai Kokkai ni okeru Obuchi naikaku sōri daijin shisei hōshin enzetsu* Jan. 1999: 2; *Dai 145 kai Kokkai Sangiin Yosai Inkaikai kaigiroku* no. 3, Feb. 1999: 33). Obuchi was known in the prefecture as a politician with “passionate sentiments for Okinawa” (*Okinawa ni atsui omoi*) (*RSH*

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<sup>284</sup> Hashimoto served afterwards as the last ODA director general between 5 Dec. 2000 and 6 Jan. 2001, the day when the ODA was incorporated into the Cabinet Office. He continued as the first state minister for Okinawa until 26 April that year.

<sup>285</sup> The LDP lost its dominance, decreasing the number of seats from 68 to 46, out of total 126 seats in the HC (see Tab. A-1).

<sup>286</sup> The main issues in the campaign were the economic problems, particularly lowering of the newly introduced consumption tax. In the prefecture, the single seat constituency was won by the progressive block candidate, Shimabukuro Sōkō, while all candidates from the proportional representation list lost (*RSH* 13.07.1998; *OT* 13.07.1998).

<sup>287</sup> The general local election held on 13 Sept. 1998 had also little effect on the central-prefectural relations (*OT* 6, 7.09.1998).

<sup>288</sup> During his student years at Waseda University Obuchi belonged to the Okinawa Students Cultural Association. He was also well acquainted with HC member Inamine Ichirō (the father of Governor Inamine Keiichi), who sponsored his trip around the world. On his visits to Okinawa Obuchi also participated in the activities of the bone-gathering of people killed in the Okinawa battle and assisted the pro-reversion activities of the Okinawa Education Employees Committee (Okinawa Kyōshoku Inkai) led by prominent local figure Yara Chōbyō (later the first Okinawa Governor) (*RSH* 5.04, 15.05. 2000).



5.04.2000; OT 26, 30.07.1998), quite contrary to the ironic label of a “cold pizza” coined for him by the Japanese and foreign media.<sup>289</sup> The prime minister made several rather symbolic decisions in regard to Okinawa, such as organizing the G8 Summit in the prefecture and issuing a new 2000 yen banknote with a picture of the main gate of the Naha Shuri castle.<sup>290</sup> Obuchi generally continued the undertakings initiated by the preceding Hashimoto Cabinet. That included: formulation of the Okinawa Development Plan for the 21st Century and the official approval of another (third) special adjustment fund in December 1999.<sup>291</sup> The latter was in line with the Hashimoto’s financial compensation policy towards Okinawa.

The effects of Obuchi’s undertakings concerning Okinawa wrapped up in the rhetoric of “special consideration” and “utmost efforts” had a deep impact however. Together with the tragic element of his sudden death (May 2000) that happened before the opening of the summit (July 2000) (RSH 2, 5.04. 2000), those undertakings made him in fact one of the most popular prime ministers in the prefecture. Representative of that attitude was the extensive reporting following his death. The *Ryūkyū Shimpō* quoted, for instance, the local prominent figure, the president of the Xerox Okinawa, Kokuba Kōmei saying that it was the Obuchi’s “long-held sentiment for Okinawa that contributed to the decision of organizing the G8 Summit in Okinawa, an act by which he risked his political career.” In another case, the movie director Nakae Yūji praised Obuchi as “a man who really understood the heart of the *Uchinanchū* [the Okinawans]” (RSH 15.05.2000). The Obu-

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<sup>289</sup> The term was coined by John F Neuffer, a political analyst of the *New York Times* (13.07.1998). Neuffer described Obuchi, at the time a front-runner to the post of prime minister, as having “all the pizzazz of a cold pizza,” prompting thereby spate of cold pizza jokes in the Japanese press.

<sup>290</sup> The banknotes had not been much in circulation after all because most of the banks did not adjust their ATMs to accept the bills. With the introduction of new banknotes in 2005, the bill disappeared completely.

<sup>291</sup> The 1st special adjustment fund (SAF) of ¥5 billion was allocated by Prime Minister Hashimoto on 10 Sept. 1996, two days after the prefectural referendum, as discussed in chapter 5. The 2d SAF of ¥1 billion for the northern area of the Okinawa Island (FY 1997 supplementary budget) was allocated by Hashimoto on 17 Dec. 1997 in the wake of the Nago city referendum. The 3d SAF (¥10 billion annually for 10 years) was announced by Obuchi in Dec. 1998 (from FY 1999). The 3d SAF differs in fact in its nature from the 1st SAF that it was used only for new projects formed under the Program for Autonomic Modernization. The 3d SAF has been divided into two main categories of “non-public works” (*hikōkyō jigyō*) and “public works” (*kōkyō jigyō*) both with ¥5 billion budget. The former is subdivided into the “adjustment expenses” (*chōseihi*) and the “projects expenses” (*jigyōhi*). The adjustment expenses go for new projects, and the projects expenses for continuation of the existing ones. In result of such arrangements, the public works and continued projects that otherwise would have to be financed by the regular budget are paid from the 3d SAF. That in addition solves the problem of disusing the allocated funds.

chi's bust was even placed at the site of the Busena Hotel that hosted the G8 Summit to commemorate his devotion to Okinawa, his "second home," as the prime minister often revoked himself (*RSH* 5.04.2000).

In a similar fashion, Obuchi's closest associate, Chief Cabinet Secretary Nonaka Hiromu was expressing his stance towards the prefecture. On the appointment for the concurrent post of the general director of the Okinawa Development Agency on 14 January 1999,<sup>292</sup> Nonaka remarked that being a politician with very "special feelings" for Okinawa, the post was for him a great honor, but also that he felt heavy responsibilities awaiting him (*RSH*, 15.01.1999). On the first official visit to Okinawa Nonaka confessed alike, "I have lived my life in a close relation to and deeply involved with Okinawa ever since 1962, when I first set my foot on the Okinawan soil, still under the [American] occupation at that time. And since I have been appointed the [ODA] director general, I want to walk hand in hand with you, and would consider it a divine blessing if I could share your joy and sadness, your joy and frustration" (*RSH* 10.04.1999).

The rhetoric of "special consideration" and "utmost efforts" already employed by the Hashimoto Cabinet reached its apogee under the Obuchi administration. Such language only, needless to say, is not sufficient to influence public opinion or change attitudes completely. Such rhetoric though supported by a substantial financial assistance that in itself could be perceived as "a buy off" and thereby offensive,<sup>293</sup> can create a sense of obligations toward the "benefactor," namely, the central government. Indicative of such attitude was the preparations for the G8 Summit before which Tokyo was concerned that the anti-base groups would stage demonstrations trying to appeal to the international public. The central government early discounted the possibility of putting the base issue on the summit agenda (*Dai 147 kai Kokkai Shūgiin Gaimu linkai giroku* no. 2, March 2000: 14-15). The government called upon the local residents and politicians to "bring a success" to the summit (*RSH* 15.03.2000), not forgetting to mention financial support for local economic development on such occasions.<sup>294</sup> The news of

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<sup>292</sup> Nonaka became the ODA director in result of the first Obuchi Cabinet reshuffle on 14 Jan. 1999 that brought into the coalition the Liberal Party. That created the first in 15 years a coalition of two conservative parties (the last was in Dec. 1983 under the second Nakasone Cabinet between the LDP and New Liberal Club).

<sup>293</sup> In spite of the rhetoric of "special consideration," the anti-base, peace and other citizens groups regarded the central government's financial assistance as a "buy off" (*OT* 15.02.1998; Takahashi 2001; Akiyama 2000: 246-247).

<sup>294</sup> In March 2000, for example, the administrative vice minister from the Home Affairs Ministry, Futahashi Masahiro visited the prefectural government and municipalities asking for cooperation during the summit. Futahashi assured also of the government's financial support for the economic development (*RSH* 15.03.2000).

Obuchi's sudden hospitalization brought the sense of "indebt" to a surface, as exemplified by the statement of China Yōji, the chairperson of the Okinawa Employers Association. "We absolutely have to make the summit a success and show it to Mr. Obuchi when he recovers. That's the *ongaeshi* [repay for one's kindness]" (*RSH* 5.04.2000). In the end, although the anti-base and peace groups organized several protests and demonstrations, the summit did proceed without disruptions.<sup>295</sup>

In spite of Obuchi's pledges of "special consideration" and "utmost efforts" to resolve the Okinawa issue, and in spite of the prefectural efforts to arrange a meeting between the governor and the new prime minister, Obuchi continued the strategy started by the previous cabinet of blocking all the contacts with Governor Ōta.<sup>296</sup> The prime minister and the LDP were expecting the victory of its candidate in the upcoming gubernatorial election, and thus awaiting a more "cooperative" governor to take over the office and solve the base relocation issue.

## 2. Change of the Prefectural Policy under the New Conservative Governor

The political climate favorable to the central government began when Inamine Keiichi (b. 1933), a prominent local business person, won the gubernatorial election on 15 November 1998. In the electoral campaign Inamine advocated "administration with practical approach to problems," and improvement of relations with the central government. Inamine, in other words, emphasized the importance of "re-establishing the pipe" with the central government for channeling the financial resources, necessary to boost the ailing prefectural economy (*OT* 22.09, 7.10.1998). Inamine also pledged: reopening of the meetings of the Okinawa Policy Council, formulation of the Okinawa Development Plan for the 21st Century, creation of a

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<sup>295</sup> The anti-base groups staged various events during the summit to protest against the military bases. The biggest was Human Chain to Surround the Kadena Air Base (*Kadena kichi hōi kōdō*) that gathered 21,000 people. The demonstrations were peaceful however, and did not influence proceedings of the summit.

<sup>296</sup> Before the gubernatorial election, Yoshimoto asked by Ōta, tried to arrange a meeting for the governor and the prime minister, but the Chief Cabinet Secretary Nonaka whom Yoshimoto approached, refused any mediation. According to Yoshimoto, Ōta declared even readiness to accept the relocation of the Naha port to Urasoe city. The LDP officials were sure at that time that their candidate, Inamine Keiichi would win the upcoming election, and thus not willing to negotiate (Yoshimoto 2001). Moreover, also the vice governors and the treasury requested the central government officials several times for opening of the OPC, and a meeting between the prime minister and the governor (*RSH* 31.01. 1998).

new economic promotion law to substitute the Okinawa Special Measures Law (ending in 2001), and requesting the selection of Okinawa for the G8 Summit. All of these pledges required close cooperation with the central government. In regard to the military bases, Inamine vowed resolution to their problems, but at the same time consented to the Futenma Air Station relocation within the prefecture. The new governor added to it a fifteen-year-use condition to sooth the impression of a complete acceptance of the military bases, and arguably also to maintain a bargaining card vis-à-vis the central government.<sup>297</sup>

The Inamine's camp, quietly assisted from behind by the central authorities (still remembering the lesson drawn from the Nago city referendum) staged a successful modern style campaign (Yoshimoto 2001). It targeted the biggest group of the non-aligned voters, particularly of younger age that did not experience the Pacific War or American occupation, and was most concerned about the jobs' security (OT 1, 12, 22.11.1998). The anxiety about the latter was politically significant because the unemployment in the prefecture reached its highest level since the reversion (9.2% in Aug. 1998) (RSH 7.10.1998). The Inamine's emphasis on the necessity of governmental assistance to tackle the situation found thereby a receptive audience (OT 2.11.1998). Moreover, as the local business leader, Inamine presented himself as politically "neutral" (in spite of the LDP and New Frontier Party's nomination), claiming allegiance to the "prefectural citizens party" (*kenmintō*). Such image positively contrasted with the highly ideological, anti-base Ōta, who was supported by the progressive parties.<sup>298</sup> Moreover, having served as one of the Ōta's chief advisors on several deliberative committees (e.g., the Discussion Group for International City of OKINAWA, Tanaka Committee, Shimada Group),<sup>299</sup> Inamine seemed to guarantee continuation of policies initiated by the Ōta administration,<sup>300</sup> but without the ideological tinge to it.

<sup>297</sup> The new facility (but not a heliport to which Inamine objected) was to be used by both the military aircraft and the private airlines for 15 years, after which the airport was to be returned back to the city. The reasons behind the 15 year limit were rather vague. Inamine stated that that was the period, which the local citizens would accept (RSH 22.09.1998). Because of the lack of concrete answers on the subject, one can speculate that the 15-year limit was probably related to the deadline set by the Project for Return of the Military Bases (2015) for the total base withdrawal.

<sup>298</sup> Ōta was nominated by the SDP, the Communist Party, the Okinawa Social Masses Party, the Democratic Party and the Freedom Alliance (*Jiyū Rengō*) (OT 5, 16.11.1998).

<sup>299</sup> Inamine supported the all-Okinawa FTZ scheme.

<sup>300</sup> Yoshimoto commented in fact that the difference between the socio-economic policies for Okinawa under the Ōta and Inamine administrations laid not in the content of the policies *per se*, but in the assumption about necessity of the returns of the military bases for the realization of those policies (Yoshimoto 2001, Higa 2000).

Consequently, Inamine won the election by a safe margin of 37,464 ballots, gaining the total 374,833 (52.4%) votes in comparison to 337,369 (47.2%) for Ōta, at the turnout of 76.54 percent. Ōta in fact increased the total number of votes in comparison to the previous election in 1994 (330,601 or 60.3%). The mobilization of voters by the Inamines' camp – carried by influential local business and industry groups – in addition to difficult economic situation in the prefecture, proved more effective.<sup>301</sup>

**Unblocking the Local-Central Contacts.** The change of prefectural administration from the “uncooperative” Ōta to the “realistic” Inamine was welcomed by the LDP. It was considered to open “new prospects” for the resolution of military base problems, especially the relocation of the Futenma Air Station (to Henoko in Nago city) and the Naha military facilities (to Urasoe city) (Dai 144 kai Kokkai ni okeru kokumu daijin no enzetsu ni taisuru Muraoka Kenzō kun no shitsugi Nov. 1998: 9-10; *RSH* 18, 24.11.1998; *OT* 19.11.1998). The central government promptly lifted the ban on the governor. Just two days after the election, on 17 November 1998, Inamine met with the top official in charge of the Okinawa policies, the director general for Okinawa Affairs in the Cabinet Internal Affairs Office, Adachi Toshio. A week later, on 24 November, the new governor met with Prime Minister Obuchi, Chief Cabinet Secretary Nonaka, and Deputy Cabinet Secretary Suzuki Muneo. At the meetings, Inamine submitted a list of requests, which constituted the bulk of his electoral vows (*RSH* 25.11.1998). The execution of these pledges was agreed to be crucial for both the prefectural and central governments for achieving their goals: improvement of local economic situation and the military base relocations respectively.<sup>302</sup>

The next step undertaken by the central government was to end the thirteen-month standoff and reopen the Okinawa Policy Council. The ninth OPC session was conveyed less than a month after the election, on 11 December 1998. Governor Inamine presented there a six-item request list for the urgent economic measures: (1) construction of necessary facilities within the FTZ to attract new companies (e.g., manufacturing plants for lease); (2) reduction of Okinawa highway toll fees; (3) reduction of the communication costs to support the information and communication industries; (4) reduc-

<sup>301</sup> Governor Inamine secured his position even stronger when in result of the first prefectural assembly election under the new governor, held on 11 June 2000, the conservative block gained majority of 27 seats, increased later to 30 seats when the New Komeitō joined the forces with the LDP Okinawa.

<sup>302</sup> In the meeting between Chief Cabinet Secretary Nonaka and Kakazu Chiken representing the group of the Okinawa LDP Diet members, the two agreed that any failure in delivering socio-economic policies by Governor Inamine would work as a minus factor for the central government as well (*OT* 16.12. 1998).

tion of airfare; (5) creation of a support system for businesses “producing software”; and (6) establishment of a graduate school in Okinawa. All of the requests required only budget allocation (and no structural changes), and were later incorporated into the Okinawa Development Plan for the 21st Century (OSK Jan. 2001).

In response to the governor’s requests, the Chief Cabinet Secretary Nonaka promised their prompt realization, reconfirmed later by Prime Minister Obuchi, who exceptionally attended the OPC meeting (*RSH* 11.12.1998). Obuchi also assured about the allocation of first ten billion out of the hundred billion yen special adjustment fund (3d SAF) for Okinawa in the FY 1999.<sup>303</sup> The government kept its promises. In consequence, the budget draft presented by the Ministry of Finance on 21 December 1998 included appropriations for all requested items.<sup>304</sup> Furthermore, in addition to the prompt realization of the governor’s requests, the annual budget “revival negotiations” proved very successful for the prefecture. At the talks between the ODA director general, Inoue Kichio<sup>305</sup> and Finance Minister Miyazawa Kiichi, held on 24 December 1998, the final sum for Okinawa rose to 328.2 billion yen making it a 4 percent increase in comparison to the previous year. (*OT* 26.12.1998) That included a 4.3 percent rise in public works, which significantly outpaced the national average of 2.8 percent.

Following the approval of the budget, several top governmental officials led by Chief Cabinet Secretary Nonaka visited the prefecture between 26 and 28 December 1998 to brief various interest groups on the newly approved financial measures. In order to sooth the impression that the government was trying to buy off the locals, the chief cabinet secretary in a meeting with the representatives of the four municipalities surrounding Futenma Air Station assured the residents that the government had “no intention of hurting their feelings with the piles of banknotes.” In spite of such pledges, the fact was that the central government needed to settle down the issue of the Futenma and other military base relocations, for which local approval was a prerequisite. The best way to win such approval was thought to be via economic assistance, particularly the financial compensation. The compensation policy was put in full practice during the year

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<sup>303</sup> The prime minister had officially confirmed financial and other special measures for Okinawa at the plenary session of the House of Representatives on 30 Nov. 1998, although without specifying the sum (*Dai 144 kai Kokkai ni okeru kokumu daijin no enzetsu ni taisuru Muraoka Kenzō kun no shitsugi*, Nov. 1998:12).

