Foreign Investment In Hawai'i.

Marion Kelly, 5/19/92
Paper delivered at the A.A.A.S. Conference
San Jose, California

Foreign investment is no stranger to Hawai'i. Long before foreign capital was invested in sugar or pineapple plantations, traders from foreign countries invested their resources in the Hawaiian sandalwood trade.

In its earliest form, foreign investment arrived with traders who supported their agents in the islands to collect sandalwood for them. The system was for these agents to "find the chief" and offer trade items that were attractive enough to motivate the chief to order his people to work for him. They were sent into the upland forests and required to cut down sandalwood trees for any number of days, weeks or months it might take to gather the required amount of sandalwood. They had then to haul the logs on their backs down to the harbor where the trader's ships would soon arrive and load this highly valuable and profitable natural resource of the Islands. The trader then sailed his ship to China.

In return for the sandalwood Hawaiian chiefs were offered liquor, guns, gunpowder, cannon, shot, and large assortments of cloth and clothing (much of it useless in the warm Hawaiian climate). Hawaiian chiefs stacked most items they received in storehouses that represented their new wealth and status in their changing society. Among these items later found were bolts of cloth (ranging from

Chinese silk embroideries to sail canvas), and a large assortment of clothing and underclothing, furniture, carriages, and many other items of the China trade.

The most expensive items traded for sandalwood were ships. A big ship brought hundreds of tons of sandalwood to the trader. The sandalwood was sold in China for a big profit, especially if he had already gotten the best service out of the ship, and it was ready for or past the retirement.

In 1820, one ship "sold" for $90,000 worth of sandalwood, although its net worth, new, was estimated to be only one-third of that amount (Thrum 1890:68, cited in Kelly, ed. 1978:114). A ship purchased from trader American resident merchant William French was reported to have been sold for $51,750 worth of sandalwood (Thrum 1890:69, cited in Kelly, ed. 1978:114).

Some of the ships offered in exchange were unfit to go to sea and sank at their moorings even before the agreed upon amount of sandalwood was collected. The ship that brought the first missionaries to Hawai'i, ***Thaddeus***, was sold to the chiefs after its hull was riddled with sea worms. The resident merchant, James Hunnewell, brought the second shipload of missionaries in his ***Missionary Packet***, that was described as a small, "poorly-built, comfortless ship." On the way to the Pacific, it had to "anchor thirty times in twenty different ports" along the South American coast to

keep from sinking (Sullivan 1926:16). He sold it to a Hawaiian chief for good sandalwood.

Chiefs were obviously reluctant to pay for ships that were sitting on the bottom of the harbor. This led to unpaid debts and threats by traders to take over the Hawaiians nation with their country's gunboats. These gunboats were cruising the Pacific Ocean just waiting for a chance to demonstrate their firepower and provide assistance to their colonial merchants.

Using their superior military power, the traders forced the chiefs to pay, or admit that they owed the colonial merchants at least $150,000 in sandalwood. In fact, these debts of the chiefs became the first national debt assumed by the Hawaiian Kingdom (Kuykendall 1938: Appendix D). Thus, the very earliest experiences of the Hawaiian Nation with western traders reveal a direct relationship between foreign investment and local indebitedness.

In a few years the sandalwood forests were gone. The next foreign investment adventure occurred as part of the whaling industry. Resident merchants established themselves in the port villages, built trading stores and storehouses on parcels of land loaned or rented from chiefs. From that vantage they proceeded to store whale oil and other products of the industry taken from the ships that wintered in the Islands while getting ready for another season at sea, and later placed the oil on ships what were returning to New England.

As the whaling industry began to retract, the resident merchants looked for other resources to exploit. Commercial agriculture seemed to be the answer. However, investment in any type of agriculture required a much stronger control over the land and its use than the Hawaiian system provided. Growing sugarcane required large acreages of land, and control over that land became an important issue. The ideal situation would be to have the land available for private ownership, and not under the Hawaiian system of use-rights that were controlled by the chiefs.

Having gained authoritative positions in the government, several missionaries developed a scheme to retire the Hawaiian use-rights land tenure system and adopt a system of private ownership which would serve the requirements of the sugar industry. This scheme was called the "Great Mahele." Essentially a land registration program, the Mahele transformed use-rights into private ownership through a series of quit-claim actions. Once these land laws were enacted and the scheme carried out in the mid-19th century, capital investment in sugar mills and sugarcane fields in Hawai'i increased. Not only was land made a commodity and available to be purchased or sold, but it could also be leased in long-term contracts for very little money.

The biggest leap in investment capital came with the signing of a duty-free reciprocity treaty of 1876. Numbers of sugar mills and plantations grew at a much faster pace than previously, once the duty-free market for sugar had been secured. "There were 20 plantations in 1875; five years later there were already 63,"

thus signaling a new era for exploitation of the natural resources of the Hawaiian Islands (Morgan 1948:215). The name, Reciprocity Sugar Co., of Hana, Maui, chartered in 1883, suggests appreciation for and perhaps dependency on a secure U.S. sugar market. Primarily as a result of consolidation and mergers with sugar "factors," and marginal operations being dropped, by 1900 there were 52 sugar plantations with 128,000 acres under cultivation, most of which were on lands with abundant water for irrigation. By 1930, there were 47 plantations with 250,000 acres under cultivation. The numbers drop rapidly after 1930, but acreage increases.

Capital for the sugar industry came from overseas. Great Britain, Germany, and the United States were the main sources of investment capital for the sugar industry.

Steve Boggs

FOREIGN INVESTMENT IN HAWAI`I

Marion Kelly, 10/12/93

Based on a paper delivered at the A.A.A.S. Conference
San Jose, California 5/19/92

I. Foreign Investment in Hawai'i: 1778-1954.

Foreign traders exploit natural resources

Foreign investment is no stranger to Hawai'i. Long before foreign capital was invested in sugar or pineapple plantations, traders from foreign countries invested their money and the money of others in the exploitation of the natural and human resources of the Hawaiian Islands.

