

ACFEA 2025 July 9 Hanoi National University

# From Quantity to Quality: Building a Profitable and Inclusive Tourism Economy in Okinawa

Roki Iwahashi

Faculty of Global and Regional Studies,  
University of the Ryukyus,

# Okinawa - Japan's Southernmost Prefecture



🌸 Location:  
Southernmost part of Japan, 2–3 hours from Tokyo,

🌸 Population:  
Approx. 1.4 million

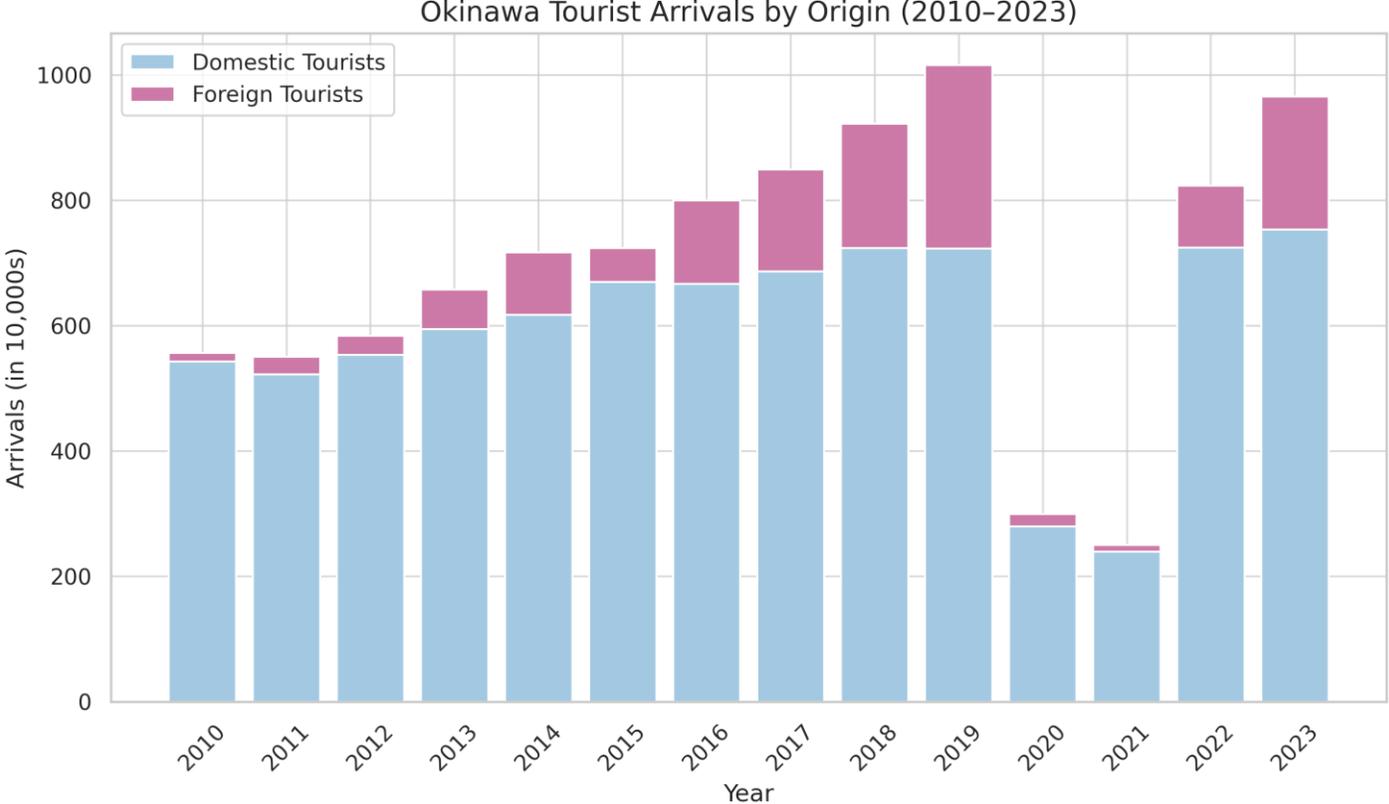
🌸 Climate:  
Subtropical, avg. temperature 22–23° C