<sup>304</sup> Some of the items were financed only partially by the central government: 8/10 for item (1) that totaled ¥1.57 billion; 8/10 (incubating facilities) and 6/10 (industry supporting institutions) for item (5) that totaled ¥881 billion (OSK April 1999a).

<sup>305</sup> Inoue served as the ODA director general in the first Obuchi Cabinet between 30 July 1998 and 14 Jan. 1998. The post was passed then to Nonaka Hiromu.

following the election of the new governor. That included formation of the Okinawa Development Plan for the 21st Century financed by the third special adjustment fund discussed below. By the end of 1999, such policy of financial compensation seemed to start bearing fruit.

### 3. The Quid Pro Quo Agreement on the Relocation of the Military Bases

On 15 October 1999, the prefectural Assembly passed the Resolution Request for the Prompt Intra-Prefecture Relocation of the Futenma Air Station (*Futenma hikōjō no sōki kennai isetsu ni kansuru yōsei ketsugi*) by a majority vote (25 vs. 19). The Resolution designated Henoko (Camp Schwab) in Nago city as a relocation site for the Futenma Air Station.<sup>306</sup> On 22 November 1999, three days after the OPC meeting, during which the government informed about allocation of the third special adjustment fund and various economic projects for the northern region, Governor Inamine announced his decision to approve Henoko as the relocation site.<sup>307</sup> Inamine conveyed his decision to Nago city mayor, Kishimoto Tateo, who on his part concurred to the plan on 27 December 1999. In response to the approvals by the local executives, which were strongly supported by local business groups (*OT* 28.12.1999), and in response to multiply local petitions for economic development,<sup>308</sup> the Cabinet adopted the Government Policy on the Futenma Air

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<sup>306</sup> The resolution was passed in spite of the local opposition. On the same day, 15 Oct. 1999, twelve members of the Nago city assembly submitted a Declaration Demanding Abandoning of the Substitute Base Construction in Nago Area (*Nago chiiki e no daitai kichi kensetsu dannen o motomeru seimei*) to the prefectural government and the assembly. The Nago City Assembly in fact rejected the Resolution on the Prompt Construction of a New Airport in the Northern Area (*Hokubu chiiki e no shinkūkō sōki kensetsu ni kansuru ketsugian*) by a majority (20 vs. 8) on 27 Sept. 1999. Similarly, other municipalities rejected resolutions requesting construction of the alternative facility for Futenma or passed resolutions explicitly opposing the relocation: Henoko Ward (*ku*) on 24 Sept., Kushi Ward on 27 Sept., and Toyohara Ward on 30 Sept. – the three wards in the closest proximity to the relocation site (*OT* 17.10.1999; Takahashi 2001: 221-263, 440-449).

<sup>307</sup> Already on 29 Jan. 1999 at the OPC meeting, Governor Inamine officially declared its approval of the relocation of the Naha military facilities to Urasoe city (*OT* 29.01.1999), although the Urasoe city mayor maintained his opposition to the relocation (*OT* 29.01.1999 ev. ed.).

<sup>308</sup> On 2 Dec. 1999, the prefecture submitted to the central government Request for Economic Promotion of the Northern Area (*Hokubu chiiki no shinkō ni tsuite no yōbōsho*) and on 13 Dec. the same year, Request for Economic Promotion of the Relocation Site and Surrounding Areas, Following the Relocation and Return of the Futenma Air Station (*Futenma hikōjō isetsu, henkan ni tomonau dōhikōjō isetsusaki oyobi shuhen chiiki no shinkō ni kansuru yōbōsho*). The approvals by the prefectural and municipal governments of the relocation, supported by the

Station Relocation (*Futenma hikōjō no iten ni kakawaru seifu hōshin*) on 28 December 1999.<sup>309</sup>

The Government Policy, promising “special consideration” for security of the citizens and for the natural environment, pledged promotion of economic development of the northern region on the Okinawa Island. This particularly concerned the areas and municipalities surrounding the designated site for the relocation. The Government Policy promised also to foster the redevelopment of the land returned from the military bases. The document, in other words, officially confirmed governmental assistance in exchange for the approval of the intra-prefecture relocation. The promise was repeated by the prime minister in the general policy speech at the plenary session of the House of Representatives on 28 January 2000 (Dai 147 kai Kokkai ni okeru Obuchi naikaku sōridaijin shisei hōshin enzetsu Jan. 2000: 4).

The finalization of the relocations issue, and other policies concerning Okinawa, was left however to the consecutive cabinet of Mori Yoshirō that took over after Obuchi’s sudden hospitalization in April 2000.<sup>310</sup> In regard to the Okinawa Development Plan for the 21st Century discussed below, the new cabinet had little impact on its outcome. For the policy formation process, which was supervised by the central bureaucracy, with the local interest groups making the last requests for particular programs and projects, was approaching its finalization by August 2000.

#### 4. National Policy Making of the Local Policy

The formation of the Okinawa Development Plan for the 21st Century, which Inamine pledged in the electoral campaign, became the next item that the central government realized, following reopening of the OPC meetings. The decision to start the formation process came from the prime minister

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local business groups, were opposed by many citizens groups. This pattern of conflict continued until at least the end of 2006. For a list of the relocation approvals by the prefectural and municipal authorities on one hand and protests by citizens groups on the other, see Takahashi (2001: 440-449).

<sup>309</sup> Following the cabinet decision, the central government created several deliberative councils to hold direct talks on the relocation issue and economic policy for local communities: Alternative Site Council (Daitai Shisetsu Kyōgikai), Relocation Site and Surrounding Areas Promotion Council (Isetsusaki Oyobi Shuhen Chiiki Shinkō Kyōgikai), Returned Military Land Policy Council (Atochi Taisaku Kyōgikai), and the Northern Region Promotion Council (Hokubu Shinkō Kyōgikai), which relatively lessened the role of the prefectural government.

<sup>310</sup> Prime Minister Mori promptly declared continuation of the Obuchi policies and the “utmost efforts” for the resolution of the Okinawa base and economic problems (Dai 147 kai Kokkai ni okeru Mori naikaku sōridaijin shisei hōshin enzetsu April 2000: 2).



and other politicians concerned about the issue of the intra-prefecture military base relocation. The final policy outcome resulted from the interplay of two main factors, such as the power of the central bureaucracy over the routine policy making, and the lack of political will of the new governor to pursue purely locally-initiated policies.

The formulation of the Okinawa Development Plan for the 21st Century was supervised by the central bureaucracy. The prefectural requests for various projects consisted only of the distributive policy proposals and did not necessitate political leadership beyond the budget appropriation. Consequently, the LDP Okinawa Special Research Council, which orchestrated the decision making process on the airfare reduction and the FTZ plan, in the policy formation of the Okinawa Development Plan for the 21st Century played only a minimal role of a medium for forwarding local requests.<sup>311</sup>

The bureaucracy-led policy process involved multiplying of policy initiatives within the already secured budget of the third special adjustment fund and the policy framework created by the Program for Autonomic Modernization. The participation of the local actors was limited to petitioning for particular items. That sharply contrasted with the corporatist mode of decision making over the projects funded by the first special adjustment fund (see chap. 5). The Okinawa Development Plan for the 21st Century became the re-assemblage of the Program for Autonomic Modernization under a new name. The most radical part of the special measures was refracted (see chap. 7),<sup>312</sup> and many projects were incorporated into the new plan from among those already in implementation.<sup>313</sup>

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<sup>311</sup> The LDP Okinawa Special Research Council was in diapause since Nov. 1997 till mid 1999. On 16 March 1999, the LDP Okinawa requested the Chief Cabinet Secretary Nonaka Hiromu and the chair of the LDP Okinawa Special Research Council and the LDP Secretary General Mori Yoshirō to convey hearings on the plan by the LDP Okinawa Special Research Council (*OT* 16.03.1999 ev. ed.). The hearings were scheduled for May that year, but already on 23 April 1999 the LDP Okinawa presented the requests (expansion of the FTZ system, development of the Naha port into international port, legal framework for the military land redevelopment, etc.) for the Okinawa Development Plan for the 21st Century to the chairperson Mori (*OT* 24, 28.04.1999). The next meeting by the LDP Okinawa Special Research Council was held on 20 Oct. 1999 and concerned inclusion of the development policies for the northern area into the Okinawa Development Plan for the 21st Century (*OT* 19, 21.10.1999).

<sup>312</sup> The local requests contained also clauses for audacious measures (e.g., tax and customs systems, expansion of the FTZ, establishment of a special independent institution to manage the zone) (*OT* 26.04. ev. ed., 25.10.1999).

<sup>313</sup> *OT* 23.04.1999. For instance, (a) the Research for the Promotion of the Okinawa International Shopping Mall Concept (MITI) under the 1st SAF was continued as the Promotion of the International Shopping Mall Concept (MITI) in the Okinawa Development Plan for the 21st Century; (b) the Feasibility Research on International Distribution Port in Okinawa (MOT, ODA) – as the Development of the Naha Port (CO, MOLIT); (c) the Research on the Naha Airport Future Prospects (MOT, ODA) – as the Development of the Naha Airport (MO-

The Chief Cabinet Secretary Nonaka declared government's readiness to begin full scale proceedings for the formulation of the Okinawa Development Plan for the 21st Century at the tenth OPC meeting held on 29 January 1999 (the second OPC after Inamine's nomination).<sup>314</sup> The Okinawa Development Plan for the 21st Century was to follow the general policy set by the former Prime Minister Hashimoto on 21 November 1997 in the Prime Minister Address. The Address pointed out to four main areas of development that followed the All-Okinawa FTZ Plan and related documents (see Tab. A-5): (1) the processing and trading oriented industries (through the FTZ); (2) tourism and resort type of industries; (3) information and communication industries; and (4) international study and research exchange. In addition, the plan was to include new requests from the prefecture.

The title of the plan – Okinawa Development Plan for the 21st Century – was to suggest relation to the Program for Autonomic Modernization (which was subtitled *21 seiki: Okinawa no gurando design no jitsugen ni mukete* or Toward realization of the grand design for Okinawa in the 21st century), although the former proposed policies only for the industrial promotion. The new plan, especially in its abbreviated form – the 21st Century Plan (*21 seki puran*), which was commonly used by the governmental officials, general public and the media – created a strong impression of a comprehensive framework on a scale of the Program for Autonomic Modernization.<sup>315</sup>

The formulation of the Okinawa Development Plan for the 21st Century, as declared by Chief Cabinet Secretary Nonaka, was to proceed “in a close cooperation with the prefecture” (*Dai 145 kai Kokkai Shūgiin Yosan linkai giroku* no. 8, Feb. 1999: 28-29). In spite of the pledges, no institutionalized forums were created or utilized, such as sections and project teams of the OPC for the two sides to discuss and jointly generate the proposals, as was the case with the projects financed by the first SAF. In order to present local ideas for the new plan, the prefectural government had to request a special meeting with the central government. On 17 March 1999, Vice Governor Makino Hirotaka met with the ODA officials, the General Affairs Bureau

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LIT); or (d) the Research for the Promotion of the International Convention City Formation (MOT) – as Attracting International Conventions (Cabinet Office, all ministries). The names of the supervising ministries changed due to administrative reforms introduced from Jan. 2001 (see the abbreviation list for the old and new names of the ministries and Fig. A-2).

<sup>314</sup> In the House of Councillors Budget Committee on 23 Feb. 1999, Nonaka stated that the Cabinet Internal Affairs Office had already requested related ministries “to cooperate” on matters concerning formation of the Okinawa Development Plan for the 21st Century on 22 Feb. that year (*Dai 145 kai Kokkai Sangiin Yosan linkai kaigiroku* no. 3, Feb. 1999: 33).

<sup>315</sup> See for example, statement by a Diet member from the Okinawa district, Uehara Kōsuke (*Dai 145 kai Kokkai Shūgiin Yosan linkai giroku* no. 8, Feb. 1999: 28-29; OT 18, 21.02.1999).

Director Tamashiro Kazuo and Promotion Bureau Director Osoda Masanori, and with the Okinawa Affairs Director General Adachi Toshio from the Cabinet Internal Affairs Office (OT 18.03.1999). The presence of the ODA top administrative officials indicated that the policy process was being transferred back to ODA, namely to the “bureaucratic supervision” from under the “political supervision” carried by the projects teams of the OPC during the Ōta administration.<sup>316</sup> The discussion at the meeting focused on “creating a common perception of the Okinawa economic promotion in the 21st century, both in regard to the economic and political aspects,” as commented by the vice governor, but not yet on concrete projects (OT 18.03.1999).

## 5. Local Participation in the National Policy Making Process

Some of the specific requests for the Okinawa Development Plan for the 21st Century were delivered by Governor Inamine, municipal officials and local business groups to Chief Cabinet Secretary Nonaka during his first official visit to Okinawa as the concurrent ODA director general in the beginning of April 1999.<sup>317</sup> The bulk of the prefectural requests were then formulated into the Basic Position on the “Okinawa Development Plan for the 21st Century” (*“Okinawa keizai shinkō 21 seiki puran” ni kansuru komponentekina kangaekata*) approved by the governor and vice governors on 22 April 1999 (OT 23.04.1999). The document was submitted to the secretaries meeting of the OPC on 23 April, and the eleventh OPC session on 26 April.<sup>318</sup>

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<sup>316</sup> Although formally the Cabinet Internal Affairs Office was still in charge of the Okinawa Development Plan for the 21st Century, the two institutions had very different perspectives on the nature and content of the plan. The role of the Office was to coordinate the work carried by the particular ministries (OT 21.02.1999).

<sup>317</sup> At that point, the request list still included a clause of the “execution of the Program for Autonomic Modernization and its incorporation into national plans. Other items included: (1) organizing the G8 Summit in Okinawa; (2) creation of new institutional arrangements for the execution of the Okinawa Development Plan for the 21st Century; (3) solution of problems related to the military bases; (4) financial and institutional support for the prompt military land returns; (5) provision of administrative and financial measures for the execution of the Third Okinawa Promotion Plan; (6) countermeasures for urgent problems of: (a) employment, (b) Shimada Group’s projects, (c) development of Naha port infrastructure, (d) realization of the Multimedia Island Concept, (e) designation of the tourism zones, and (f) establishment of national higher education institutions (RSH 10.04.1999).

<sup>318</sup> At the meeting, the ODA Director General Nonaka informed also about the preparations of the Interim Report of the Okinawa Development Plan for the 21st Century scheduled for mid June of that year (RSH 27.04.1999). Three days after the meeting, on 29 April 1999, the government announced its decision to hold the 2000 G8 Summit in Okinawa.

The general framework of the Basic Position on the “Okinawa Development Plan for the 21st Century” did not differ from the earlier prefectural proposals, particularly the All-Okinawa FTZ Plan (i.e., Tab. A-5). It contained the four main specific policy directions: (1) creation of the new industries suitable for the 21 century; (2) training and securing of human resources; (3) development of the infrastructure to support industrial activities; and (4) balanced development of the prefectural land. Under the (1) item of creation of new industries, eight areas were specified as particularly important: (a) the FTZ, (b) the international tourism and final destination type of resorts, (c) information and communication businesses (Multi Media Island Concept), (d) research, technology and development, scientific and cultural exchange, (f) environment (Environmental Coexistence Model Zone), (g) subtropical agriculture, forestry and fisheries, (h) creation of new businesses with a supporting system for them, and (i) the employment and vocational training.

The submission of the Basic Position on “Okinawa Development Plan for the 21st Century” and the aforementioned meeting of the vice governor with the central government officials *de facto* finalized the “consultation” process between the prefecture and Tokyo. A similar pattern of forwarding the petitions took place within the prefecture prior to the formation of the Basic Position on “Okinawa Development Plan for the 21st Century” between the prefectural officials and the local interest groups.<sup>319</sup> The prefecture held one meeting before formation of the Basic Position with the representatives of one of the most influential local peak associations, the Okinawa Prefecture Economic Groups Council (chaired by Sakima Akira) on 9 February 1999.<sup>320</sup> During the meeting, the prefecture officials briefed on the discussions held at the OPC in regard to the plan, and the business representatives presented their requests. The latter included the promotion of tourism and of agriculture, and the support for the small and medium size enterprises.<sup>321</sup>

<sup>319</sup> In addition to the Okinawa Prefecture Economic Groups, the Okinawa Prefecture Central Association of Agriculture Cooperatives (chaired by Tamanaha Seiji) petitioned the prefectural government for particular projects for the local agriculture (OT 16.04.1999).

<sup>320</sup> The meeting was attended by Governor Inamine, Vice Governors Ishikawa Hideo and Makino Hirotaka, the Treasury Higa Shigemasa, Policy Coordination Office Director Hanashiro Kachō and the head of the Planning and Development Department Miyagi Masaharu (RSH 10.02.1999; OT 10.02.1999).

<sup>321</sup> The Council was strongly in favor of the introduction of the prefecture-wide FTZ proposed by the All-Okinawa FTZ Plan. It requested anew execution of the FTZ special measures on a scale of “one country, two systems,” and voiced their anxiety about scrapping the Program for Autonomic Modernization by the new administration. Vice Governor Makino responded to those requests with reassurance of continuation of the earlier policies (OT 6.04.1999). Another meeting between the prefectural government and the Okinawa Prefecture

The two other meetings between the prefecture and the Okinawa Prefecture Economic Groups Council took place on 5 and 12 April 1999. During the former meeting, the prefecture explained the content of the draft of the Basic Position on "Okinawa Development Plan for the 21st Century" (OT 6.04.1999). During the latter meeting, the prefecture explained the final document of the Basic Position (OT 23.04.1999), which included items requested earlier by the Okinawa Prefecture Economic Groups Council. The petition process, namely of forwarding requests for particular projects to the related ministries and the party organs by the prefecture and other interest groups, was to continue till August 2000. The main formulation process ended however with the release of the interim report in June 1999 (Fumoto 2004f).