The earliest trade in the Hawaiian Islands was incidental to its primary concentration, the fur trade. Ships in the fur trade obtained firewood and victuals, food and fresh water in the Islands. The shorter were the stopovers, the sooner they arrived in Canton, China, where they competed with others selling furs they had collected from the Native American tribes on the Northwest Coast of North America. It was not long before the fur traders were searching the Hawaiian Islands for other resources to exploit.

In the early 19th century the fur traders found Hawaiian sandalwood, a limited natural resource of the Hawaiian forests. It rapidly became one of the most exploited resources in the Islands. In addition, the traders exploited Hawaiian labor for cutting the trees and carry the sandalwood to their ships in the harbors.

To save time, sandalwood traders set up resident agents in the islands, to negotiate and oversee the collection of sandalwood for them (Morgan 1948:61-62). These agents sought out friendly chiefs and offered trade items attractive enough to motivate the chiefs to order their people into the forests. They were required to cut down the trees for any

number of days, weeks or months it took to gather the promised amount of sandalwood. Once the Hawaiians cut it into managable length of three or four feet and stripped off the bark, they carried the logs on their backs down to the harbor where the trader's ships would soon arrive and load this highly valuable wood that they then took to China to sell (Ellis 1963:286-287).

This process is vividly described by Jaques Arago who was in the Islands with Capt. de Freycinet of the French exploring expedition in 1819, soon after the death of Kamehameha I:

> Commerce has attracted to this place some Americans, who, in the hope of speedily making their fortunes, established themselves here several years ago. I cannot say that they carry on any regular trade here, but rather contrabond: they can obtain whatever they want at so cheap a rate. In the morning they take half a dozen bottles of wine to the Governor, and the good soul is soon stretched at their feet: they make presents of a few hatchets and muskets to the principle chiefs; all the rest of the population are then quite at the disposal of these gentlemen. Some strong and active men are sent to the mountains; the forests are examined, and some sandal-wood trees are cut down: these are conveyed to the water's edge at night by about twenty women, who are paid for either carrying or dragging them along with a few ells of European cloth or linen; thence to be embarked on board a vessel that is always stationed in the harbour. On the arrival of spring, their correspondents on the North-west coast of America come here with a cargo of furs, to obtain provisions, and increase their ventures with the acquisitions of their partners; and, sure of an immense profit, they push on to Macao, or Canton, to sell their cargoes to the...Chinese for dollars, sugar, or silks, which they know how to transmit speedily to Europe (Arago 1823:125

At first, Hawaiian sandalwood was sold in India. Subsequently, the trade shifted to Canton, China, where sandalwood traders made great fortunes (Bryan 1915:219).

see Fairbank, China Watch – at this time Brit were opening China, prob. was to get something to sell Chinese, Brit forced opium on them, sandalwood may have been important

Yes, after 1819, because up to that time Kam. monopolized all trade w/ foreigners

after 1819?

In the trading process Hawaiian chiefs accumulated an arsenal for the young nation, but most items, such as bolts of cloth, including canvas, Chinese silk embroidery, and wool, as well as woolen uniforms and underwear, teak furniture, horse carriages and many other items of the China trade, had little use value for Hawaiians and were stacked in storehouses, specially built for them. In a rapidly changing society, these storehouses filled with items of "western" trade, soon came to represent new wealth and status for the chiefs (Morgan 1948:63-65).

The most expensive items offered by the foreigners in trade for sandalwood were ships, usually old ships, ships that were no longer useful to the traders, and sometimes ships that were actually unseaworthy at the time of the sale. The traders demanded hundreds of tons of sandalwood in exchange for these ships. If a trader had already gotten the best service out of a ship, and it was ready for "retirement," or even past "retirement age," then the profits made on such a deal would be greater than ever (Morgan 1948:65). There were no "truth in packaging" laws The "laws" of competition allowed cheating, tricking the buyer, using force, exploiting resources to the limit, and in general, doing what ever a trader needed to assure himself a good profit. His competitors were each doing the same things.

In 1820, *Cleopatra's Barge*, a yacht of 191.5 tons, was "sold" for $90,000 worth of sandalwood, although its net worth, new, has been estimated to have been one-fifth, or one-third of that amount (Thrum 1890:68, cited in Kelly, ed. 1978:114, note 47). One estimate of the value of this deal to the trader was "at least 200 percent net profit" (de Freycinet 1839, cited in Kelly, ed. 1978:114, note 48). A ship belonging to the American resident merchant, William French, was reported to have been sold in 1819 to King Kamehameha II (Liholiho) for $51,750 worth of

sandalwood (Thrum 1890:69, cited in Kelly, ed. 1978:114). First grade sandalwood sold for between $ 8 and $10 a picul (a picul weighed133 1/3 lbs) in the market in Canton (Morgan 1948:65).

Sandalwood and the national debt.

An example of an unseaworthy ship that was offered in exchange for tons of sandalwood was the ***Thaddeus***, the ship that brought the first missionaries to Hawai'i (Kuykendall 1938:91). It was sold to the chiefs for "four thousand piculs of sandalwood valued at eight dollars a picul" (Sullivan 1926:14). Its hull was already riddled with sea worms. The resident merchant, James Hunnewell, was given the responsibility to collect the payment.

> "This proved a tedious and exasperating process, as full settlement was not made until twelve yers later. The delay in payment was not alone due to the many obligations that had been generally incurred by the native chiefs, but to their knowledge of Captain Blanchard's shortcomings when making the bargain. The "Thaddeus" did not prove satisfactory to her purchasers. They repeatedly offered to return the vessel to Hunnewell, Captain Blanchard's representative, if he would cancel the balance due. Hunnewell was in a delicate situation. He felt the justice of their offer; but, nevertheless, in the interest of the owners, he was obliged to insist on a compliance with the letter of the contract. For a period of twelve years, a part of which time he was absent from the Islands, he patiently pressed for the payment of the debt" (Sullivan 1926:14).