🌴 Per Capita Income:  
2.26 million yen (USD 15,000) – Lowest in Japan

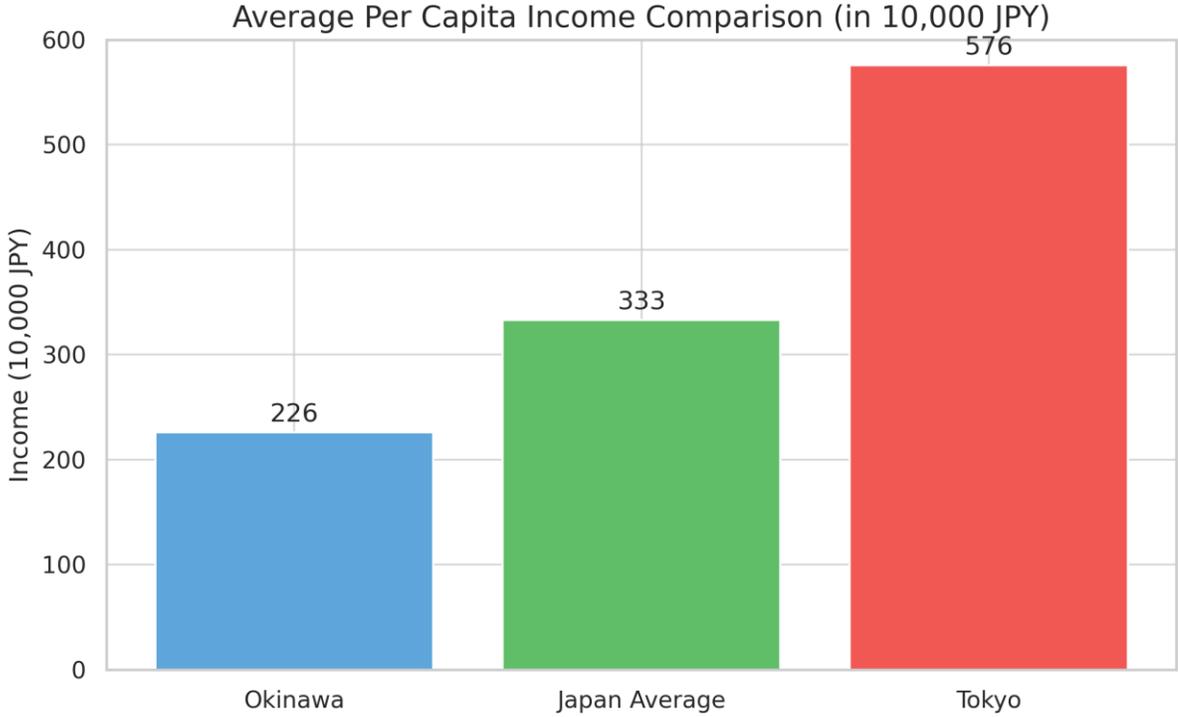
🌴 Tourism:  
~10 million visitors annually; 30% of GDP

🌴 Features:  
Unique Ryukyuan culture, Gateway to Asia

# Okinawa Tourist Arrivals by Origin (2010–2023)



# Okinawa's Per Capita Income is the Lowest in Japan



# The Problem:

## Why is Okinawa Still Poor Despite Tourism?

- Okinawa is one of Japan's top tourist destinations:
  - ~10 million visitors annually
  - Tourism accounts for ~30% of Okinawa's GDP
- Paradoxically, Okinawa has the lowest per capita income in Japan:
  - 2.26 million yen vs. national average of 3.33 million yen
  - Less than half of Tokyo's income level
- Why?
  - Low value-added tourism model (quantity over quality)
  - High leakage: tourism revenue flows to outside businesses
- Key Question:
  - How can Okinawa transform tourism into sustainable regional prosperity?

# Strategy 1: Attract High-Net-Worth Tourists

- To raise local income through tourism, Okinawa must attract affluent tourists.
- Okinawa has a strategic advantage in capturing Japan's wealthy travelers:
  - Only subtropical island in Japan with warm climate and coral reefs
  - Safe, politically stable, and Japanese-speaking – preferred by domestic HNWIs
- Okinawa is also geographically positioned to attract Asia's wealthy:
  - Within 4–5 hours from major Asian cities (Seoul, Taipei, Shanghai, Hong Kong)
  - Growing number of affluent travelers in Asia seeking luxury and privacy
- Shift branding from 'cheap and accessible' to 'rare and exclusive domestic resort'.
- Offer curated, culturally meaningful experiences with a strong sense of place.

# Strategy 2: Keep the Money Local

- Attracting wealthy tourists is not enough—value must stay within the region.
- Key challenges for Okinawa:
  - High tourism leakage due to external ownership and imported goods
  - Low local retention rate of tourism income (Okinawa ranks among the lowest in Japan)
- Strategic solutions:
  - Promote joint ventures between local residents and outside investors
  - Encourage local sourcing of goods and services in hospitality sector
  - Implement accommodation tax to reinvest in environment, culture, and training
  - Develop human capital to increase local employment in high-value positions
- Build institutional mechanisms that keep profits in Okinawa and empower communities.