**The Policy Outcome.** The Interim Report of the Okinawa Development Plan for the 21st Century, officially released on 23 June 1999, was presented at the twelfth OPC session one week later, on 29 June. With the exception of the final chapter of Future Programs (*kongo no torikumi*) that incorporated some of the policy initiatives formed in response to the developments concerning the relocation of the Futenma Air Station – the interim report remained verbatim the same in the final report announced in August 2000.

The basic objectives (*kihon rinen*) of the Okinawa Development Plan for the 21st Century, modeled after the Modernization Projects (i.e., Tab. A-5), proposed: (1) creation of the self-standing economy; (2) creation of a region that would contribute to the entire society and economy of Japan; (3) creation of the exchange hub for the Asia Pacific region; and (4) balanced resolution of the base and economic development issues. The plan named four groups of leading industries, as formerly proposed in the All-Okinawa FTZ Plan: (a) the processing and trading industries (FTZ), (b) tourism and final destination type resorts, (c) information and communication, and (d) agriculture, forestry and fisheries.

The policy initiatives proposed in the Interim Report of the Okinawa Development Plan for the 21st Century were included by the Cabinet Internal Affairs Office in the budget draft disclosed on 21 August 1999. Furthermore, the Implementation Situation of the Interim Report of Okinawa Development Plan for the 21st Century presented at the OPC thirteenth session on 19 November 1999 showed that, out of total 82 projects, 58 were allocated funds (under the 3d SAF) and included in the fiscal year 2000 budget (OSK Nov. 1999). Many of the items included in the plan were how-

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Economic Groups Council was held on 4 Sept. 1999, at which the Okinawa Development Plan for the 21st Century Interim Report was explained by the prefectural office (OT 5.09.1999).

ever to be partially self-financed by local government (differing in this respect from the 1st SAF), which in total increased the financial burden pun on the prefecture.<sup>322</sup>

The final report of the Okinawa Development Plan for the 21st Century, brought to conclusion under the new Mori Cabinet and submitted at the fifteenth OPC session on 25 August 2000, listed total 97 projects.<sup>323</sup> Out of the 97 projects, 88 (around 90%) had been allocated funds by January 2001 as reported in the Implementation Situation of the Okinawa Development Plan for the 21st Century presented at the sixteenth OPC session on 16 January 2001. The Okinawa Development Plan for the 21st Century approached thereby its final stage. It has to be noted that many particular items included in the plan were continued in various forms,<sup>324</sup> financed by the 3d SAF (10 billion yen annually for ten years).

The Okinawa Development Plan for the 21st Century thus came to its final stage. The analysis of the policy process of the Plan revealed that it was shaped by politics, namely, by the need of the central government to secure military base relocation within the prefecture. The Okinawa Development Plan for the 21st Century was, in other words, intended as a political tool for inducing local approval of the intra-prefecture base relocations. When Governor Ōta defied the central authorities by refusing the relocation, the formulation of the plan was suspended for thirteen months until the election of a new governor.

Second, the policy process of the Okinawa Development Plan for the 21st Century exposed also the weaknesses of the corporatist arrangement for the local policy making, the OPC. The analysis showed that the actual functioning of the Council that was in words of Prime Minister Hashimoto to assure “equal voice” for the prefecture and the central government over the local policy – depended, in fact, on the political will of the national and of the local leaders. In the absence of their will, the OPC was placed under

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<sup>322</sup> The burden for financing the projects under the 3d SAF of the non public-works that take half of the fund (¥5 billion) by the prefecture in FY 2002 reached ¥478 million, in FY 2003 – ¥569 million, and in FY 2004 – ¥552 million (OSK (a) Sept. 2002; (b) Dec. 2002; (c) April 2003; (d) Dec. 2003; (e) April 2004; (f) Nov. 2004).

<sup>323</sup> Among new items, five were included under the program of the International Information Special Zone (*Okinawa kokusai jōhō tokku*) and other five under the program of the Zero Emission Island of Okinawa (*Zero emission airando Okinawa*).

<sup>324</sup> See for instance, the Research on the Naha Airport Future Prospects (*Naha kūkō shōrai tenbō chōsa*) formulated under the 1st SAF (MOT, ODA, ¥40 million), evolved through the Naha Airport Development (*Naha kūkō no seibi*) under the Okinawa Development Plan for the 21st Century (MOLIT, CO) into the Investigative Research for the Strategic Usage of Naha Airport (*Naha kūkō no senryakuteki katsuyō hōsaku kentō chōsa*) under the 3rd SAF (MOLIT, ¥44 million in FY 2003) (OSK: April 1999b, Jan., Dec. 2003).

the supervision of the bureaucracy and the policy proposals were formulated in the intra-ministerial agencies. In result, the Council was transformed into the “petition and request place” (*chinjō, yōbō no ba*) (Kōzuma 2004), as portrayed by a statement made by Governor Inamine at the eleventh OPC session on 26 April 1999. The governor stated there that in regard to the implementation of one of the projects (*Nahawan kokusai ryūtsū kōwan keikaku chōsa* or Research Study for the Plan to Make Naha Port the International Distribution Port) requested already at the tenth OPC meeting on 29 January 1999, he was planning to petition the concerned ministries directly. The governor explained that the procedures through the OPC were taking too long, and that there were major problems in obtaining a necessary budget (*RSH* 27.04.1999). The Inamine’s statement revealed that the very reason for which the OPC was created, namely, the exercise of political leadership for overcoming the problem of administrative sectionalism – became devoid of substance.

In the end, the Okinawa Development Plan for the 21st Century that allowed various ministries to easily secure budget for the Okinawa related projects under their jurisdiction, most importantly, created the image of the government’s “utmost efforts” for solving the Okinawa problems. The plan substituted the powerful symbol of the Program for Autonomic Modernization by a government-sponsored Okinawa Development Plan for the 21st Century, bringing thereby the Program for Autonomic Modernization to its termination.

## Conclusions

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Okinawa's search for a new type of autonomy in the 1990s resulted in the formulation of the Program for Autonomic Modernization. This long-term comprehensive development program envisioned Okinawa's future as a free trade zone area. The local initiative was without precedence and unexplainable in light of existing theories of local-central relations in Japan that assumed a passive role of local governments in the comprehensive planning of regional development. The hypothesis set forth in this thesis posited that it was the processes of globalization and regional integration in East Asia, as well as domestic trends for decentralization that greatly influenced the initiation of the local development program.

The analysis in the preceding chapters demonstrated that local actors involved in policy making did, indeed, perceive globalization and regional integration in East Asia as a new means of regional development, such as the cross-border exchange through the FTZ. The domestic trend for local decentralization, on the other hand, served them to justify the execution of the local program in negotiations with the central government. Interestingly, the central government, although it initially resisted implementation of the local policy, especially in the area of deregulation, later assimilated those initiatives in a way that brought them under the supervision of the central administrative organs. This pattern of reform – namely, the gradual introduction of deregulation and other measures under the supervision of the central ministries – might exemplify the pattern of ongoing structural reform in Japan. Further research, however, would be needed to test the validity of this hypothesis.

### Factors and Patterns in the Japanese System of Decision Making

**The Local Level.** On the micro level, the Program for Autonomic Modernization – comprised of the Project for Return of Military Bases, the Deregulation Project, the Modernization Projects and the All-Okinawa FTZ Plan –



was brought about by a confluence of several factors that were grouped into three streams of politics, problems and policy. In addition, those policies were attended by politicians who actively supported them – namely, the “policy entrepreneurs” (see Tab. 9-1 for a summary of the factors influencing the agenda-setting of each project). The four projects contained in the Program for Autonomic Modernization have important implications for local policy making.

First, it appears that a local government has to possess a “bargaining card” that could be used vis-à-vis the central government to induce the latter to set a local initiative on the national government agenda. Such a necessity results from the centralized system of policy making of regional developments in Japan. Under that system, the execution of locally-initiated policies depends on the financial, legal and administrative support of the central government. The bargaining cards in the period under study were the pending issues concerning military bases (e.g., the refusal of the proxy sign for a lease of military land by Governor Ōta, or the intra-prefecture relocation of the Futenma Air Station). Other issues, however, such as the construction of a nuclear plant or an incineration facility could also become “bargaining assets” for local communities to use in negotiations with the central authorities.

**Table 9-1.** Agenda Setting Factors of the Program for Autonomic Modernization

Policy Stream	Politics Stream	Problems Stream	Policy Entrepreneurs
<b>Local Agenda-Setting</b>			
Program for Autonomic Modernization	Macro-level: globalization and integration in East Asia and decentralization in Japan Micro-level: progressive ideology of new local executive leaders	the need for the return of U.S. military land for economic development	Progressive Governor Ōta Masahide and Vice Governor Yoshimoto Masanori
<b>National Agenda-Setting</b>			
Project for Return of Military Bases	ideology of the ruling party, the SDPJ/SDP public mood (anti-base) focusing event (September 1995 rape)	the refusal of the proxy for military land lease by Governor Ōta	The Socialist Prime Minister Murayama Tomiichi
Deregulation Project	prefectural referendum and elections (prefectural assembly, Lower House) the proxy trial	intra-prefecture relocation of the Futenma Air Station	None
Modernization Projects	prefectural referendum and elections (prefectural assembly, Lower House) the proxy trial	intra-prefecture relocation of the Futenma Air Station	The Conservative Prime Minister Hashimoto Ryūtarō
ALL-Okinawa FTZ Plan	the influence of the SDPJ/SDP and opposition parties	the need to revise the Special Measures Law on Land for the U.S. Military Use	SDPJ/SDP, opposition parties

Second, the existence of national politicians willing to support local policy, or the “national policy entrepreneurs,” seems to be of great significance. Without such support, as demonstrated by the case of the Deregulation Project, which was blocked by the central bureaucracy, the chances for local policy to be set on the governmental decision agenda are slim. The rationale for supporting local initiatives by particular national politicians varies from ideological, partisan or organizational interests, to personal interests. Hence, it is relatively difficult to predict the existence of such support, although the partisan factor, discussed next, might be of some guidance.

Third, the Social Democratic Party played an important role in setting local initiatives on the national agenda – first, as a coalition member, and later as the opposition party. One can therefore assume that a change in the national administration from the long-ruling conservative Liberal Democratic Party to an opposition party, even for a short period, might have a big impact on the planning of regional development, and the local policy initiative in Japan.

**The National Level.** At the national decision making stage, each of the local policy initiatives was shaped by the confluence of various factors (summarized in Tab. 9-2) and followed different patterns of policy making. The par-

**Table 9-2.** Policy Outputs and Patterns of the Program for Autonomic Modernization

Local Policy	Policy Output	Policy Shaping Factors and Policy Making Patterns
Project for Return of Military Bases	Special Action Committee on Okinawa (SACO) Agreement	Prime Minister-led Pattern (1) Intergovernmental decisions of the Japanese and American governments
Modernization Projects	Projects funded by the 1st special adjustment fund	Corporatist Pattern (1) political leadership of the prime minister (to establish the Okinawa Policy Council with specific stipulations of procedures to include local actors) (2) the existence of the Okinawa Policy Council, a corporatist forum for local policy making (3) political will and skills of local executive leaders to initiate policies and pursue their execution at the Okinawa Policy Council
Deregulation Project	Tokyo-Naha Airfare Reduction	Politicians-led Pattern (1) political leadership of the LDP Okinawa Special Research Council (2) the decision making structures of the central government (the <i>zoku</i> , LDP organs, bureaucracy) (3) petition activities of the local interest group
All-Okinawa FTZ Plan	The LDP's All-Okinawa FTZ Plan	The <i>Zoku</i> Politicians-led Pattern (1) the lack of political leadership of the prime minister to counter the power of the <i>zoku</i> (2) the decision making structures of the <i>zoku</i> and LDP organs (3) justification provided by reports prepared by think tanks and deliberative councils (4) the absence of an experienced negotiator on the prefecture's side who could effectively use political pressures to the advantage of local policy

Local Policy	Policy Output	Policy Shaping Factors and Policy Making Patterns
Okinawa Development Plan for the 21st Century	Okinawa Development Plan for the 21st Century	Bureaucracy-led Pattern (1) the routine decision making structure of bureaucracy (2) lack of leadership of local executives to initiate local policies (3) petition activities of the local government and interest groups

ticular factors that shaped the policy output can be grouped into four main categories: (1) the routine decision making structures of the bureaucracy; (2) the “policy tribes” or the *zoku* politicians and the LDP intra-party organs; (3) the political leadership of the prime minister to act in favor of local policy, without which local demands can be ignored (the Deregulation Project) or refracted (the All-Okinawa FTZ Plan) by the vested interests of the *zoku* politicians and bureaucracy; and (4) the existence of experienced local players in negotiations with the central government (e.g., Vice Governor Yoshimoto). The analysis of the Program for Autonomic Modernization indicates that, while the first factor of the routine decision making structures of the central government and the *zoku* politicians blocked or refracted the local policy proposals, the other factors of political leadership of national leaders and the negotiation skills of local executives worked in their favor.

**The Policy-Making Patterns.** The particular patterns of policy making in each of the projects contained in the Program for Autonomic Modernization revealed several interesting features that both confirm and infirm existing assumptions about the Japanese system of decision making. First, the findings related to the analysis of the Project for Return of Military Bases support the premise that the prime minister can influence the policy process by exercising his leadership if the issue is of special importance to him. Also the area of interest, such as defense and foreign affairs, or the U.S. military bases, falls into the category that is assumed to be usually chosen by the prime minister for the advancement of his achievements. The Project for Return of Military Bases, initially supported by Socialist Prime Minister Murayama, after the change of cabinets, was negotiated and decided by Japan-U.S. inter-governmental institutions under the leadership of LDP Prime Minister Hashimoto. The ideological difference of the prime ministers arguably had an impact on the outcome of the inter-governmental negotiations. The degree of that impact, however, cannot be fully evaluated, since it is not possible to know the results of the negotiations if the Murayama Cabinet had stayed in power.

Second, the analysis of the Deregulation Project and the Okinawa Development Plan for the 21st Century showed that bureaucracy indeed exercises substantial influence over the policy process. This was particularly evident in two cases. One was related to the deregulation measures that are of special interest to bureaucrats (since they constitute a source of influ-

ence). The other case concerned low-profile types of policies that do not attract the attention of politicians or the general public, and constitute a part of the routine bureaucratic work. In the case of the Deregulation Project, the central ministries blocked the proposals for deregulation that were contained in the Project. Only one item of the Tokyo-Naha airfare reduction project was executed as a result of the earlier inter-party agreement of the Murayama Cabinet, as well as the activities of the LDP intra-party organ, the Okinawa Special Research Council. It should therefore be noted that when the issues became of interest to politicians, the bureaucrats generally followed their leadership. In the case of the Okinawa Development Plan for the 21st Century, the central bureaucracy dominated the formulation process in the absence of any particular political pressure.

Third, the power of the *zoku* politicians in the area of taxes proved to be substantial. The All-Okinawa FTZ Plan, which proposed such radical measures as the introduction of the prefecture-wide FTZ, was substantially refracted. As a result, only limited-area special zones were created in Okinawa. The refraction was justified by the general principle of unanimity of policies for all local communities in Japan. At the same time, the refractions allowed the maintenance of control over the special zones in the hands of the central government. The decisions regarding the local policy were made by the tax *zoku* grouped in the LDP Research Commission on the Tax System (Tōzeichō), but the decisions were not made unilaterally. The Tōzeichō deliberated the outcome with the Finance Ministry that formally supervised the tax policy. Hence, although the tax *zoku* politicians led the process, their relationship with the bureaucratic officials seemed to have been cooperative and consensual, rather than of a conflicted nature.

In contrast, the analysis of the Modernization Projects revealed a pattern of policy making not previously described in Japanese academic literature – namely, the formation of corporatist arrangements between the central and local tiers of government for policy making of regional development. The corporatist forum established for the formulation of the Modernization Projects was the OPC. The establishment of the OPC thereby initiated a new pattern of policy making or a new type of corporatism, in which one of the sides is a local government.

Furthermore, the analysis of the All-Okinawa FTZ Plan on the local level, and indeed, of the entire Program for Autonomic Modernization, refuted prevailing assumptions about local policy making in Japan in two respects. First, it demonstrated that local initiative in comprehensive local policy making is viable under certain conditions discussed above. Second, it also showed that the nature of that policy process was more pluralistic than on the national level. The reasons for this situation may be related to the fact

that, while on the national level, channels of interaction between the central government and interest groups have become structured and fixed over the years, on the local level, access to local government has been more open due to its innovative character. The second reason might also be related to the fact that building “citizens’ consensus” for the policy was necessary for the local government as a means of legitimizing the local plan vis-à-vis the central authorities. As a result, the policy process in the prefecture, in which a variety of interest groups influenced the content of the policy proposals, contrasted with national patterns of more structured policy making.

The general picture of Japanese policy that can be constructed from the above observations seems to refute the popular perception of Japan being single-handedly controlled by the bureaucracy or the LDP politicians. Whether the system is pluralistic, or if so, what kind of pluralism, cannot be concluded from this one case study. What can be said, however, is that under the centralized system of policy making of regional development in Japan, there exist a variety of patterns that are attended by a variety of actors, although their participation is relatively structured. Furthermore, on the local level, the policy process exhibits more pluralistic characteristics than on the national level.