Chiefs were obviously reluctant to complete their payments for ships that were sitting on the bottom of the harbor. This and other similar situations led to a series of unpaid I.O.U.s and threats made by traders and merchants to take over the Hawaiian nation. To back up these threats the traders called on their countries' gunboats. Gunboat diplomacy was the order of the day. These gunboats were cruising the Pacific Ocean, going from port to port, seemingly just waiting for a

chance to demonstrate their firepower, intimidate native peoples and provide assistance to their colonial merchants in their economic exploitation of the peoples of the Pacific (Morgan 1948:65-66).

In 1822 the debt owed by the chiefs was estimated to be "something between 22,500 and 23,000 piculs....but in the fall of 1826...the *claims* of the traders amounted to $200,000" (Kuykendall 1938:91). The gunboat captain submitted to the King and chiefs a list of claims, demanded payment and theatened that the United States "has the will, as well as the power to enforce..." (Jones to Kauikeaouli, Nov. 4, 1826, cited in Bradey 1968:108). During "negotiations," a re-evaluation adjusted the amount of the debt to $150,000, or approximately 15,000 piculs of sandalwood, to be paid within nine months, the deadline being Sept 1, 1827 (Bradey 1968:109).

who ?

This agreement was the "Convention of 1826," between Commodore Thomas AP Catesby Jones on behalf of the United States, and Kauikeaouli (Kamehameha III), King of the Hawaiian Islands and his guardians. Signed: Dec. 23, 1826. This was the first treaty between the Hawaiian Kingdom and the United States of America. Article I mentions that the "peace and friendship subsisting between the United Sttes and their Majesties the Queen Regent and Kauikeaouli, King of the Sandwich Islands, and their subjects and people, are hereby confirmed and declared to the perpetual."

?

Using their superior military power, the traders forced the Hawaiian chiefs to pay, or admit that they owed the colonial merchants at least $150,000 in sandalwood. In fact, these debts of the chiefs became the first national debt assumed by the Hawaiian Kingdom (Kuykendall 1938: Appendix D).

without getting anything in return - the Convention was never ratified by US Congress

Thus, the very earliest experiences of the Hawaiian Nation with foreign investment in the form of the sandalwood traders, reveal a direct relationship between foreign investment and local national indebitedness. The real value of the goods received by the Hawaiian chiefs had been paid for, perhaps several times over, but the amounts of sandalwood still demanded by the foreign traders and merchants backed up by the threat of using their military power, placed the Hawaiian Nation into deep debt from which it never really recovered.

Whaling and resident merchants

In a few short years the sandalwood forests were gone. The next foreign investment adventure occurred as part of the whaling industry. Resident merchants established themselves in port villages such as Honolulu, O`ahu; Lahaina, Maui; and Kawaihae, Hawai`i Island. They built trading stores and warehouses on parcels of land rented from chiefs, or received from chiefs in payment of debts owed. These exchanges took place before private ownership of property was an accepted system of land tenure.

Traditionally, the high chief (***ali`i nui***) of the island (***moku***) assigned sub-district parcels of land (***ahupua`a***) to his chiefly supporters (***konohiki***), who then assigned to his supporters, the farmers (***hoa`aina***), small parcels of land (***`ili `aina***) located within the larger land under his control. Such rights to land are commonly called "use rights." Upon the death of the ***ali`i nui*** all "assigned" land was returned to the heir for re-assignment among his/her supporters.

source?

On land generously provided by the chiefs for the homes and warehouses, the foreign merchants proceeded to pursue their profitable

commerce by storing, temporarily, whale oil and other products received from whaling ships. Some whalers spent the winter in the Islands, while getting ready for another season at sea. Merchants sent the stored whale oil on ships that stopped in at the Islands before returning to their home port in New England. For additional charges, they also provided the whalers with ships' chandlery, equipment such as sails, rope, tools, etc., all of which were stored in their warehouses built on land loaned to the merchants by the Hawaiian chiefs.

source?

These arrangements went well until the chief died and/or the merchant decided to leave, and without the chief's knowledge, proceeded to "sell" to another foreigner land, for which he only had "use-rights." . When the chief or his family found out what had happened, and the new occupant refused to return the land to the chief, claiming he had purchased the land, problems were created that became international in character. Foreigners were not shy about calling for the gunboats of their countries to back up their claims. The Richard Charlton case, which included, among other degrading acts, that of the British taking over and running the Hawaiian nation for five months, is one of the outstanding examples of colonial tyranny experienced by the Hawaiians (Kuykendall 1938:206-219).

(over)

Exploiting the tree fern rain forests

As the whaling moved into other areas in the Pacific and fewer whalers used Hawaiian Island's ports, the resident merchants, in order to keep the profits rolling in, were forced to look for other exploitable resources. For a while the merchants used the Hawaiian people as a

means of exploiting the Hawaiian native tree ferns of the upland rain forest.

Pulu is the Hawaiian name for the soft fibers that grow on the base of tree fern leaf stalks, where the new leaves begin to form. Western merchants paid Hawaiians 1/2 cent per pound for ***pulu*** they collected. The merchants sold ***pulu*** in Australia, New Zealand or California and British Columbia for 10.5 cents a pound (Thrum 1876:58, cited in Kelly 1980:97, footnote). To motivate Hawaiians to spend months in the fern forest collecting ***pulu***, the merchants would encourage Hawaiians to charge items from their stores and pay their debt later with ***pulu***. The market for ***pulu*** eventually disappeared when it was discovered that the fern fibers, used to stuff mattresses and pillows, irritated the lungs of those who used these products. By this time, however, large portions of the indigenous tree-fern forests had already been destroyed.

Commercial Agriculture

Agriculture seemed to be the answer for foreigners wishing to remain in the Islands and carry on some kind of commercial activity. However, profitable investment in commercial agriculture required much stronger control over the land and its use than that provided by the Hawaiian use-rights system of land tenure. Growing sugarcane in Hawai`i required large acreages of land with adequate rainfall or sources of irrigation water. Any capital invested in cultivating the land and building dams and irrigation ditches on it, or constructing a mill on it had to be protected. Thus, who had control over and/or ownership of land became an important issue for the foreigners. The ideal situation

from the foreign investors' point of view was to have the land available for private ownership. The traditional system of use-rights controlled by the chiefs was an obstacle that the foreign investors had to overcome.