# Case Study 1: Macao



## ✓ Attracting Wealthy Tourists:

- Macao legalized casino gambling and built a global luxury gaming destination
- High-spending tourists from mainland China driven by the Individual Visit Scheme (IVS)
- Over 70% of visitors from China; strong demand for premium hotels, retail, and entertainment

## ✓ Keep the Money Local:

- Gaming tax rate of 35–40% funds infrastructure and public services
- Targeted taxation on casinos enables wealth redistribution without burdening residents
- High local employment and procurement supported by government policies

 Macao demonstrates that tourism can drive high income and public investment when combined with smart fiscal strategy.

# Case Study 2: Malta



## ✓ Attracting Wealthy Tourists:

- Combines cultural heritage, historic sites, and luxury tourism infrastructure
- Popular for language learning, business travel, and high-end cruises
- Positioned as a premium destination within Europe and the Mediterranean

## ✓ Keep the Money Local:

- Tourism linked with finance, IT, and gaming sectors – reinforcing economic synergy
- Inflow of foreign professionals drives demand for upscale hospitality year-round
- Strategic use of EU membership to attract investment and skilled workers

🏰 Malta shows how tourism can support a broader high-income service economy through smart integration and positioning.

# Case Study 3: Hawaii



## ✓ Attracting Wealthy Tourists:

- Positioned as a luxury destination for honeymooners and high-end travelers
- Emphasis on safety, natural beauty, and unique island culture
- High spending per visitor: USD 236/day (2022), driven by premium services

## ✓ Keep the Money Local:

- Tourism taxes (hotel and consumption) generate over USD 2 billion annually
- Revenue funds public infrastructure, environment, and community services
- Strategic zoning (e.g., Waikiki) helps manage impact and maintain quality

🌈 Hawaii shows how consistent branding and fiscal policy can make tourism a key pillar of a prosperous local economy.

# Case Study 4: Niseko



## ✓ Attracting Wealthy Tourists:

- Internationally renowned for premium ski experiences and natural scenery
- Foreign visitors and investors from Australia, Asia, and Europe
- High-end accommodations and English-language services expanded rapidly

## ✓ Keep the Money Local:

- Tourism linked with local agriculture and crafts (e.g., farm product sales)
- Lodging tax introduced in Kutchan (2%) to fund DMO and environment
- Ordinances ensure sustainable development and resident involvement

❄️ Niseko shows how to balance foreign capital and local benefit through zoning, tax, and community-led planning.

# A Bonus Case: Phu Quoc Island, Vietnam

- Phu Quoc is an island in southern Vietnam, rapidly emerging as a luxury resort destination.
- Major investments have gone into upscale hotels, entertainment complexes, and infrastructure (e.g., airport, cable car).
- From 2010 to 2019, regional GDP grew ~38% annually, driven by tourism.
- Focus on affluent international visitors + promoting local economic benefits.
- Challenges remain (e.g., environmental pressures), but offers a promising example of high-value, inclusive tourism in Asia.