### **The Assimilation Methods of the Central Government**

The final policy outcomes of the local policy initiatives were also shaped by the assimilation methods of the central government, several types of which have been identified in and summarized in Table 9-3. The application of the methods varied according to the degree of political pressure placed on the central government by the local government and other focusing events (e.g., elections, referendums, incidents), and also the existence of organized interests (e.g., the *zoku* or bureaucracy) that were encroached upon by local demands.

First, the least costly assimilation method of ignoring demands, was used by the central government under low political pressure with respect to the prefectural request for the establishment of a deliberative council to investigate the proposal of the FTZ and other deregulation measures. No serious consequences were expected to follow such a course of action, or in fact, inaction (Bachrach et al. 1963: 632-642, Jenkins 1982: 318-326). The method was utilized to avoid the pressure created by recommendations of such a council. In the end, the prefecture established a special committee on its own, the Tanaka Committee, which recommendations were less binding on the central government.

**Table 9-3. Assimilation Methods**

Assimilation Methods	Cases of Application	Conditions of Application
(1) ignoring the demands	<ul style="list-style-type: none"> <li>request for establishment of a council to investigate the deregulation measures</li> </ul>	<ul style="list-style-type: none"> <li>to avoid pressure created by the council's recommendations</li> <li>applied under low political pressure</li> </ul>
(2) shelving off the policy proposal	<ul style="list-style-type: none"> <li>Deregulation Project (except one item of the Tokyo-Naha airfare reduction)</li> </ul>	<ul style="list-style-type: none"> <li>due to the opposition from the bureaucracy</li> <li>substituted by financial compensation (1st special adjustment fund) for execution of projects that did not require structural changes, which diffused high political pressure</li> </ul>
(3) institutional arrangements	<ul style="list-style-type: none"> <li>Okinawa Policy Council</li> </ul>	<ul style="list-style-type: none"> <li>to place problems under overall governmental control</li> <li>applied under high political pressure</li> </ul>
(4) financial compensation	<ul style="list-style-type: none"> <li>special adjustment funds (Sept. 1996, Dec. 1997, Nov. 1998)</li> </ul>	<ul style="list-style-type: none"> <li>to handle a crisis (prefectural referendum, proxy trial, intra-prefecture base relocations, Nago city referendum, gubernatorial election)</li> <li>to diffuse high political pressure without addressing local demands</li> <li>various strings attached to maintain overall control by the central government</li> </ul>
(5) refraction of the policy content	<ul style="list-style-type: none"> <li>All-Okinawa FTZ Plan</li> <li>Tokyo-Naha Airfare Reduction</li> </ul>	<ul style="list-style-type: none"> <li>types: (a) substitution of all permanent arrangements with short-term ones; (b) narrowing the scope of eligible businesses; (c) narrowing the applicable area; (d) limiting the effects by application of laws, ordinances, and other legal and non-legal means</li> <li>to preserve overall control by the central offices</li> <li>by the <i>zoku</i> and the bureaucracy</li> </ul>
(6) postponing of decisions	<ul style="list-style-type: none"> <li>revised bill of the Okinawa Special Measures Law</li> </ul>	<ul style="list-style-type: none"> <li>to induce the intra-prefecture transfer of military bases, to which the governor objected</li> <li>to await favorable political circumstances (Nago city mayor election)</li> <li>promise of financial compensation (3d special adjustment fund) to diffuse high political pressure</li> </ul>
(7) disruption of policy process	<ul style="list-style-type: none"> <li>blockage on contacts with Governor Ōta (Nov. 1997 – Nov. 1998)</li> </ul>	<ul style="list-style-type: none"> <li>to induce the intra-prefecture transfer of military bases, to which the governor objected</li> <li>to await favorable political circumstances (gubernatorial election)</li> <li>promise of financial compensation (3d special adjustment fund) to diffuse high political pressure</li> </ul>
(8) dimension manipulation	<ul style="list-style-type: none"> <li>(a) special rhetoric (Prime Ministers: Hashimoto and Obuchi)</li> <li>(b) substitute symbols</li> </ul>	<ul style="list-style-type: none"> <li>(a-1) to create the image of the governmental "positive efforts"</li> <li>(a-2) to induce a sense of obligation to the central government as the "benefactor"</li> <li>(b) to replace the political symbol of the Program for Economic Modernization by the government sponsored Okinawa Development Plan for the 21st Century</li> </ul>

The second method of shelving off local demands was applied when the policy proposals contained in the Deregulation Project encroached on the bureaucratic territory, even though political pressure was high. The prime minister and other top national leaders were not willing to take up leadership in favor of the local policy. To diffuse the pressure, however, other gestures of financial compensation were offered, such as the allocation of the special adjustment fund.

Third, the assimilation method of institutional arrangements included the establishment of the permanent body of the OPC by Prime Minister Hashimoto in September 1996, under intense political pressure created by the September 1995 rape and the proxy trial.<sup>325</sup> The corporatist arrangements of the OPC, which included local representatives, national politicians, and bureaucrats, were to serve as a forum for discussions and oversight of the Okinawa-related policies. Although such arrangements placed the policy process under the overall control of the central government, the local influence in decision making at the Council varied depending on the policy at issue, and the political leadership of both national and local executives.

Fourth, the assimilation method of financial compensation – that is, the allocation of special adjustment funds and other budgetary means<sup>326</sup> – was employed to assimilate local demands when political pressure was high, particularly in times of crisis (Calder 1988: 24-25). The most important aspect of all these funds in relation to local autonomy, was that they were allocated not as block grants for discretionary use by the local government, but as funds with various strings attached to maintain overall control by the central authorities. The degree of prefectural influence over decision making, though, varied depending on the political leadership of both local and national leaders. The second important aspect of the financial compensation method was that it also served as a “diffusing agent” for lessening political pressure, without necessarily addressing local demands.

Fifth, the assimilation method of refraction was undertaken when the local policy initiatives of the All-Okinawa FTZ Plan encroached on the vested interests of the *zoku* politicians and bureaucracy. Moreover, the prime minister and other top executive leaders did not counter the opposing forces by the exercise of political leadership. In the case of the prefecture-wide FTZ plan, the LDP allowed for the creation of special zones, but only within limited areas.

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<sup>325</sup> Other deliberative bodies, not discussed in detail in this paper, included: the permanent Okinawa U.S. Base Problems Council, established by Prime Minister Murayama in Sept. 1995 to discuss matters concerning the U.S. military bases; the issue-based Discussion Group Concerning Okinawa U.S. Bases Hosting Municipalities (Shimada Group), created by Prime Minister Hashimoto under Chief Cabinet Secretary Kajiyama Seiroku in Aug. 1996 to supervise development plans for the municipalities hosting the military bases; and also the issue-based intergovernmental Special Action Committee on Okinawa (SACO), formed in Nov. 1995 to investigate realignment of the U.S. military bases in Okinawa.

<sup>326</sup> In addition, the central government’s budget for Okinawa included: Shimada projects (¥1.69 billion; up to ¥100 billion for 7 years), the regional transfer taxes (*chihō kōfuzet*) for the municipalities hosting military bases (approx. ¥7.5 billion), and SACO (¥13 billion) in FY 1997 (together with the supplementary budget for FY 1996) (OSK Feb. 1997d).

Sixth, the assimilation method of postponing decisions and actions was employed by the LDP highest decision making organ, the General Council, with respect to the All-Okinawa FTZ Plan (included in the revised bill of the Okinawa Special Measures Law). The party decided to block the passage of the bill in response to Governor Ōta's refusal of the intra-prefecture base relocation measure. The party waited for more favorable political circumstances to arise from the mayoral election in Nago city, where the relocation was scheduled. Similarly, the assimilation method of disrupting the policy process, including the blockage of personal contacts with the prefectural government, was employed by the central government to encourage approval of the intra-prefecture transfer of military bases, to which Governor Ōta objected. The second time, the central government decided to wait for more auspicious circumstances to be presented by the gubernatorial election in November 1998 (lost, in fact, by Governor Ōta). Both assimilation methods showed that, in spite of the general preference of the Japanese for consensual solutions to problems, conflicts do occur and can become drastic if the stakes are considered high to involved parties.

The last method of assimilation involved dimension manipulation (Zahariadis 1999: 84) – namely, shaping the perception of issues through the use of special rhetoric and the substitution of symbols. Since the perception of issues determines their political relevance (motivation for political action or inaction), this method was utilized under various degrees of political pressure, but was intensified in times of elections or crisis. Prime Ministers Hashimoto and Obuchi, as well as other prominent members of the LDP, employed the rhetoric of “special considerations for Okinawa,” and “utmost efforts” to solve local problems. They created thereby the image of prefectural allies, while also promoting a sense of obligation toward the central government as the “benefactor.” This type of rhetoric pertains to social and psychological traits of Japanese society that attaches importance to repaying one's favors (*ongaeshi*).

In sum, the assimilation methods employed by the central authorities were for the purpose of molding local requests according to the interests, values, and preferences of the central government. At the same time, the success of those methods varied depending on the policies at issue. The analysis of the policy process for the Program for Autonomic Modernization has shown that the differences resulted predominantly from the existence or absence of political will and leadership on the part of both the local and national executive leaders to act in favor of local policy, as well as from their negotiation skills. The “human factor,” or political leadership and the will to act, are therefore of special importance for the functioning of particular institutions and norms.



## New Type of Local Autonomy and Regional Development

The significance of the Program for Autonomic Modernization will be more fully evaluated by further research of new developments in the area of policy making of local development in Japan. Nevertheless, even at this point, certain outcomes of that initiative seem to be of importance. First, the institutional changes introduced into the system, such as the Okinawa Policy Council, created a forum for local policy makers to present their proposals, voice their opinions, and negotiate their plans with the central government. The requests for similar arrangements that have been recently voiced in Japan by local actors suggest that the OPC set precedence for other local governments.<sup>327</sup> Furthermore, this “spill over effect” on other local communities might also give rise to the initiation of new types of local policies, on a scale comparable to the Program for Autonomic Modernization.

Second, the formation process of local policy in the prefecture might also have a “learning effect” on the Okinawan community, by becoming an example of how local policies should be formulated. The policy process for the Program for Autonomic Modernization, which included a variety of new arrangements, such as the participation of various local actors, widespread public debate on the policy content, and the reorganization of local government’s offices for comprehensive policy making, arguably improved both the quality of policies and the functioning of local democracy. The quality of policies was improved in the sense that it responded to local needs (voiced by a variety of actors); and the functioning of democracy was improved in the sense that it incorporated pluralistic local groups into the process.

Third, although the prefecture’s plan for the all-Okinawa FTZ was not ultimately accepted by the central authorities, the idea was incorporated into the national policy of special zones for structural reforms (*tokku*). The central government initially resisted the introduction of drastic structural changes under the lead of the local government. It was aware, however, of the broader processes of globalization and regional integration in East Asia, as well as the necessity for Japan not to stay behind those trends, and so it decided to implement “internationalization” projects under its own guid-

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<sup>327</sup> The Group of Local Six, comprised of the: National Governors’ Association, National Mayors’ Association, National Association of Towns and Villages, National Association of Chairpersons of Prefectural Assemblies, National Association of Chairpersons of City Assemblies, and the National Association of Chairpersons of Town and Village Assemblies) made a formal request to the central government for legal arrangements of a “deliberation forum of the central and local governments” (Chihō Roku Dantai June 2006: 3; Zenkoku Chijikai July 2006: 8).

ance. It is interesting to note, therefore, that the local initiative worked as a stimulus for the central government to respond to changing international and domestic environments.

The findings of this particular case study of the Okinawan initiative provide insufficient grounds to make conclusions about Japanese policy making, in general. Nevertheless, even if one is to accept Okinawa as a "special case" due to the specificity of its problems (e.g., the Okinawan economy, military bases, or history), it is highly probable that with the rapidly changing nature of the economy, public finances, politics, society, and the demographic structure, such "special cases" – namely, localities with particular local problems in need of locally-initiated policies – will increase. Given the long history of incremental changes in Japan (with the exception of the radical reforms introduced by the American occupation authorities after the Pacific War), and the strong role that the central government has played, the prospects for "unbounding" local autonomy in policy making do not seem imminent. And yet, Okinawa's Program for Autonomic Modernization may well be one of the first harbingers of change that the powerful, countervailing forces of globalization and regional integration in East Asia and the domestic process of decentralization, are bringing to the system of policy making of local development in Japan.

## APPENDIXES





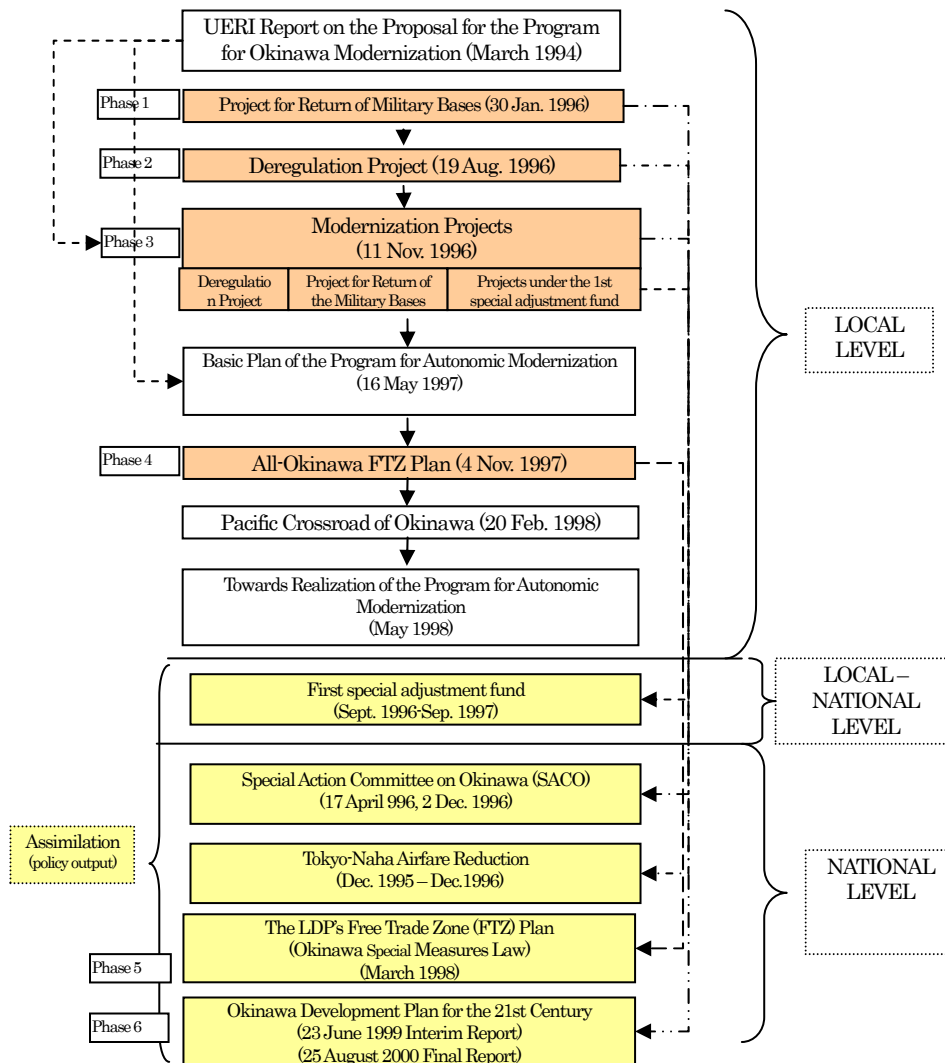


Figure A-1. Phases of the Program for Autonomic Modernization

Note:

- UERI Report on the Proposal for the Program for Okinawa Modernization – *Kokusai toshi keisei seiji kōsō [III] Hōkokusho* [literally, Preparation plan for the international city formation (II) report].
- Project for Return of the Military Bases – *Kichū herikan akushon puroguramu*.
- Deregulation Project – *Kisei kanna nado sangyō shinkō sochi ni kansuru yōbō* [literally, Request for deregulation and other special measures for the industrial promotion].
- Modernization Projects – *Kokusai toshi keisei kōsō – 21 seiki ni muketa Okinawa no gurando dezaīn* [literally, Program of the international city formation: Grand design of Okinawa toward the 21st century].
- Basic Plan of the Program for Autonomic Modernization – *Kokusai toshi keisei kihon keikaku: “21 Seiki Okinawa gurando dezaīn” no jitsugen ni mukete* [literally, Basic plan for the international city formation: Towards realization of the “21 century grand design”].
- All-Okinawa FTZ Plan – *Kokusai toshi keisei ni muketa antana sangyō shinkōsaku: Sangyō, keizai no shinkō to kisei kanna nado kentō iinkai hōkoku o ukete (jiyū bōeki kōsō [FTZ] Ken saishūan)* [literally, New industrial promotion policy for the international city formation: Based on the “report by the committee of industrial and economic promotion and deregulation study” (prefectural final free trade zone [FTZ] plan)].
- The LDP's Free Trade Zone (FTZ) Plan – the special FTZ measures included in the revised Okinawa Special Measures Law.
- Pacific Crossroad of Okinawa – *21 seiki ni muketa Okinawa seisaku teigen [Daitchiji an], Pasijifikai kurosuroōdo Okinawa* [literally, Okinawa policy proposal toward the 21st century (first draft): Pacific crossroad of Okinawa].
- Towards Realization of the Program for Autonomic Modernization – *Kokusai toshi keisei kōsō jitsugen ni mukete* [literally, Towards realization of the program of the international city formation].
- Okinawa Development Plan for the 21st Century – *Okinawa Keizai Shinkō 21 Seiki Puan*.