By the mid-1840s, having gained authoritative positions within the Hawaiian government, several American missionaries and their friends developed a scheme to retire the Hawaiian use-rights land tenure system. In its place they proposed to adopt capitalism's system of private ownership that would serve the needs of the foreigners and any industry they might pursue, such as sugarcane plantations and mills for processing the sugar.

Land becomes a commodity, encouraging foreign investment

The scheme to change the land system was called the "Great Mahele." Essentially a land registration program, the Mahele transformed use-rights into private ownership through a series of quit-claims and gave private ownership of 38% of all the land in the Islands to approximately 250 chiefs, and 24% to the King. Lands turned over to the Hawaiian Kingdom as government lands amounted to approximately 37% of all the lands in the Kingdom. Less than 1% went to the farmers (***hoa`aina***). Once these land laws were enacted, and the scheme carried out in the mid-years of the 19th century (1845-1855), foreign capital investment in land, sugar mills and sugarcane fields in Hawai'i increased dramatically.

Not only was land made a commodity and available to be bought and sold on the market, but it could also be leased in long-term contracts for very little money, especially land that had been placed in the category called Government Land. Missionaries and their friends in

the Hawaiian Government acted to serve the best interests of the planters by making tens of thousands of acres of Government land available for very little in rental costs, or equally low purchase prices. Interestingly, this scheme came about duriing the time that the American missionaries were being asked to give up their dependency on the head office in Boston, and begin to support themselves.

In 1837, before the Mahele, there were 5 known sugar plantations. By 1861 (24 years later) there were 22 (Lind 1938:71).

Reciprocity and annexation

The biggest leap in investment capital from overseas sources in the 19th century came in the years subsequent to the signing of the 1876 duty-free reciprocity treaty with the United States. Numbers of sugar mills and plantations grew at a much faster pace than previously, once raw sugar could be imported into the United States free of duty. In this way a market for sugar was made secure, at least for a few years. "There were 20 plantations in 1875; five years later there were already 63" (Morgan 1948:215). The largest sources of foreign capital came from England, Germany, and United States.

over

The Reciprocity Treaty of 1876 signaled a new era for exploitation of the natural resources of the Hawaiian Islands. The name, Reciprocity Sugar Co. of Hana, Maui, chartered in 1883, suggests the extent of appreciation some sugar planters had for the treaty. By this time the first treaty had lapsed and the planters were trying desperately to get it renewed. They sought a secure U.S. sugar market without the handicap of duty charges.

The Reciprocity Treaty had run for seven years and after several additional years of negotiations, it was determined that, to achieve an extension of the treaty, the Hawaiian Government had to promise the United States the sole use of Pearl Harbor as a coaling station and ship-repair facility. This was not a popular proposal, but with strong pressure from the sugar barons, Kalakaua finally acquiesced, amid many objections brought by his chiefs. He agreed to allow the U.S. exclusive use of Pearl Harbor. The extended Reciprocity Treaty between the Kingdom of Hawai`i and the United States of America was to have run for a second seven years and to have ended in 1894, but it was interrupted.

breaks continuity of exposition

This was not the only concession made by King Kalakaua. In 1887 he also was forced to sign a restrictive, new constitution by members of the Missionary Party , many of whom were also sugar planters, or had investments in sugar and other Island industries. For good reason the new constitution was called the "Bayonet Constitution." It disfranchised the great majority of the Hawaiian people by placing property or money income as requirements for voters. It gave the foreigners control over the legislature and over the King's cabinet, while maintaining the outward appearance of Hawaiians in control of their government. The scam did not last long.

over

With the death of King Kalakaua in January 1891, and with his sister and heir, Lili`uokalani, becoming Queen, the sugar planters and their fellow industrialists and merchants, felt they might lose their control over the government. They knew their control was slipping when the Queen declared she would replace the [bayonet] constitution with a new constitution.

see above — they knew well before this

Calling themselves a "Committee of Safety," these foreigners and American missionary descendants moved quickly to obtain U.S. support for a takeover of the Hawaiian government. They were successful in getting the United States troops from the gunboat, U.S.S. Boston, to illegally invaded Honolulu on January 16, 1893, in support of their acts of treason against the Hawaiian government.

source?

Thus, the Hawaiian people had the ultimate experience of "foreign investment." That is, when economic control seemed insufficient to achieve the desires of the agents of foreign investment capital, they resort to direct political control, taken and maintained by force. Not only an option, rather, it becomes the prefered action. After some reluctance by a racist U. S. Congress, the sugar industry advocates in 1898, finally succeeded in their push for annexation. Hawai'i was made a Territory of the United States in 1900. The Islands had become an important coaling station for American troop ships and war ships on their way to take over the Philippine Islands, yet another act of colonialism. Thus, since 1898, U.S. capital investments are no longer identified as "foreign investments."

over

over when?

Primarily as a result of consolidation and mergers, 21 plantations without mills in 1890 declined to six by 1930 (Lind 1938:181). Meanwhile, acreage planted in sugar cane increased from 64,149 in 1890 to 199,460 in 1906, and to 235,100 by 1938 (Lind 1938:75). By 1900 there were 52 sugar plantations with 128,000 acres under cultivation. By 1930, there were 47 plantations with 225,000 acres under cultivation. As a result of cannibalization and expansion, the number of plantations dropped rapidly after 1930, but the acreage continued to increase. In more recent years this action represents the consolidation of economic power in the hands of a few sugar "factors," called, locally, "the big five."

These were Castle and Cook; Theo. H. Davies (British capital), Alexander and Baldwin, C. Brewer and Co. and American Factors, formerly Hackfield & Company (German capital). Hackfield was taken by the U. S. government in 1918, and subsquently sold to American interests and renamed (Morgan 1948:186). With nationalism running high in the Territory throughout WWI and subsequently, the new owners of Hackfield named it American Factors, and its retail store was renamed "The Liberty House."