# Okinawa's Current Efforts to Attract Wealthy Tourists

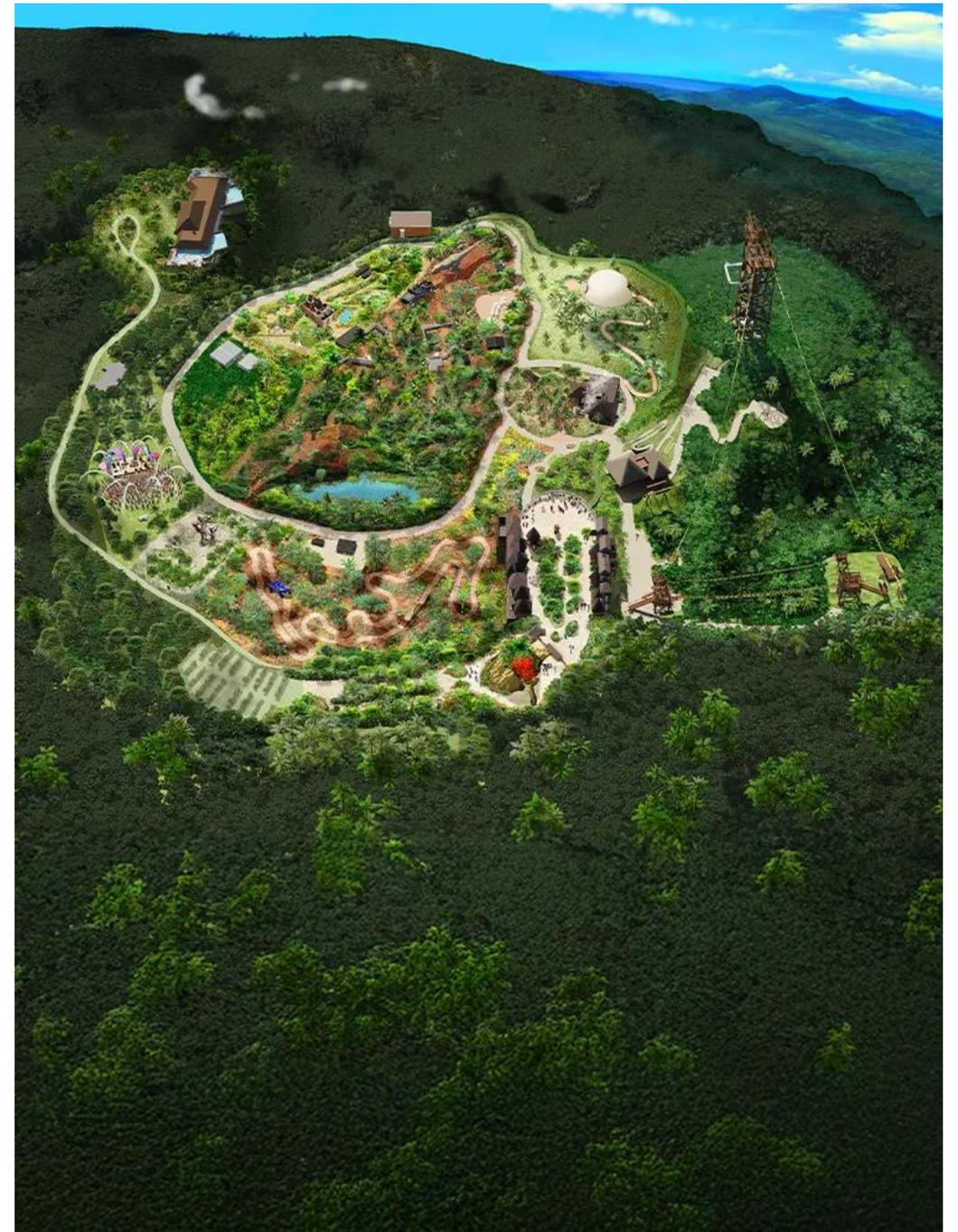
## ✓ New Developments:

- JUNGLIA, a luxury eco-resort theme park, opening in July 2025 in northern Okinawa
- Aims to provide immersive nature and adventure experiences tailored for affluent visitors
- Promotes small-group, high-spending tourism while preserving the natural environment

## ✓ Policy Initiatives:

- Prefecture-approved accommodation tax (2%) to be introduced by FY2026
- Branding shift toward 'exclusive subtropical escape' for domestic HNWIs
- Promoting zoning and luxury resort planning in outer islands (e.g., Yaeyama, Miyako)
- Okinawa is beginning to align infrastructure and policy with high-value tourism goals.

# JUNGLIA Okinawa: Grand Opening July 2025



# Okinawa's Efforts to Promote Local Economic Circulation

## ✓ Community-Based Tourism Models:

- Promotion of local joint ventures in resort development (especially in remote islands)
- Encouraging resident equity participation to retain profits locally
- Government acts as coordinator in land use, regulation, and project oversight

## ✓ Human Capital Development:

- University of the Ryukyus launched Japan's first tourism-focused faculty at a national university
  - Aims to nurture high-skill professionals for Okinawa's tourism industry
  - Emphasis on local leadership and long-term career development in tourism sector
- These initiatives are critical for ensuring that tourism-generated value stays and grows within the local economy.

# Conclusion: Building a High-Income Tourism Economy in Okinawa

## ✓ The challenge:

- Okinawa has many tourists but still suffers from low income due to leakage and low-value services.

## ✓ Two key strategies:

- 1. Attract high-net-worth tourists with exclusivity, safety, and cultural uniqueness
- 2. Retain and circulate tourism revenue through local ownership, human capital, and fiscal tools

## ✓ Global lessons:

- Learn from Macao, Malta, Hawaii, and Niseko – where luxury tourism supports regional prosperity

👉 Okinawa must shift from a volume-based model to a value-based, inclusive tourism economy.