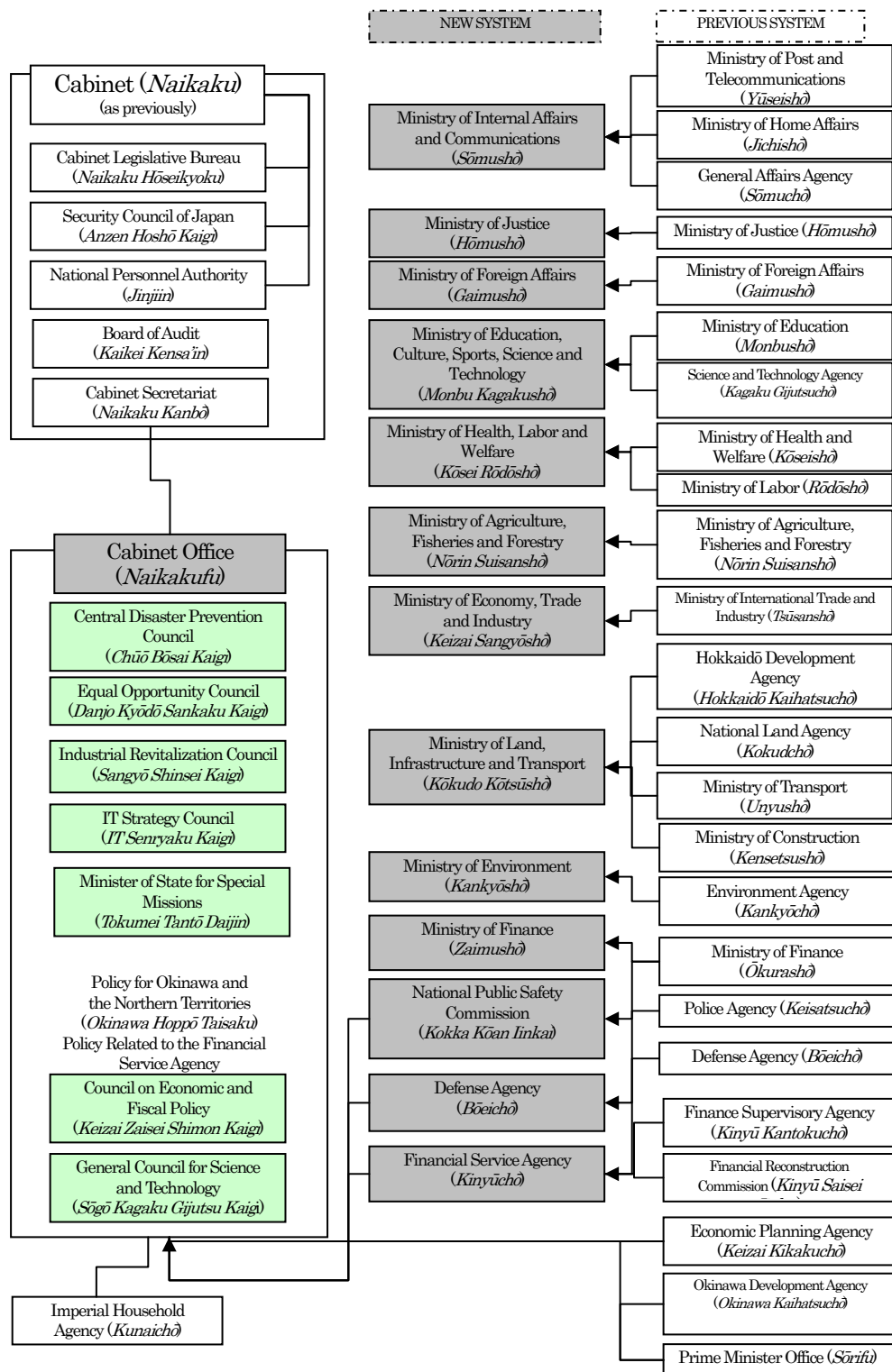


Figure A-2. The Structure of the Executive Branch of Japanese Government

Source: Based on Yoda (2000)

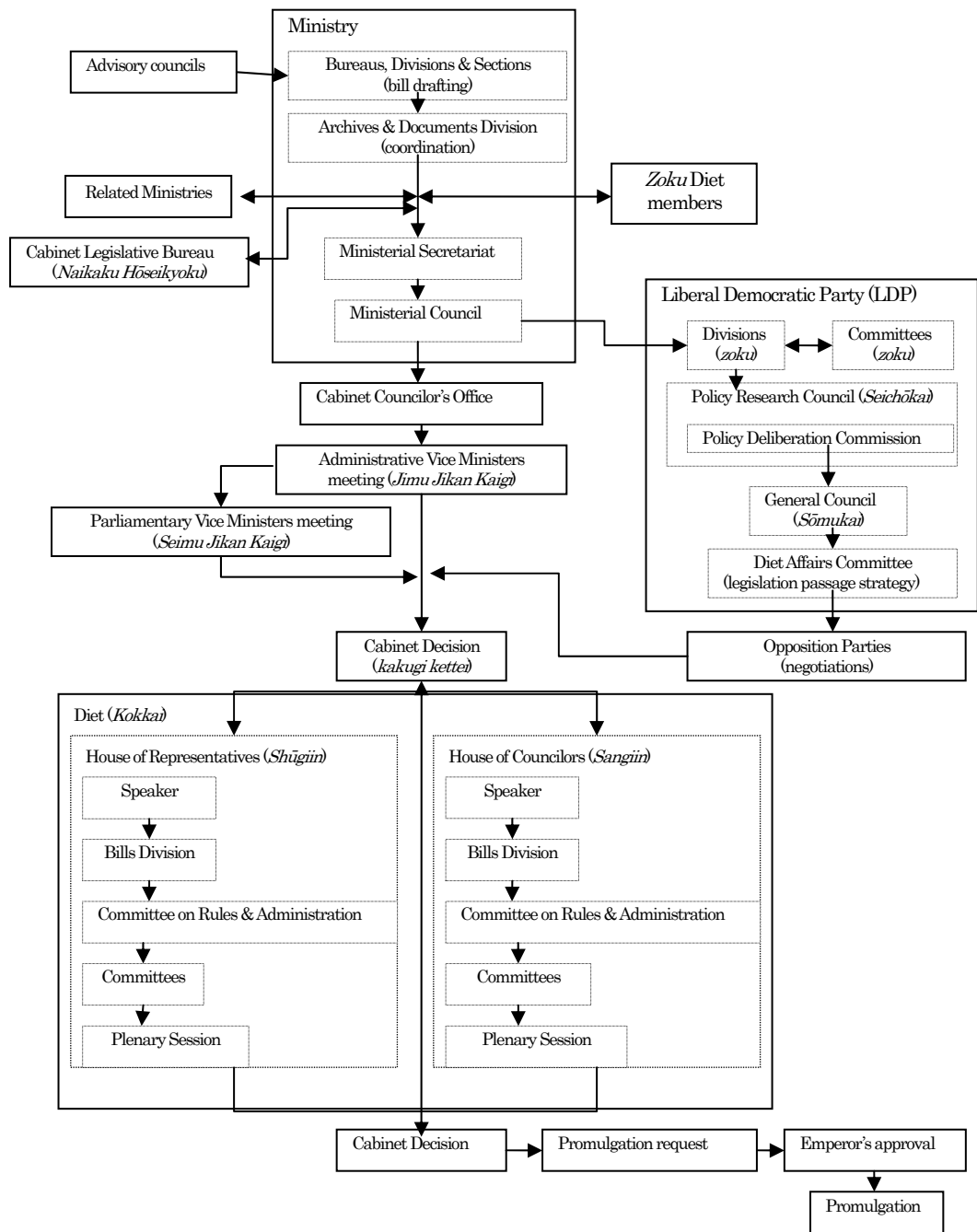


Figure A-3. Procedures for Bill Formulation in Japan

Sources: Iwai (1988: 58); Murakawa (2000)

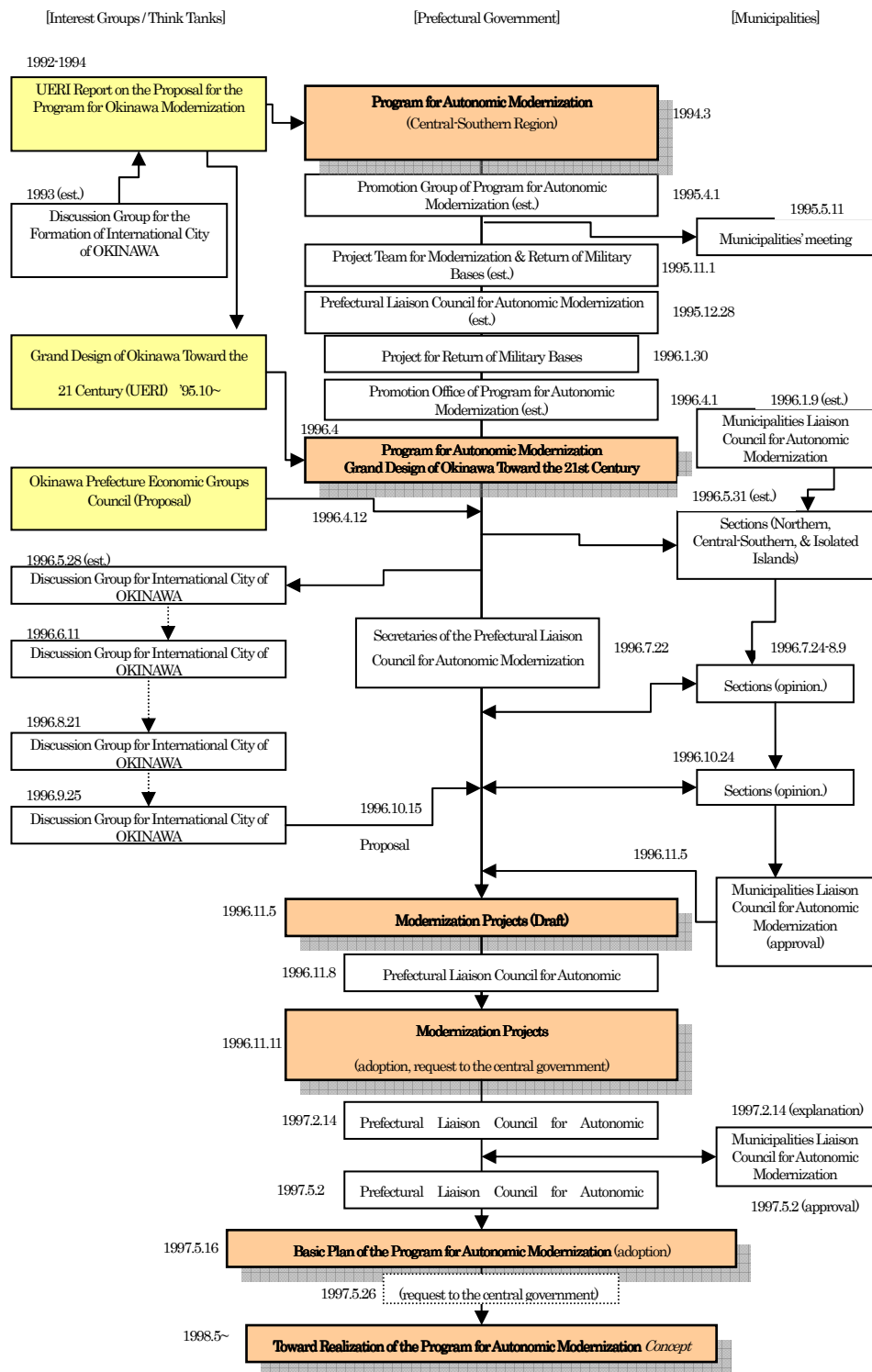


Figure A-4. The Policy Process of the Program for Autonomic Modernization in the Prefecture



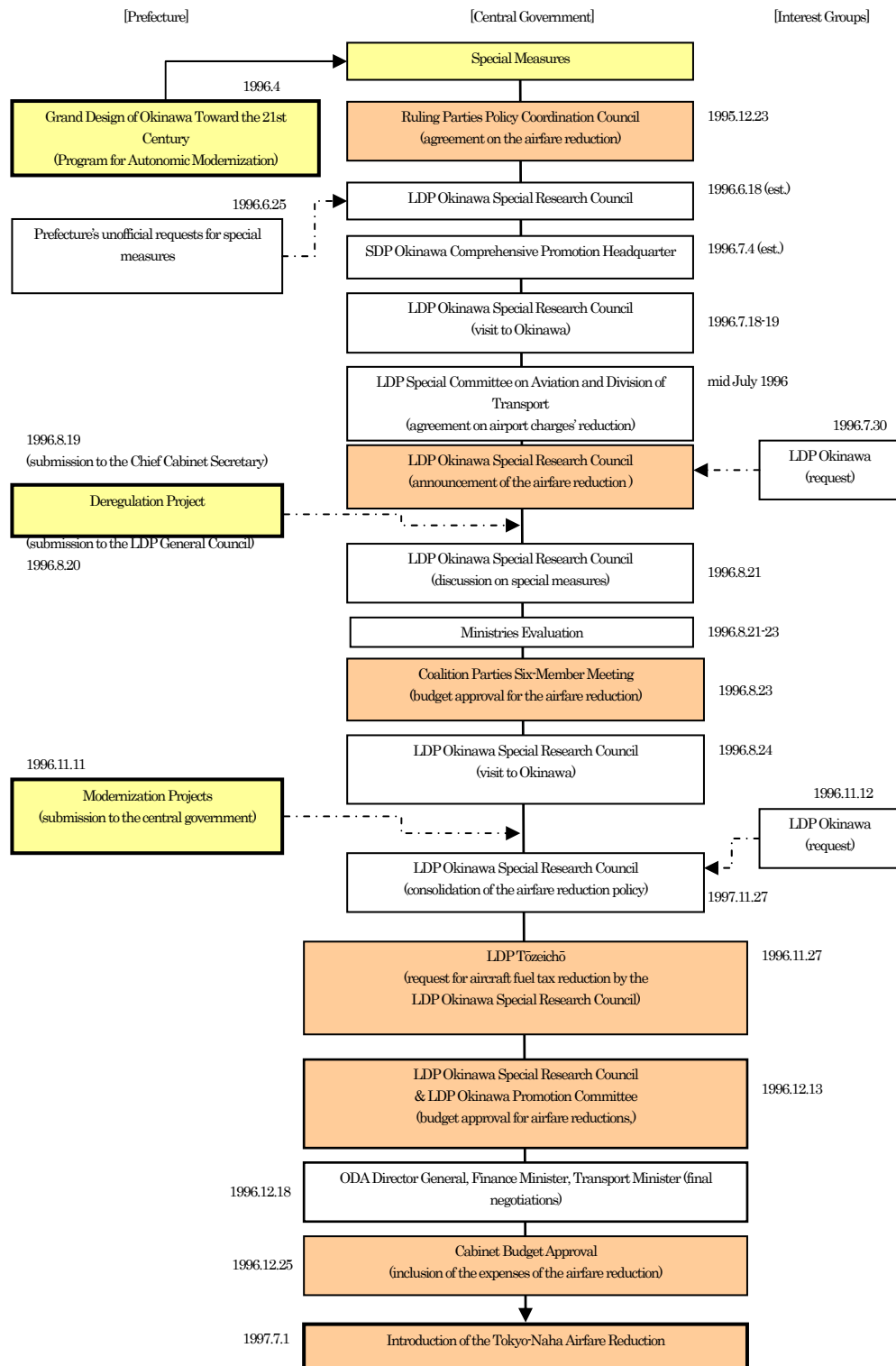


Figure A-5. Policy Process of the Tokyo-Naha Airfare Reduction

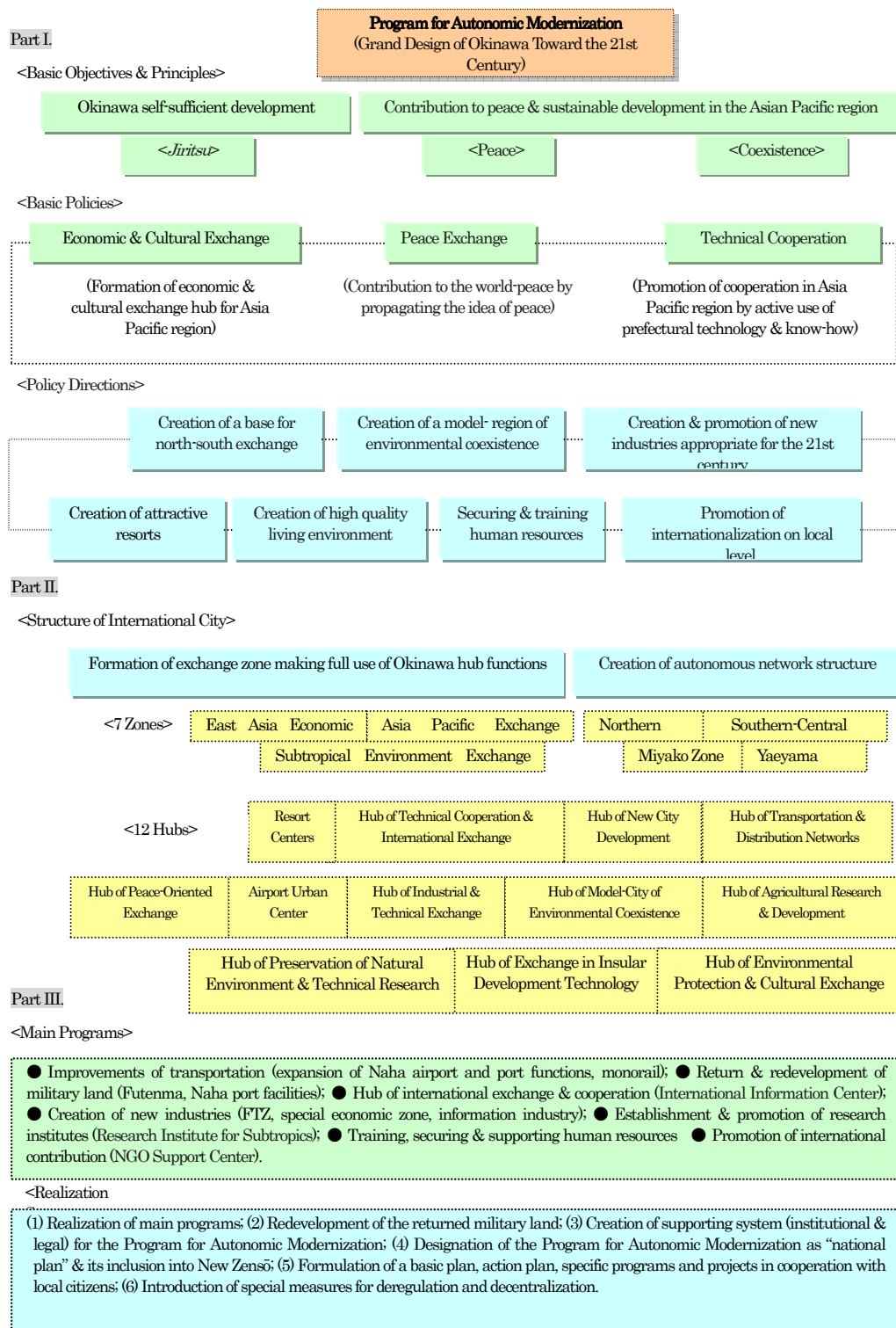


Figure A-6. The Outline of the Program for Autonomic Modernization

Source: Based on Okinawaken (May 1997b: 18)