In the early stages, capital for the sugar industry came from overseas, primarily Great Britain, Germany, and the United States. The California and Hawaiian Sugar Refining Corporation at Crockett, California, to which all the unrefined sugar was sent, was owned by 33 Hawaiian sugar plantations. The directors consisted of the managers of the sugar factors in Honolulu (Lind 1938:183). As with the development of the pineapple plantations in the Territorial period during the 1920s and '30s, most of the capital came from the United States, thus, it was not called "foreign" capital, although very little of it was generated locally. Libby McNeil and Libby and California Packing Corporation, both invested heavily in Hawaiian pineapple plantations.

The pineapple industry made great strides in this period. Its approximately 600 acres in 1900, grew to approximately 79,000 acres in 1930 (Lind 1938:75). Some of the profits of the already-present sugar industry factors, primarily Castle and Cook (Dole Pineapple Company) and Alexander and Baldwin (today, Maui Land and Pine), were also sources of some investment capital for pineapple cultivation. In addition, over "90 percent of the small retail stores distributed over the Islands

purchase their supplies through one or another of the sugar factors" (Lind 1938:183).

The labor exploited by the sugar plantations in the early years was Hawaiian labor. After the first few initial years, and following the rapid expansion as the result of the first Reciprocity Treaty, greater numbers of workers than could be supplied locally were needed. As the Hawaiian population was still decreasing , labor had to be imported. The great majority of field labors came from Asia: first from China, Japan, and Korea and later from the Philippines. Foreign capital invested in the cheapest labor resources, holding the workers to oppressive contracts, poverty wages and poor living conditions. Some additional labor was imported from Portugal, Spain, Puerto Rico, and a few from Norway, Scotland, and countries on the European continent. But, by far the majority of workers were from Asian countries.

Tourism replaces agriculture

The tourist industry in Hawai`i began spreading its wings during WWI, with broadsides circulated in Europe, inviting affluent people to visit Hawai'i to get away from the war. WWI was seen as "Hawaii's Golden Opportunity!" by the Hawaii Promotion Committee in the summer of 1914. The Committee expected the war in Europe to have a positive effect on Hawaii's "tourist crop" (Kuykendall 1928:91). Editorial support from the Honolulu Star Bulletin was effusive: "Hawaii now faces a golden, a stirring, an unprecedented and never-tooo-be-repeated opportunity to go after and get a large share of the world's tourist traffic" (Cited by Kuykendall 1928:91). The chance to capitalize on the war was not missed

by the committee members. A. P. Taylor, secretary of the Hawaii Promotion Committee announced:

> A very large part of the $200,000,000 spent for tourist travel in Europe will be directed to the Pacific coast....This augurs well for our own business, as Hawaii is now the only safe tourist resort in the world, as I am advertising (Kuykendall 1928:91).

The Honolulu Ad Club moved into high gear to support the Hawaii Promotion Committee,

> using the slogan "Hawaii's Golden Opportunity is at hand and must be grasped." The Ad Club wishes to impress upon the public of Honolulu that its efforts are for the benefit of all and that the proper time to strike is NOW (Ibid.:91-92).

Sensitive to the connection between profits, hopefully to be gained by Hawai`i's tourist industry, and the blood shed by soldiers fighting the war in Europe, it was suggested by Mr. Theodore Richards, editor of *The Friend*, that Hawai`i could promote itself by organizing a large community effort in support of volunteers for the American Red Cross and placing some of the "blood money" in the hands of the Red Cross. The article continued: "it will be the best advertising idea for Hawaii ever put forth. Hawaii the great Peace center! HAWAII THE SYMPATHETIC, with gifts extended to war-cursed suffering and homeless ones. We submit that here most signally is HAWAII'S GOLDEN OPPORTUNITY" (cited in Kuykendall 1928:95).

The growth of the tourist industry in Hawai`i, from WWI until WWII had its ups and downs, expanding when the world economy was on an up swing, and slowing down when it slumped. It began to increase substantially after the Islands were endowed with statehood in 1959. As

a result, the possibilities increased for obtaining greater returns on dollars invested than could be obtained in commercial agriculture.

The development of industrial unions in Hawaii during and after WWII, urged on by several post-war strikes, forced the sugar and pineapple plantations to mechanize and cut back on labor. It took a few years before the planters could develop their survival plans, but purchasing cheap land and cheap labor in the Philippines and other "third world" countries after WWII, with the assistance of a few dictatorships: Marcos in the Philippines, Somoza in Nicaragua and a few others elsewhere, provided considerable assistance to their plans.

Some local development in tourism was initially financed by local or U.S. capital made available as a result of lucrative WWII contracts. Dillingham and Rockefeller (Dilrock) built the luxury resort Maunakea Hotel in South Kohala, Hawai`i Island in the mid 1960s. In the '60s and '70s the possibility of a plantation or a ranch increasing its cash flow by providing a few hundred acres of land to an overseas corporation that had the necessary financial resources for hotel development became a reality. Land rich and capital poor sugar "factors" negotiated "marriages" with land poor and capital rich foreign investors, most of whom, at least for a while, were coming in from Japan. An important element in the success of investments from Japan was the ability of the Japanese investors to follow up their resort developments with thousands of visitors willing to spend large amounts of money on vacations in Hawai`i.

Foreign Investment in Hawai'i: 1954-1990.

Beginning in the early 1950s, the most prominent new foreign investor in Hawai'i was a banking corporation in Japan. It provided some of the capital to establish the Central Pacific Bank of Hawai'i in 1954 (State of Hawaii 1991:26). By 1972 it held 13.7 percent of the shares (Ibid.:32). Full advantage of Hawai'i as an investment attraction was not taken until after statehood in 1959, and then, not until the early and mid-1960s. It was then that Kenji Osano purchased three of the main Waikiki Beach hotels: Princess Kaiulani Hotel, and the Moana Hotel and the Surfrider Hotel (Ibid.:27). The purchase price for the Princess was $8.7 million and for the last two it was $10.7 million (Ibid.:27). His arrival in the tourist industry woke up the community.