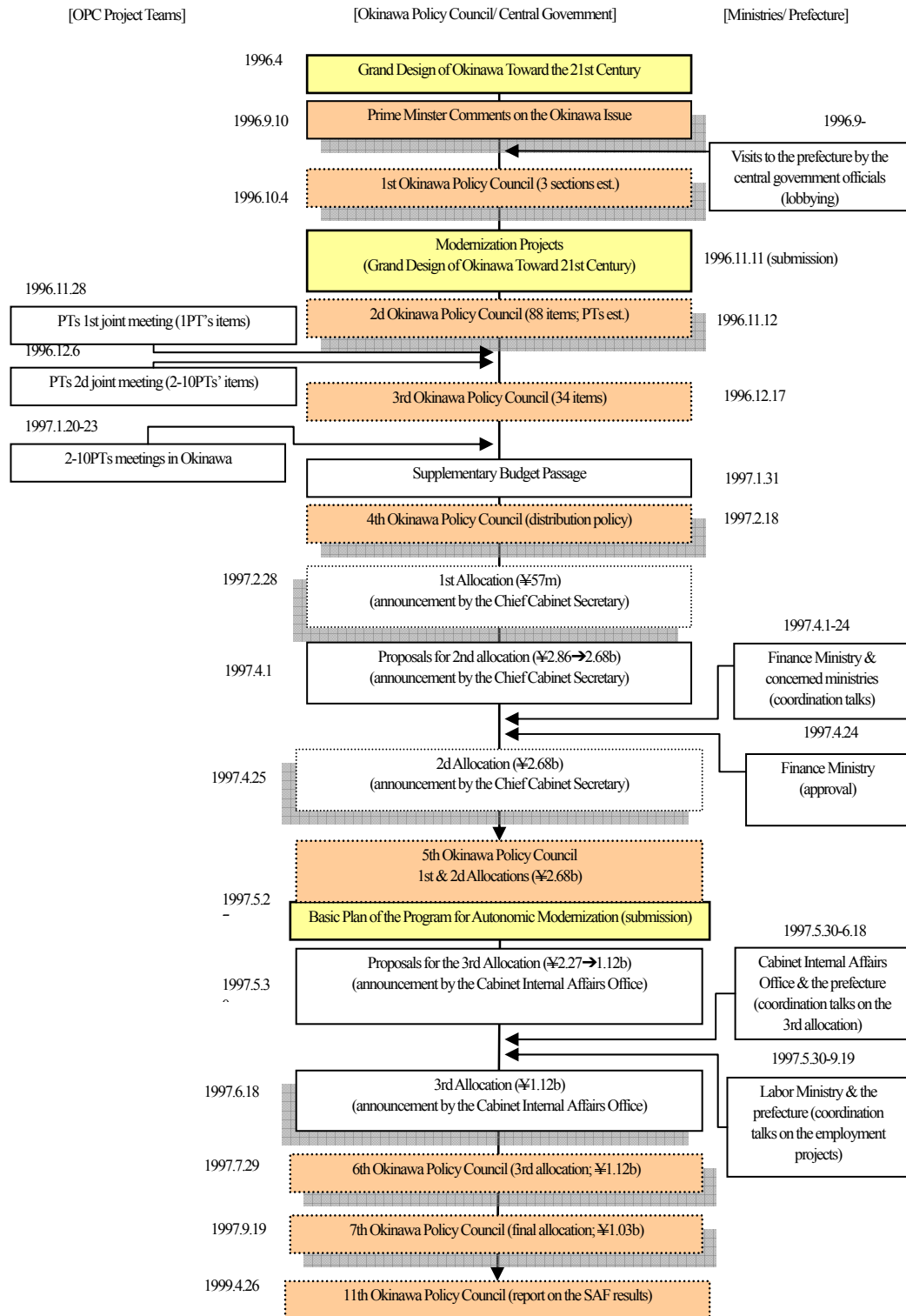


Figure A-7. Policy Process of the Modernization Projects of the First Special Adjustment Fund

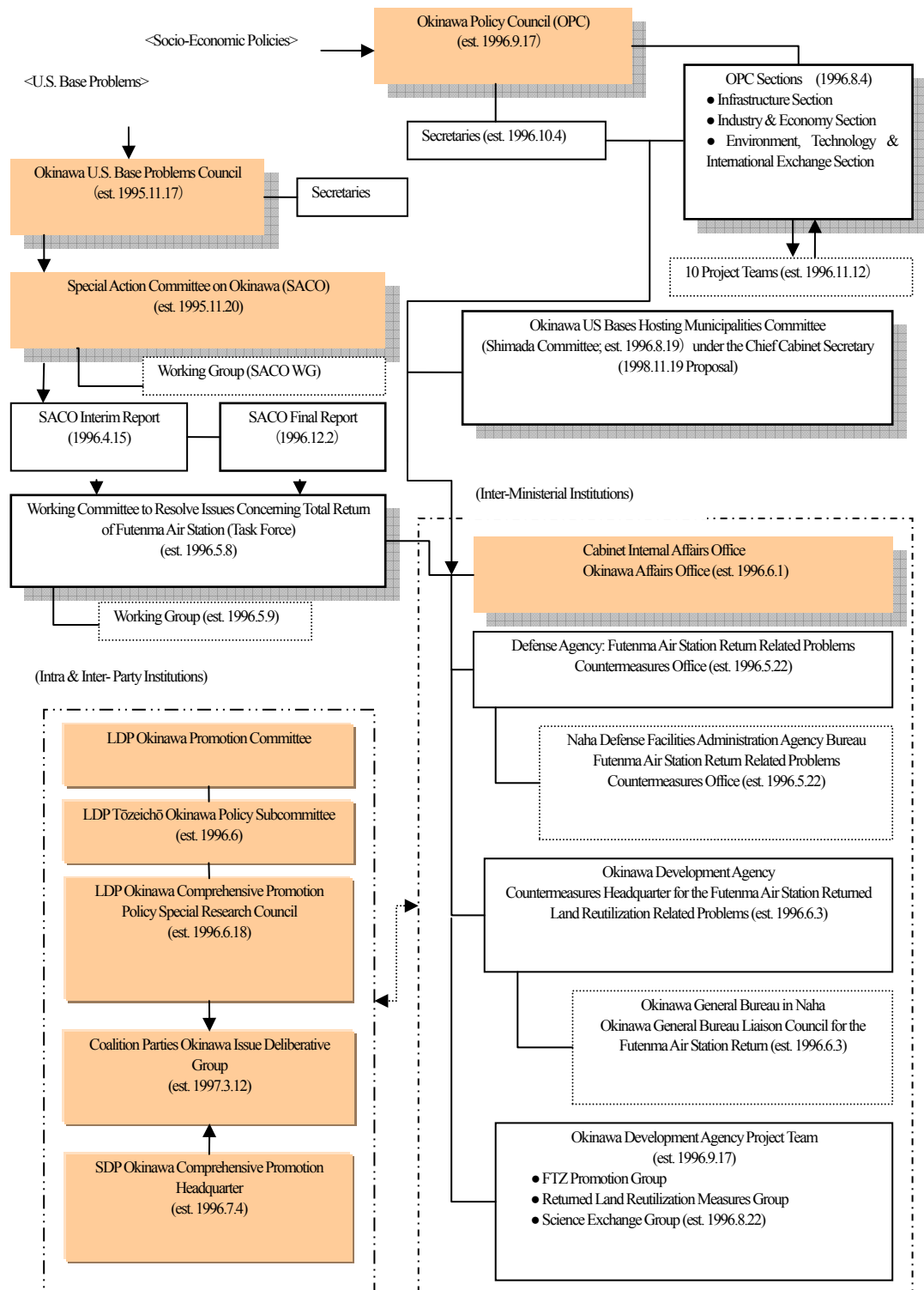


Figure A-8. Institutional Arrangements for Okinawa Policies

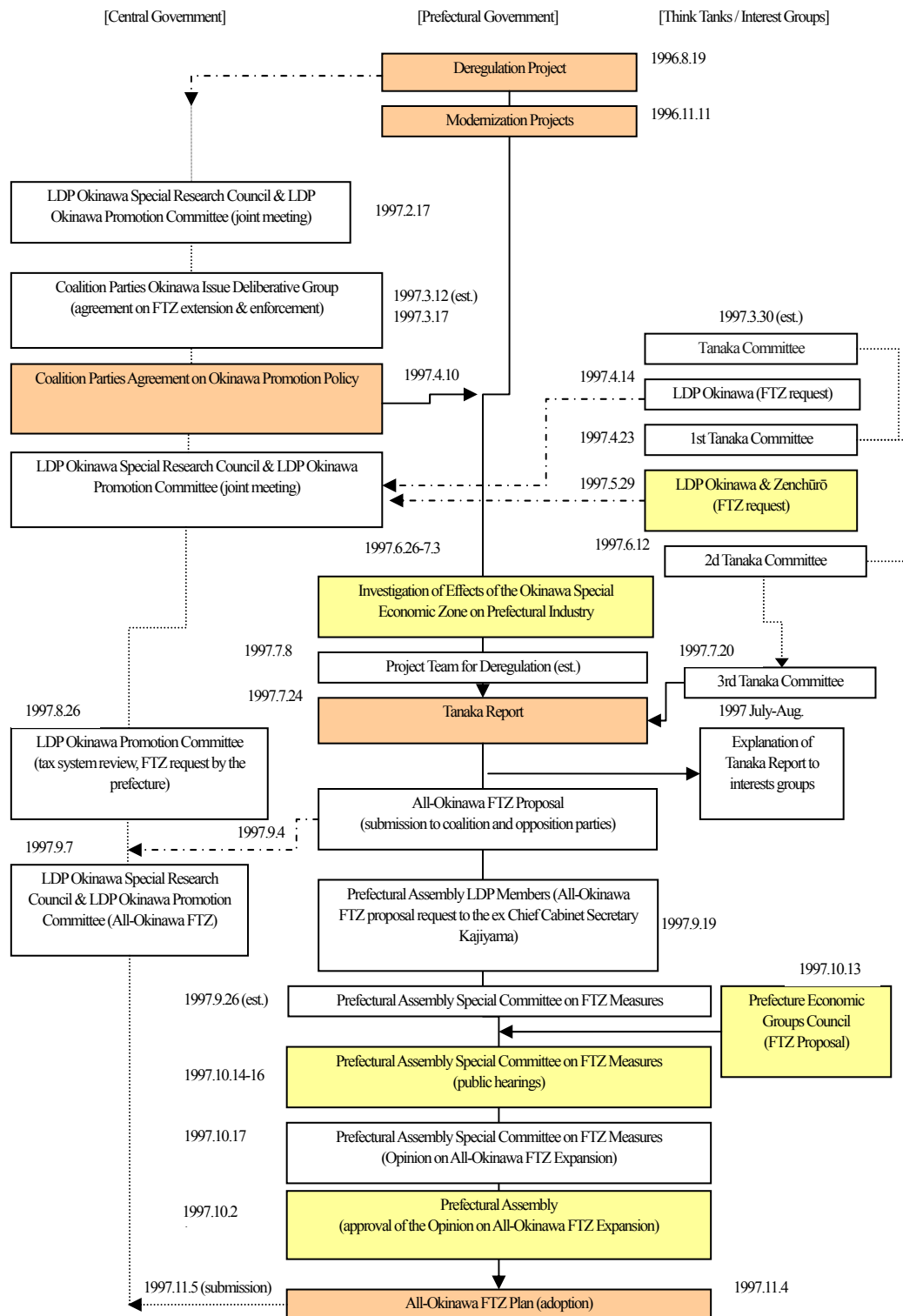


Figure A-9. Policy Process of the All-Okinawa Free Trade Zone (FTZ) Plan in the Prefecture

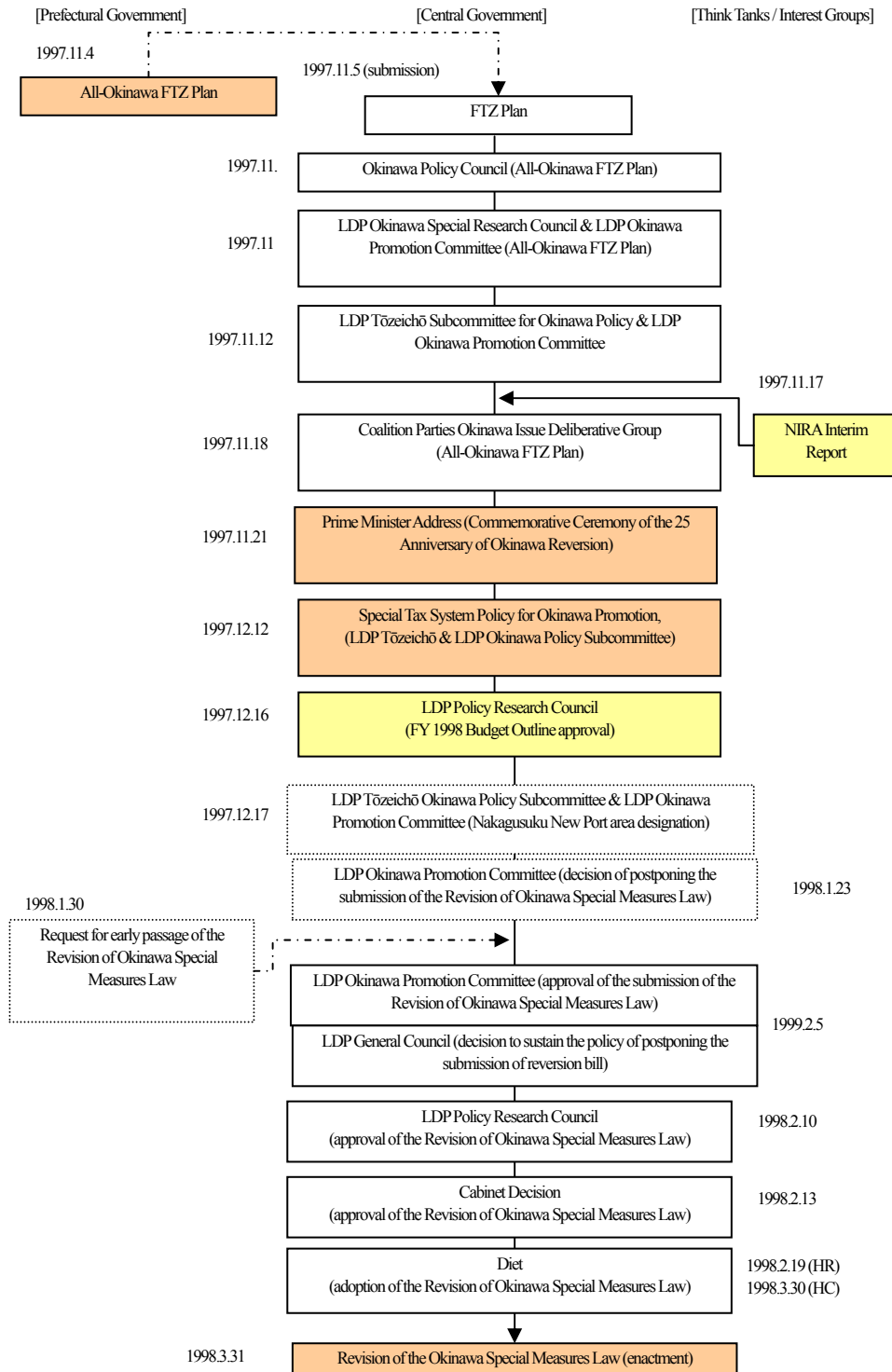


Figure A-10. Policy Process of the Free Trade Zone (FTZ) Plan on the National Level

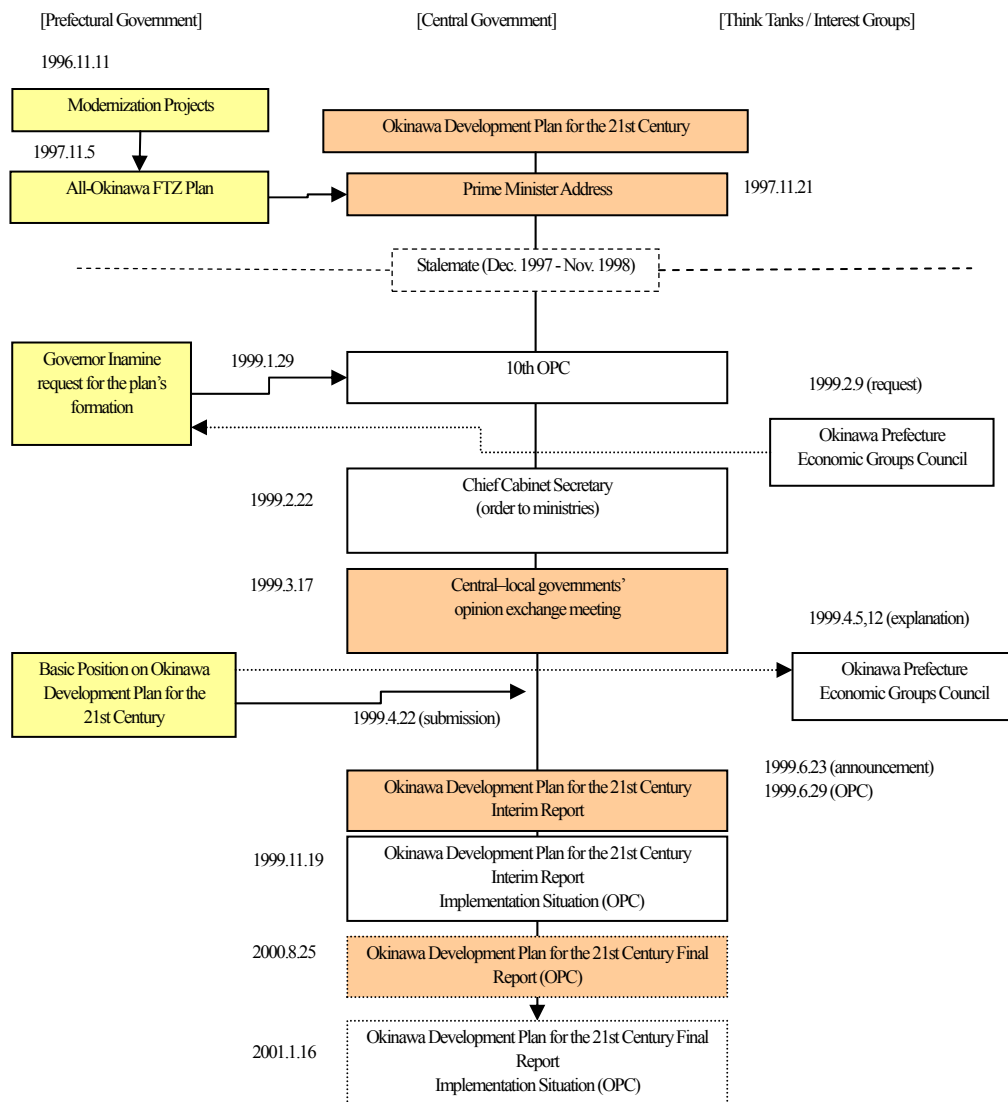


Figure A-11. Policy Process of the Okinawa Development Plan for the 21st Century

**Table A-1.** Japanese Cabinets in the 1990s and Configuration of Political Parties

Cabinet	Ruling Parties	Opposition Parties
(77) * Kaifu Toshiki (8 Aug. 1989–5 Nov. 1991)	LDP	JSP/SDPJ, Kōmeitō, DSP, JCP, Shaminren
(78) Miyazawa Kiichi (5 Nov. 1991–5 Aug. 1993)	LDP	JSP/SDPJ, Kōmeitō, DSP, Shaminren, JNP, JCP
(79) Hosokawa Moriteru (9 Aug. 1993–25 April 1994)	JSP/SDPJ, JNP, JRP, Kōmeitō, Sakigake, DSP, Shaminren, Upper House Rengō/DRP	LDP, JCP
(80) Hata Tsutomu (25 April–25 June 1994)	Kōmeitō, JRP, JNP, DSP, Shaminren, Mirai, Liberal Party‡	LDP, Sakigake, JSP/SDPJ, JCP
(81) Murayama Tomiichi (30 June 1994–5 Jan. 1996)	SPD, LDP, Sakigake	Kōmeitō, JRP, JNP, DSP, JCP
(82) Hashimoto Ryūtarō (11 Jan. 1996–1 June 1996)	LDP, SPD, Sakigake	NFP, DPI, JCP
(83) Hashimoto Ryūtarō (7 Nov. 1996–1 June 1998)	LDP, SPD & Sakigake (non-cabinet)	NFP, DPI, JCP
Hashimoto Ryūtarō (1 June–30 July 1998)	LDP	SDP, NFP, JCP, New Socialists, Sakigake
(84) Obuchi Keizō (30 July 1998–14 Jan. 1999)	LDP	SDP, DPI, Liberal Party†, JCP, Kōmeitō, Sakigake
Obuchi Keizō (14 Jan.–5 Oct. 1999)	LDP, Liberal Party†	SDP, DPI, Kōmeitō, JCP
Obuchi Keizō (5 Oct. 1999–5 April 2000)	LDP, Liberal Party†, Kōmeitō	SDP, DPI, JCP
(85) Mori Yoshirō (5 April–4 July 2000)	LDP	SDP, DPI, Liberal Party†, JCP
(86) Mori Yoshirō (4 July 2000–26 April 2001)	LDP	SDP, DPI, JCP

Source: Otake (2000: 227); and others.

Note: (1) \*Successive cabinet number since the establishment of the cabinet system in Japan; (2) ‡ Liberal Party (Jiyūtō; established by former LDP members, Watanabe faction, April–December 1994); (3) † Liberal Party (Jiyūtō; established by Ozawa Ichirō in January 1998); (4) CP – Conservative Party (Hoshūtō); DPJ – Democratic Party of Japan (Minshūtō); DRP – Democratic Reform Party (Minshu Kaikaku Rengō; Upper House Club); DSP – Democratic Socialist Party (Minshu Shakaitō); JCP – Japan Communist Party (Nihon Kyōsantō); JNP – Japan New Party (Nihon Shintō); JRP – Japan Renewal Party (Shinseitō); JSP/SDPJ – Japan Socialist Party (Nihon Shakaitō, JSP) changed its English name to Social Democratic Party of Japan (SDPJ) in 1991 but the Japanese remained unchanged till 1996 when it became Social Democratic Party; Kōmeitō (changed to Kōmei between 1994–1998); LDP – Liberal Democratic Party (Jiyū Minshūtō); New Kōmeitō – Kōmei Shintō; New Socialists – New Socialist Party (Shin Shakaitō); Mirai – Shintō Mirai (New Vision Party); NFP – New Frontier Party (Shinshintō); SDP – Social Democratic Party (Shakai Minshūtō, or Shamintō); Shaminren (Shakai Minshu Rengō) – Social Democratic Alliance; Shintō Sakigake – (Harbinger Party), changed to Sakigake in October 1998.



**Table A-2.** Deregulation Project and the Ministries' Evaluation (as of August 1996)

(1) Establishment of Special Economic Zone Through Reinforcement of the Free Trade Zone System		
①	Preferential tax measures	
1.	[1]★Corporation tax reduction.....	D (MOF)
2.	[2]★special customs system.....	D (MOF)
3.	[3]★duty-free shop system..... separate investigation	(MOF)
4.	[4]★selective system of tariffs.....	D (MOF)
5.	[5]★Off-shore system and investment tax exemption for non-residents.....	D (MOF)
②	[6]★Removal of import quotas (IQ).....	D (MITI)
③	[7]★Expansion of designated areas.....	A & C (ODA)
④	[8]★Enactment of laws necessary for establishment of a special corporation to manage the zone.....	C (ODA)
(2) Development of International Distribution Hub		
①	[9] Designation of the Naha port as a base port.....	D (MOT)
②	[10] Development of port and airport facilities.....	C (ODA)
(3) Formation of Hub Site for International Tourism and Destination-Type Resorts		
①	[11]★Expansion and establishment of international commercial air routes.....	C (MOT)
②	[12]★Expansion of no visa system.....	D (MOFA, MOJ)
③	[13]★Fundamental reduction of airfare.....	D (MOT)
④	[14] Transformation of Naha airport into hub airport.....	C & D (MOT)
⑤	[15] Development of facilities necessary for tourism.....	C (MOT)
	1. [16] Full use of Okinawa natural resources.....	A (ODA, MITI)
	2. [17] International amusement theme park.....	C (MITI, ODA)
	3. [18] Guest house for VIPs from abroad.....	D (PMO)
⑥	[19] Establishment of National Tourism University.....	C (MOT)
(4) Integrating and Enhancing Information Industry		
①	Preferential tax measures to promote establishment of new industries	
1.	[20]★Investment tax reduction.....	D (MOF)
2.	[21]★Investment loss reserve.....	D (MOF)
②	[22]★Expansion of stock option.....	C (MITI)
③	[23] Improvement of infrastructure for international information industry.....	A (MOPT)
④	[24] Formation of integrated region for information industry.....	A (MOPT, MITI)
(5) Utilization of the Government's Development Aid		
①	[25] Promotion of economic exchange with Asia.....	B (MOFA)
②	[26] Formation of a food base for rice import (minimum access system).....	D (MOAFF)

*Note:* (1) Evaluation scale: A – possible for immediate realization B – the same effect can be achieved quickly by an alternative

C – for intermediate-term investigation D – realization difficult

(2) MITI – Ministry of International Trade and Industry; MOAFF – Ministry of Agriculture, Forestry and Fisheries; MOF – Ministry of Finance, MOJ – Ministry of Justice; MOPT – Ministry of Post and Telecommunications; ODA – Okinawa Development Agency.

(3) ★ – deregulation related requests (non-distributive policy proposals), as defined by the prefecture; the other proposals (distributive policy proposals) were categorized by the prefecture as “in need of policy support” (*seisakuteki shien*).

*Sources:* Based on Okinawaken (August 1996a); Naikaku Naisei Shingishitsu Okinawa Mondai Tantōshitsu (August 1996b).

**Table A-3.** Projects Funded by the 1st Special Adjustment Fund (Unit: million yen)

• Projects ( <i>jigō</i> ) ⑧ Research Studies ( <i>chōsa</i> ) [Ministries in charge]	Eval/ Al.No	Req. Sum	Final Sum/ Al.) (%)
1• Development of the Joint Use-Type of Facilities for Research and Development [MOPT]	B—2	1,931	500 (25.9%)
2⑧ Research for Okinawa Special Multimedia Zone Concept [MOPT]	A—2	100	50 (50%)
3• Research and Development on Technology for the Communication Industry Infrastructure [MOPT]	C—3	500	238 (47.6%)
★(1) Research on the Long Distance Training System in Okinawa [MOPT]	C	596	
★(2) Research on the Long Distance Medical Treatment System in Okinawa [MOPT]	C	872	
★(3) Research Study on the Application of the Information and Communication Technologies of the Radio Waves and Optical Fiber in the Research on Subtropics [MOPT]	C	51	
4⑧ Research for Multimedia Island Concept [MOPT, MITI]	A—2	208	100 (48.1%)
5• Communication Promotion Project [MITI]	A—1+2	397	221 (55.7%)
6• Fostering Trade and Investment in Okinawa Region [MITI]	A—2	114	35 (30.7%)
7⑧ Research on the Improvement and Expansion of the Harbors' Distribution Function [MITI, MOT]	A—2	86	70 (81.4%)
8• Okinawa Content Industry Development Project [MITI]	A—2	559	238 (42.6%)
9• Promotion of Electronic Trading and Exchange of Goods Manufactured in Okinawa Prefecture [MITI]	B—2	79	50 (63.3%)
10⑧ Research for the Okinawa International Shopping Mall Concept [MITI]	A—2	80	40 (50%)
11⑧ Research for the Promotion of a Model-Region of Environmental Coexistence [MITI]	A—2	50	20 (40%)
12⑧ Research on a Production of New Energy [MITI]	B—2	75	40 (53.3%)
13⑧ Research for Formulation of an Action Plan for Attracting Business [MITI]	A—2	124	50 (40.3%)
14⑧ Research on the Basic Concepts of the Okinawa Industrial Development [MITI]	A—2	88	31 (35.2%)
15⑧ Research on the Basic Concepts of Support System for the Okinawa Venture Businesses [MITI]	A—2	18	19 (105.5%)
16⑧ Research on the Promotion of the Okinawan Traditional Handicraft Business [MITI]	C—3	24	10 (41.7%)
17• Symposium on Traditional Art of the Asia Pacific Region [MITI]	C—3	109	40 (36.7%)
18⑧ Research on Development of Technology for Utilization of Subtropical Natural Resources [MITI]	3		41
★(4) Supplementary Project for the Economic Symposium [MITI]	A	44	
★(5) Creation of Environment Suitable for Using Networks [MITI]	C	120	
★(6) Research Study for the Introduction of Resorts of the Marine Health Improvement [MITI]	B	58	
★(7) Research Study on the Methods of Research Development of the Welfare Equipment in Okinawa [MITI]	C	24	
★(8) Supplementary Project for the Promotion of Okinawa International Shopping Mall Concept [MITI]	B	223	
★(9) Supplementary Project for the Exhibition of the Okinawa Traditional Handicrafts [MITI]	C	16	
★(10) New Energy Island Iejima Project [MITI]	C	216	
★(11) Research Study on the New Energy Research Development [MITI]	C	77	
19⑧ Feasibility Research on International Distribution Port in Okinawa [MOT, ODA]	A—2	121	50 (41.3%)
20⑧ Research on the Future Prospects of the Naha Airport [MOT, ODA]	A—2	63	40 (63.5%)
21⑧ Establishment of the Okinawa Wide Area Tourism Network and Development of Tourism Resources [MOT]	A—2	154	50 (32.5%)
22⑧ Research for the Formation of the International Convention City [MOT]	A—2	143	70 (49%)
★(12) Research for the Establishment of a System Supporting the Earthquake Research Studies According to "The Investigation Plan of the New Research Institute" [MOT]	C	38	
23⑧ Research Study on the Urban Development Projects for the Land Returned from the U.S. Facilities & Areas [MOC]	A—2	150	90 (60%)
24⑧ Research on the Comprehensive Transportation System [MOC, ODA]	A—2	119	100 (84%)
25⑧ Research for the Formation of New City Center ( <i>Shintoshin</i> ) Development Site [MOC]	B—3	99	30 (30.3%)
26⑧ Research on Development of Basic Infrastructure to Foster Okinawa Tourism [MOC]	C—3	111	30 (27%)
27⑧ Investigation on the Research and other in the Field of Construction [MOC]	C—3	67	33 (49.3%)
★(13) Research Study for the Plan of the Purchase of Public Space [MOC]	C	31	
★(14) Research Study for the Promotion of the Health Resorts [MOC]	C	11	
★(15) Research Study for the Creation of the Yanbaru Environment Coexistence Type of a Region [MOC]	B	111	
28⑧ Program on Countermeasures for Water Protection from the Red Earth Spills [MOC, ODA, MOAFF, EA]	C—3	314	60 (19.1%)
29• Project for Human Resources Training of Okinawa Residents in Foreign Countries [MOE]	A—2	31	32 (103.2%)
30• Simultaneous Translators Training Project for Okinawa Prefecture [MOE]	A—1+2	90	91 (101.1%)
31⑧ Research on the Future of Higher Education in Okinawa [MOE]	A—2	71	50 (70.4%)
32⑧ Research for the Establishment of National Kumiodori Theatre (tentative name) [MOE]	A—2	104	80 (76.9%)
33⑧ Research Study on Education Methods Utilizing Internet [MOE]	C—3	34	30 (88.2%)
34⑧ Investigation of Measures for Improvement of Research and Nurturing Human Resources at the Ryūkyū University [MOE]	A—2	13	10 (76.9%)
35⑧ Research on Redevelopment of Land Returned from the U.S. Military Facilities & Areas [ODA]	A—2	13	10 (76.9%)
36• FTZ Revitalization Promotion Project [ODA]	A—2	77	25 (32.5%)
37⑧ Research Study on Methods to Introduce New Energy in Subtropical Agriculture (ODA, MOAFF)	A—2	92	50 (54.3%)