In addition to his Waikiki hotel purchases, Osano got into the limelight a few years later for his role in the Lockheed scandal, in which Lockheed paid over $12 million to several powerful Japanese in an effort to assure the purchase of Lockheed's Tri-star jet bus planes by the Japanese government over those of Lockheed's competitors (Hon. Star-Bull., 2/9/76:A9). For this he was indited, found guilty of lying to the Japanese Diet and sentenced to a jail term (Hon. Ad., 7/21/77).

Osano founded the Kokusai Kogyo Co., which became owner of the hotels, as well as of several other Waikiki properties (State of Hawaii 1991:27-28, 68). These purchases amounted to a total of 1,070 rooms for his hotels. In 1972 the International In-Flight Catering Co. was founded at "Honolulu Airport, with Osano as minority owner and Japan Air Lines holding 51 percent control" (Hon. Ad., 7/21/77). Osano already was the largest individual stockholder of Japan Airlines, with 2.6 per cent of its stock (Ibid.). In 1974 Osano purchased the Sheraton-Waikiki, Royal Hawaiian and the Sheraton-Maui Hotels (Ibid.:36). This

added 2,500 hotel rooms to Osano's Waikiki holdings, making Osano-Kokusai Kogyo owners of more than a third of the hotel rooms in Waikiki at that time.

Hotel purchases by other Japan interests eventually brought the ownership of Waikiki hotel rooms by investors from Japan up to approximately 50%. The purchase of already-in-place hotels adds nothing new to the capital investment in the state. It merely replaces one source of capital for another, and when the new capital is from a foreign source, it tends to move the important aspects of social responsibility and community concern by the corporate structure out of the reach of the community that is effected by the foreign investments.

The addition of new floors, new wings and the refurbishing of the old portion of a hotel adds to the capital investment, provides some short-term construction jobs and some long-term, low-pay service jobs within the hotel as well as some tourist-dependent service industry jobs in the community, such as laundry services, etc.

According to available records, Japan-owned capital investments in Hawai'i, from 1970 to 1984, totalled approximately $1.5 billion. In the following three years (1985-1987) the total invested in Hawai'i from Japan, just for those three years, was over $2.2 billion, bringing the grand total to over $3.7 billion. By the end of December 1990, the total investment Japan has made in Hawai'i amounted to more than $9.3 billion (State of Hawaii, 1991:129, Table 3).

In the 1980s, Hawai'i experienced new dimensions in foreign investment. Already, some investments were being made in the service industries. Osano had already purchased a company that provides food sevices in Honolulu for his Japan Airlines. Also, purchases were made of

already-existing tour-bus companies that provide transportation from the airport to the hotels in Waikiki and between hotels.

These types of purchases add no new capital, nor do they necessarily add new jobs. In fact, to properly service the visitors from Japan, which was one of the motivations for these particular purchases, the tour buses were furnished with drivers and attendants who spoke Japanese and were trained in and comfortable with Japanese social etiquette. What this kind of foreign capital investment does is to replace locally owned service industries that have in the past reinvested their profits in their companies, or in other local industries, with foreign labor; thus, all foreign investments do not necessarily add to nor expand the local economic base. Presumably, there will be a certain amount of reinvestment in the hotels, such as refurbishing the Moana Hotel to its nearly original colonial style to make it more attractive to tourists and to increase, hopefully, its competitiveness. Then, as more tourists are in need of servicing, there will be some degree of expansion which may add something to the local economy. It must be remembered that the tourism industry as a whole pays the lowest wages of any other industry in Hawai`i.

We must acknowledge, also, that the tourists from Japan spend their money on round trip air fares on Japan Airlines, are taken by tour buses owned by Japanese investors to resort hotels owned by Japanese investors, purchase their golf course memberships in Japan from Japanese resort owners and make expensive purchases at hotel gift shops that are owned by Japanese investors paying rent to Japan-owned hotels in Hawai`i. How much of the tourist trade from Japan sluffs off

and stays in Hawai`i is debatable, and I would suggest that only a very minor part of the income from the industry remains in Hawai`i..

Japan investments are world-wide, and will continue to be. It comes as no surprise that profits made on investments here in Hawai'i may very well end up being invested elsewhere in the world, and probably are, even now. Of course, this route of Japan capital investments is not theirs alone. As David Ramsour points out,

> "When Broken Hill Proprietry of Australia bought PRI, the thousands of U.S. and international holders of PRI shares received payment from Australia into their bank accounts throuthout the world. When David Murdock bought Castle & Cook, the transfer occurred with few funds coming into Hawaii" (Ramsour 1990:1).

However spectacular investment history in Hawai'i by corporations from Japan may appear, as in the beginning with Osano's large purchases of hotels, there was even more to come in the late 1980s. Figures available provide totals for capital investment by corporations in Japan in the period January 1987 to March 1988, are said to have been over $890 millions within those 15 months. During this time period over 1,800 properties were purchased or leased by investors from Japan and nearly 50% occurred in Waikiki, primarily in hotels, condominiums and commercial properties, and in Kahala, a residential community on O`ahu.

Purchases in Kahala marked the first time that a long-established residential community in Hawai'i had experienced such large-scale purchases by foreign investors from a single country. In the fall of 1987, Genshiro Kawamoto purchased 75 homes on O`ahu. During the 15-month period sales were made of $288 million in single family-homes and $264 million in condominiums, plus an additional $114 million in

resort. By March 1988, 51% of the office space in downtown Honolulu was foreign owned, and of that 51%, capital from Japan owned half (National Association of Realtors, Dec. 1988 Report).
During those 15 months over 32% of the properties that changed hands were improved residential properties, nearly 30% were apartments or hotels, over 14% were commercial property and over 12% were resort hotels.

While the Kenji Osano/Kokusai Kogyo ventures in Waikiki set tongues wagging, and created a stir in the Honolulu newspapers, now an even bigger noise was created in the community, triggered by the large numbers of real estate investment adventures in residential properties. Within a matter of a few days, stories began circulating in the community about Japanese investors driving through Kahala in limousines selecting residential properties they wanted to purchase without even getting out of their cars. These were not, it was said, properties advertised for sale, but just houses in which people were living. In some cases, it was reported, they did get out of their cars, knock on the doors of the houses and make offers to the residents to buy their homes without even seeing the inside of the houses.