38⑧ Basic Research for Establishment of Comprehensive Research Institute for Subtropics [ODA]	A—2	299	150 (50.2%)
39⑧ Research Study on the Okinawa-Type Marine Farming Concept [ODA, MOAFF]	C—3	131	60 (45.8%)
40⑧ Research for Establishment of the Ryūkyū History Theme Park [ODA]	C—3	53	30 (56.6%)
★ (16) Investigation Study for the Okinawa Beaches Master Plan [ODA]	C	50	
41⑧ Research on a Support System for Establishment of the Okinawa Brand: A, B, C, D [MOAFF] / A (Policy Division in Food Marketing Bureau)	B—2	55	11 (20%)
B (Crops Development Division in Agricultural Production and Horticulture Bureau)	B—2	61	18 (29.5%)
C (Fruit and Flower Division in Agricultural Production and Horticulture Bureau)	B—2	61	18 (29.5%)
D (Infrastructure Division, Resources Production Promotion Department, Fisheries Agency)	B—2	30	13 (43.3%)
42⑧ Research on Environmental Protection Measures for the Forest and Sea [MOAFF]	B—3	202	12 (18.8%)◆
	B—3		26 (18.8%)◆
43⑧ Investigation for Research on Agriculture, Forestry and Fisheries in Okinawa and other Tropical and Subtropical Zones [MOAFF]	C—3	130	50 (38.5%)
44⑧ Experimental Creation of GIS and the National Land and Space Data Base [NLA]	B—2	201	150 (74.6%)
45⑧ Research on the Promotion of the Health Island Concept [MOW]	A—2	83	30 (36.1%)
46⑧ Research on International Medical Cooperation in Okinawa [MOW]	3		29
★ (17) Project on the Network of the Long Distance Medical Treatment in Okinawa [MOW]	C	537	
★ (18) Comprehensive Research on the Longevity in Okinawa Prefecture [MOW]	C	150	
47⑧ Research on Tourism Policy Concerning Visas [MOFA]	A—2	2	2 (100%)
48⑧ Research for the Project of International Cooperation and Intellectual Exchange in Okinawa [MOFA]	A—2	101	50 (49.5%)
49⑧ Research for Promotion of International Exchange between US and Japan (Okinawa-Hawaii)	A—2	20	16 (80%)
	A—2	32▼	23 (71.9%)
	A—2	41▲	10 (24.4%)
50⑧ Research Study on the Expansion of the Technical Cooperation in Okinawa [MOFA]	A—2	41	40 (97.6%)
51★ Convention on Development in Okinawa [MOFA]	B—3	61	52 (85.2%)
★ (19) Research Study on the U.S.-Japan Academic and Research Exchange in Okinawa in Cooperation With the Pacific Institute Center for the Hi-Tech Research [MOFA]	B	11	
52⑧ Research on Internationalization and Public Safety Measures in Okinawa [PA]	C—2	133	30 (22.6%)
53⑧ Research for the Concept of the International Coral Reef Research and Monitoring Center [EA]	C—2	34	10 (29.4%)
54⑧ Experts Study on the Okinawa Promotion Policy [PMO]	4		22
55⑧ Research on Employment of Workers Effected by Returns of the US. Facilities & Areas [DFAA]	4		10
56★ Special Project for Development of Employment in Okinawa (tentative name) [MOL]	4		1,000
57⑧ Formation of Special Employment Development Plan for Special Regions in Okinawa Prefecture [MOL]	A—3	79	21 (26.6%)
58★ Project Supporting Human Resources Training for the Information and Communication Industries in Okinawa Prefecture [MOL]	A—3	89	80 (89.9%)
59★ Project for the Development of Vocational Skills Related to the Construction Industry for Youth Seeking Employment in Okinawa Prefecture [MOL]	A—3	340	298 (87.6%)
60⑧ Project for the Development of Vocational Skills in Okinawa Prefecture [MOL]	A—3	52	10 (19.2%)
61⑧ Research on the Acquisition of the Safety and Sanitation License in Okinawa [MOL]	A—3	8	6 (75%)
Total 61 items allocated budget, 19 items scrapped		11,942	5,001 (54.8%)

Sources: Based on (a) OSK April 1999b; (b) Naikaku Naisei Shingishitsu Okinawa Mondai Tantōshitsu March 1997; April 1997.

Note: (1) Eval./ AI.No – evaluation conducted by the Prime Minister Internal Affairs Office and the prefecture as of March 1997 / and the order of allocation;

(2) Req. Sum – budget requested by ministries and agencies as of March 1997;

(3) Final Sum / (% AI.) – final allocated amount / percentage of the total requested sum that was allocated;

(4) Highlighted background signifies joint programs;

(5) ◆ signifies the total percentage of the two programs (Research on Environmental Protection Measures for the Forest and Sea), only the total requested sum is known;

(6) ★ signifies programs and projects from the 88-item list, but not allocated budget under the five-billion SAF;

(7) ▼ – this project appears on the (88-item) list for budget request under a different name of Research Study by FASIDO on the Promotion of U.S.-Japan Cooperation in Regard to the Exchange between U.S. and Japanese Universities and Graduate Schools [MOFA];

(8) ▲ – this project did not appear on the (88-item) list for budget request;

(9) Abbreviations of ministries and agencies: ◆ DFAA – Defense Facilities Administration Agency; ● EA – Environment Agency; ● MITI – Ministry of International Trade and Industry; ● MOAFF – Ministry of Agriculture, Forestry and Fisheries; ● MOC – Ministry of Construction; ● MOE – Ministry of Education; ● MOFA – Ministry of Foreign Affairs; ● MOPT – Ministry of Post and Telecommunications; ● MOT – Ministry of Transport; ● MOW – Ministry of Welfare; ● NLA – National Land Agency; ● ODA – Okinawa Development Agency; ● PA – Police Agency; ● PMO – Prime Minister Office.

**Table A-4.** Refraction of the Free Trade Zone (FTZ) Related Measures

Deregulation Project	Eval.	All-Okinawa FTZ Plan	Revision of Okinawa Special Measures Law
●[1] ♦ corporation tax reduction (e.g. exemption for 5 years)	D (MOF)	●[9] corporation tax reduction (from 37.5% to 30%) ●[9.1] target businesses: manufacturing, land freight, warehouse, packing, wholesale, other admitted by the governor	●[1] income tax deduction (35% for 10 years, over 20 employees, ODA director general permission for the bonded area) ●[1.1] target businesses: manufacturing, packing, warehouse
		●[10] local tax exemption (business tax, real estate acquisition tax, fixed property tax)	●[6] local tax exemption (local business tax (5 years), real estate acquisition tax, fixed property tax (5 years), special land-holding tax)
		●[11] compensation for the reduced local tax (by the central government)	[7] compensation for the reduced local tax (by the local transfer tax for 5 years)
[2] ♦ special customs and tariffs system	D (MOF)	●[1] abolition of trade tariffs on raw materials, parts and partially completed products processed or manufactured in the zone (with some exceptions)	X
		●[2] abolition of customs & domestic consumption tax on imports used or consumed in the zone (also machines)	X
		●[4] abolition of tariffs on products made in the zone for domestic distribution	X
		●[7] simplified & prompt customs procedures	X
[4] ♦ selective tariffs system	D (MOF)		●[5] selective tariffs system (except certain items)
[6] ♦ removal of import quotas (IQ)	D (MITI)	●[3] removal of import quotas (IQ) including restricted items & goods (with some exceptions)	X
[3] ♦ duty-free shops	▲ (MOF)	●[5] duty-free shops (airports, seaports, & other tourist facilities)	[8] special duty-free shops (airports, except certain products)
[5] ♦ limited off-shore, investment loss reserve system	D (MOF)		●[4] investment loss reserve system (40% of investment)
[21] ♦ investment loss reserve	D (MOF)		
[8] ♦ special corporation	C (ODA)	●[6] establishment of special corporation to manage FTZ	X
●[20] ♦ investment tax deduction (15% of costs from the corporation tax or 50% in special repayment)	D (MOF)	●[8] investment tax deduction (50% of the cost from the corporation tax within max. 10 years, up to 40% of the corporation tax)	●[2] investment tax deduction (15% of machinery, 8% of buildings' costs, up to 20% of corporate taxes within max. 4 years, investment of max. 2 b, min. 10 m) ●[3] special repayment system (50% of machinery, 25% of buildings' costs, min. investment 10 m)

*Note:* (1) In the 1998 Revision of Okinawa Special Measures Law, [1], [2] or [3] to be chosen; (2) Eval. – Ministries' evaluation as of August 1996; (3) ▲ – separate investigation; (4) the numbers in square parentheses respond to the list of special measures in All-Okinawa FTZ Plan; (5) ♦ – deregulation related requests (non-distributive policy proposals).

**Table A-5.** Comparison of the Development Plans for Okinawa in the 1990s

<p>Modernization Projects (1996.11.11) Basic Plan Basic Plan of the Program for Autonomic Modernization (1997.5.16)</p>	Objectives	Self-sufficient development and creation of a region that will contribute to peace and sustainable development in the Asia Pacific region through fostering various exchanges that make most of Okinawa's historical and cultural heritage and its natural environment, while adhering to the values of "the Okinawa spirit" of the coexistence and peace, and the principle of the <i>jiritsu</i> .
	Basic Direction (Modernization Projects)	(1) Formation of South-North exchange hub (2) Creation of a "Model-Zone of Environmental Coexistence" (3) Creation of new industries suitable for the 21 century (4) Establishment of attractive resorts (5) Creating well provided and high quality living environment (6) Securing and nurturing human resources (7) Promotion of internationalization on regional level
	Basic Policies (Basic Plan Basic Plan of the Program for Autonomic Modernization)	(1) Construction of the De-Militarized and Peace-Diplomacy City of Okinawa (2) Promotion of base returns and land redevelopment (infrastructure) (3) Formation of "southern international cooperation & exchange hub" and promotion of international contribution (4) Promotion of Okinawa economic self-sufficiency and industrial development (deregulation measures)
	Main Projects (Modernization Projects)	(1) Improvements of transportation system (2) Redevelopment of the returned military land (3) Formation of International exchange and cooperation hub (4) Creation of new industries (5) Establishment and promotion of research institutes (6) Training, securing and supporting human resources
<p>All-Okinawa FTZ Plan (1997.11.15)</p>	Objective	Self-sufficient development and creation of a region that will contribute to peace and sustainable development in the Asia Pacific region; establishment of All Okinawa FTZ.
	Basic Direction	(1) Development of new FTZ zones (processing and trading industries) (2) Promotion of information and communication industries (3) Promotion of tourism and final destination-type of resorts
	Specific Policies	(1) Enlargement and reinforcement of FTZ system (2) Preferential treatment under the tax system (3) Transportation deregulation (4) Simplification or omission of formalities for entry (5) Improvement of the basic infrastructure (6) Training and securing human resources
	Promoted Industries	(1) Processing and trading industries (2) Tourism and final destination-type resorts (3) Information and communication industries (4) Measures for agriculture, forestry & fisheries, small & medium enterprises
<p>Prime Minister Address (1997.11.21)</p>	Objectives	The government will pursue the way for Okinawa development in the 21 century that will make most of the geographical and cultural uniqueness and the characteristics of the people of the prefecture, formed during the Asian great commerce age, in the spirit of the <i>Bankoku Shinyō</i> .
	basic approach	(1) Promotion of the processing and trading industries (2) New development of tourism and resort-type of industries (3) Promotion of information and communication industries aiming at creation of international network (4) International exchange of research on technology
	Devices for economic development	(1) Establishment of new special FTZ system (special measures for tax reduction) (2) Designation of new zones and businesses (medium & small venture business, tourism, information & communication industries) for promotion of internal and external investment (3) Establishment of Okinawa-type duty free shops & simplification of visa procedures (4) Development of infrastructure for the formation of international exchange hub (5) Establishment of higher education institutions
<p>Basic Position on Okinawa Development Plan for the 21st Century (1999.4.22)</p>	Objectives	Formulation of specific policies for the development of self-sufficient economy in Okinawa under the leadership of private sector
	Basic Policy	(1) Setting a clear objective for Okinawa as "Pacific Crossroad" for international exchange (2) Creation of new industries appropriate for the new era (3) Supporting policies for establishment of a "nation of science & technology" (4) Support for existing industries (5) Measures to tackle disadvantages of isolated islands (deregulations, cost reductions) (6) Balanced resolution of the base and economic development issues
	Basic Direction	(1) Processing and trading industries (2) Tourism and final destination-type resorts (3) Information and communication (4) International exchange of research on technology

	Specific Policy Directions	(1) Creation of new industry suitable for the 21 century (a) New development of the FTZ (b) Formation of a hub for international tourism and final-destination type of resorts (c) Formation of "Multi Media Island" (d) Promotion of research, technology development, science and cultural exchange (e) Creation of a "Model-Region of Environmental Coexistence" (f) Strategic development of subtropical agriculture, forestry and fisheries (g) Creation of new businesses and a support system for them (h) Employment creation and promotion of vocational training (2) Training and securing human resources (3) Development of infrastructure to support industrial activities (4) Balanced development of prefectural land
Okinawa Development Plan for the 21st Century (2000.8.25)	Objectives	Creation of the self-sufficient economy, and shift to the private sector-led economy
	Basic Policy Directions	(1) Creation of the self-sufficient economy (2) Formation of a region contributing to the society & economy of Japan (3) Creation of the exchange hub for the Asia Pacific region (4) Balanced resolution of the military base and economic development issues
	Main Areas of Industrial Promotion	(1) Processing and trading industries (2) Tourism and final destination-type resorts (3) Information and communication industries (4) Local agriculture, forestry and fisheries
	Arrangements for Industrial Promotion	(1) Creation of support system for new businesses (2) Promotion of research development and international exchange (3) Human resources training and creation of employment (4) Creation of a "Model-Region of Environmental Coexistence" (5) Development of infrastructure to support industrial activities

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### **Internet Home Pages of the Key Japanese Institutions and Organizations Related to Okinawa**

Anti War Landowners Association (*Hansen Jinushikai*)  
<http://www.jca.apc.org/HHK/>

Democratic Party of Japan (DPJ; *Minshutō*)  
<http://www.dpj.or.jp>

General reference on Japan  
<http://reference.allrefer.com/country-guide-study/japan/>  
<http://web-japan.org> (Web Japan under auspices of the Ministry of Foreign Affairs)

Japan External Trade Organization (JETRO)  
<http://www.jetro.go.jp>

Japan Newspaper Publishers and Editors Association  
<http://www.pressnet.or.jp>

Liberal Democratic Party (LDP; *Jiyū Minshutō*)  
<http://www.jimin.jp>

National Governors' Association (Zenkoku Chijikai)  
<http://www.nga.gr.jp>

National Diet (*Kokkai*)  
<http://kokkai.ndl.go.jp>

National Institute for the Research Advancement (NIRA)  
<http://www.nira.go.jp>

Okinawa Prefectural Assembly  
<http://www3.pref.okinawa.jp/site/view/cateview.jsp?cateid=194>

Okinawa Prefectural Office  
<http://www.pref.okinawa.jp>

*Okinawa Times*  
<http://www.okinawatimes.co.jp>

Prime Minister Office (Cabinet Office from 2001) with links to all ministries, agencies and other governmental institutions  
<http://www.kantei.go.jp>

*Ryūkyū Shimpō*  
<http://ryukyushimpo.jp>

Social Democratic Party (SDP; *Shakai Minshutō*)  
<http://www5.sdp.or.jp>

Statistics Bureau of the Ministry of Internal Affairs and Communications (*Sōmushō*)

<http://www.stat.go.jp>

Urban Economic Institute (UERI)

<http://www.ueri.org>

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## Zmieniające się modele polityki w Japonii Lokalne inicjatywy polityczne w Prefekturze Okinawy w latach 90. XX wieku



### Streszczenie

Relacje wzajemne władz centralnych i samorządowych w Japonii ujmowane są najczęściej według dwu schematów: modelu „wertykalnej kontroli” Tsuji Kiyoakiego oraz modelu „wzajemnej współzależności ogniw władzy” Muramatsu Michio. Pierwszy model wskazuje na ściśle podporządkowanie się organom władzy centralnej jednostek administracji lokalnej. Drugi model przypisuje władzom lokalnym nieco szerszy margines swobody podkreślając, że pomimo centralnie ustalanych planów i równie centralnie rozdzielanych na ten cel funduszy, ostatecznie jednak władze lokalne samodzielnie podejmują decyzje polegające na wyborze konkretnych projektów rządowych.

W rzeczywistości relacje te wydają się jednak dużo bardziej skomplikowane. Do ich analizy w niniejszej pracy wybrano przypadek prefektury Okinawa, koncentrując się szczególnie na procesie powstania i negocjacji dalekosiężnego „Programu autonomicznej modernizacji” Okinawy (*Kokusai toshi keisei kōsō*) w latach 90. XX w. z perspektywy wewnętrznych relacji i politycznego procesu decyzyjnego w administracji państwowej w Japonii. Program ten był najszerzej zakrojoną propozycją rozwoju regionalnego jaką kiedykolwiek przedstawiono w tym kraju z inicjatywy władz samorządowych.

Szczegółowe wnioski z przeprowadzonej analizy zawarte w ostatnim rozdziale niniejszej pracy dotyczą identyfikacji czynników, które umożliwiły powstawanie każdego z projektów zawartych w „Programie autonomicznej modernizacji” na szczeblu lokalnym i ich późniejsze umieszczenie w decyzyjnym programie władz centralnych, jak również tych czynników i metod asymilacji, które wpłynęły na ostateczny kształt lokalnych propozycji na szczeblu krajowym.

Wnioski płynące z jednego tylko studium przypadku nie uprawniają do wyprowadzania uogólnień dotyczących całości systemu decyzyjnego w Japonii, pozwalają one jednak na postawienie pewnych hipotez, które mogą być weryfikowane poprzez kolejne badania. Główną hipotezą badawczą niniejszej pracy jest twierdzenie, że procesy globalizacji i regionalnej integracji w Azji Wschodniej z jednej strony, a z drugiej, działania samorządów terenowych i innych podmiotów politycznych w Japonii mające na celu przyspieszenie procesu decentralizacji władzy i liberalizacji gospodarki, mają daleko idące konsekwencje dla scentralizowanego systemu planowania rozwoju lokalnego w Japonii. Dalsze badania nad procesami decyzyjnymi w sferze planowania regionalnego na szczeblu krajowym i lokalnym zweryfikują trafność tej tezy.

Inicjatywa prefektury Okinawa w postaci „Programu autonomicznej modernizacji” może być postrzegana jako jeden z pierwszych przejawów powolnego i stopniowego „odradzania się” autonomii lokalnej w sferze planowania rozwoju regionalnego. Można spodziewać się, że przypadek ten będzie w przyszłości służyć także jako źródło inspiracji dla innych podmiotów lokalnych w Japonii. Dalsze badania w dziedzinie autonomii lokalnej tego kraju potrzebne będą jednak, by określić zasięg i charakter zachodzących zmian.