Reaction in the communities focused on two aspects. One centered on those who saw the Japanese buyers as presenting the opportunity of a lifetime to make a fortune--to get more money than they had ever dreamed they could get by selling their homes. Offers to purchase were much higher than the estimated value of the property at that time. For every buyer there is a seller, most of whom are expecting to make a profit. The large amounts of money that investors from Japan were willing to pay for relatively modest homes, and the multi-millions

they offered for the large beach front properties encouraged some owners to rush to market with equally high selling prices. Kahala Avenue is an area that had been carefully guarded by Bishop Estate since the late 1920s and early '30s, as an upper-class haole (white) community. At one point in time, by count, there were 52 for-sale signs along approximately two miles of Kahala Avenue and, it might be added, most of these homes were on leasehold lands.

A second reaction was that of fear. People who did not wish to sell their homes, who were settled, or so perceived themselves, for the rest of their lives and had no desire to move elsewhere, were suddenly afraid they were going to lose everything. Some older residents having lived there 25 or 30 years, with another 30 years to go on their lease, or having used their life-time savings to purchase their property from Bishop Estate, may have found themselves locked into relatively fixed incomes at the time that this financial whirlwind raced through their relatively quiet neighborhood. With sales of properties all around them climbing into the multi-millions, they could imagine their taxes skyrocketting and themselves unable to pay, ultimately being forced to sell, and becoming middleclass victims of this rush of foreign investment money from Japan.

The aggressive style of the foreign buyers failed to win many friends. There were, however, real estate agents who catered to the new clients and, for a price, furnished updated lists of desirable properties available and assisted in consumating purchases for the new foreign real estate speculators (Wiles 1990).

Another interesting outcome of these foreign investments is that the landowner in Kahala, Bishop Estate, revised upward the prices of its

offers to the lessees through the "lease to fee" actions in which this community was engaged at that time. The prices asked by Bishop Estate for the purchase of the land under their houses, where they had been living for many years, were so much higher than the estimated value of the land that they bordered on gouging. Bishop Estate revised the land-purchase price upward based on the new land valuation that resulted primarily from the purchases made by the investors from Japan in the past few years. In such an indirect way, money was to be made off of lessees by some landowners.

The elements at the root of the rush by investors from Japan to purchase property in Hawai'i have been analyzed and presented to the residents as having been caused by events that were controlled by international forces. They were completely out of the control of anyone in Hawai`i. Among the most effective of these forces were the rise in the value of the yen over the dollar, the cheap interest rates available in Japan to real estate speculators, and the high cost of real estate in Tokyo. These elements, and others combined to drive Japanese capital overseas.

The first big investments settled on resort/hotel properties. Those were perceived as the sure money makers. With their easily obtained capital they bought already-built hotel/resorts at the start, then renovated and enlarged them. Later, they connected with large landowners who were anxious to sell raw land, which they purchased and then built their own luxury resorts. Purchases of condominiums, commercial properties and golf courses, serve as back-up industries for their primary hotel/resort developments. Finally, they got into the residential properties.

Particularly in the 19th and early 20th centuries--U.S., Germany, Great Britain were heavy investors, whereas China and others were in it to a lesser degree, with their investments in Hawai'i leaning heavily into agriculture. Today, we find that beginning in the mid-1950s and continuing through the end of 1990, twenty three countries contributed substantially to capital investments in Hawai'i (Hawaii State 1991). Regarding the amounts, it is only fair to point out that the State of Hawaii does not include purchases for which the cost is "undisclosed." So, aside from the "undisclosed" investments, the remaining investments for the period 1954 through 1990 for the top five foreign countries, according to the State (1991:127), are as follows:

	Pre-1970	1970-1979	1980-1990	Grand Total
Japan	31,900,000	593,429,000	8,659,085,000	9,284,414,000
Australia	100,000	16,500,000	634,031,000	650,631,000
HongKong	- -	101,300,000	202,045,000	303,345,000
United K.	- -	101,600,000	92,201,000	193,345,000
Canada	3,000,000	96,370,000	80,200,000	179,570,000
	$35,000,000	$909,199,000	$9,667,562,000	$10,611,761,000

These five countries: Japan, Australia, Hong Kong, United Kingdom and Canada, own over 95% of the total amount of known

(disclosed) foreign investments made between 1970 and 1979, and they own 97% of the total between 1980 and 1990 (State of Hawaii 1991:127).

In addition, as can be easily observed in Table 3 (State of Hawaii 1991:129), corporations from Japan owned by far the largest share of all foreign investments, according to the data gathered by the DPED, starting in 1954. In fact, Japan owned 86.8% of the known (disclosed) amount invested by these top five foreign countries. Australia ran a weak second with only $650.6 millions since 1954. Investments from Japan in the period 1980 to 1990, are 98% of the total of all foreign investments for that decade (State of Hawaii 1991:129).

One aspect of the hotel/resort investment is the golf course. No resort should be without one, or two, or perhaps even three eighteen hole golf courses. The big advantage of having golf courses attached to a resort was that the developers were selling golf club "memberships" in Japan, and the going rate was $200,000. Some have been reported selling even higher. The number of memberships that can be sold by any single resort is phenominal, given the fact that a "member" is not likely to travel to Hawai'i from Japan any more than three or four times a year to play golf. This means that many memberships can be sold without the golf course becoming crowded with players. Membership money was being used to build the golf courses.

Memberships sold early in the development of the resort could be used to pay for much of the actual construction of, not only the golf course, but also the resort. In the case of Ken Mizuno, a Japanese investor in Hawai`i, who is being tried in Japan on fraud and tax charges. "Between 1988 and 1991, KI (Ken International, Inc.) and Sanki Finance Lease Co., Ltd. "sold approximately 52,000 [golf club]

memberships at $15,000 each--amounting to 120 billion yen or $800 million" (Hon. Star-Bull. 10/5/93; Dooley 1993:A3). Neither the he golf courses, nor the club facilities, to which these new members now belonged, were ever finished. As a result of these scams, Japan authorities have changed the rules. Memberships can no longer be sold for non-existing golf courses. The result in Hawai`i is that some resort developments that were depending on this source of income are now in financial trouble.

Once built, the course is relatively inexpensive to maintain: a dozen grounds keepers with equipment to keep the greens properly, an expert nursery keeper with helpers, and a staff to service the players, perhaps no more than 35 or 40 people altogether, could maintain the golf course and manage the cash register.

After the golf courses are in, a club house with a restaurant and bar are necessary. Also, cottages for golfers, and perhaps even before the cottages are built, the resort hotel must be constructed. Of course, the only site for such a resort is the seashore with an inviting and safe beach. This leads to conflict of use by local communities that have access restricted or cut off completely. There is a tendency by the State to provide shoreline property for private development and control the coastal activities of a large portion of the population with park space that is totally inadequate. Waikiki hotels have taken over much of the beach, and few inhabitants are seen in the area. Parking is restricted, and buses will not allow passengers to bring along their surfboards or boogie boards. The local population is having its activities restricted by development.

A Hawai'i State publication, *Foreign Investments in Hawaii* contains a total of 123 pages of listings, of which 85 pages are devoted to listings that involve capital investment from Japan. Seven of these pages list what are called future investments, which range from $207,000 to $600,000,000. The top figure is the price Asahi Jyuken, owner of the Kuilima Resort to begin construction on a 4,000-unit resort hotel project and an 18-hole golf course and a 383-room Kawela Bay Hotel. The project will also include "two golf course, a variety of sports clubhouses, private and public parks, a shopping village, a 97-acre wildlife preserve, an equestrian center and condominiums" (State of Hawaii 1991:107). Estimated cost is between $600 and $800 millions. In contrast there are 7 pages of listings for Canada with the largest listing being $32 millions by "Grosvenor International (Hawaii), Ltd. completing construction of the first of two business towers of Grosvenor Center in downtown Honolulu" (State of Hawaii 1991:12).

The Biggest year for Japan capital investments in Hawai'i was 1989. One writer claims that in 1989 "Japanese investors purchased a record $2.629 billion in Hawaii real estate and started development on projects worth hundreds of millions of dollars more" (Wiles, Hon. Ad.-S-B, 4/8/90). This estimate is approximately double the 1988 investment in Hawai'i by Japan capital.

Another estimate claimed that Japan investors "poured $4.44 billion into real estate purchases in Hawaii" in 1989 (Lynch, Hon.S-B 3/12/90). As much of this investment was in raw land, the 1990s investment total is expected to continue escalating. To help them accomplish all this, the Japanese investors hired and paid "top attorneys, accountants, banks, appraisers, real estate brokers, engineers,

construction companies, public relations agencies, translators and others" and the claim is that this generates "millions of dollars for the state of Hawai'i" (Wiles, Hon. Ad./S.B. 4/8/90). However, the list developed by the Department of Business and Economic Development & Tourism indicates that the Japanese have bought into, or purchased entirely, banks, real estate agencies, printshops, and dozens of other local industries related to tourism. In addition, many of the big-time Japanese investors have their own lawyers, translators, accountants, engineers and construction companies. The largest thrust of Japanese investment is tourist related. "More than 90 per cent of Hawaii's 'delux-class' hotels are Japanese-owned" (Morris, Hon. Ad. 3/23/90).

The policy of the State administration is to support foreign investment and particularly tourism. Waikiki is, of course, the "traditional" crown jewel of the state's tourist industry, although some people prefer terms like "tarnished" or "faded." As the figures on the massive purchases by foreign investors got to the legislators, some had second thoughts about all-out support for foreign investment in Hawai'i. Bills introduced into the State legislature relating to the ownership of real estate by aliens do not succeed. Bills such as those are derided by select members of the local Japanese community accusing the supporters of "scapegoating" and claiming that they will "add fuel to dangerous racial tensions" already in existence as a result of Hawai'i's history of exploitation by sugar plantation owners of the Japanese laborers who were brought into work in the fields (Odo n.d.). [Note: Odo, then president of JACL (Japanese American Citizens League) was responding to a legislative effort to prohibit purchase of residential, agricultural or preservation lands by non-resident aliens.]

The complaint went on to point out that the real reason for the high cost of land and housing today dates back to the Mahele or division of land carried out in the mid-nineteenth century when the land was alienated from the majority of Hawaiians and made a commodity (Odo, n.d.).

After 1850, thousands of acres of the best lands were purchased by sugar plantations, or leased cheaply from the government's holdings. Sugar plantations were Hawai'i "foreign" investors of the 19th century. Land court laws facilitated the further alienation of land, particularly the small holdings (***kuleana***) of Hawaiian farmers within the larger parcels. The result has been that by the mid-1960s, 75 major landowners (including the State and the Federal governments) owned 95.5% of all the land in the State (Horwitz and Finn 1967).

The traditional policy of the large landowners in Hawai'i, to lease rather than sell their land, has worked to maintain their concentrated land ownership fairly well in tact. This concentration of land in the hands of very few owners has worked to cause extreme scarcity of land available for housing and also made it very expensive. This condition long preceded the recent arrival of Japanese capital investment in land in Hawaii.

Land purchases in Hawai'i by investment capital from Japan cannot be held entirely responsible for the inflated prices of Hawaiian real estate today. Still, they must bear part of the burden--their fair share, and from the figures available, it would seem that their share is a considerable amount. The irony of this all is that, because of the greatly inflated price of land, much of it due to recent highly inflated prices paid by investors from Japan and the willingless of the major private

landowners in Hawai'i to sell, the children of most local Japanese-American families will not be able to purchase homes for themselves and their families, and a great majority of the other ethnic groups will equally be effected.

An example of how some land prices are inflated is the Kohanaiki case in Kona, Hawai`i. Gaining approval from the County Council for a 470 acre resort was essential. The land "changed hands several times, for large profits that drove the land value from $13.3 millions to $54.2 millions, all without the land even being cleared" (Young 1989).

There are other equally serious impacts of this very high level of investment in tourism and tourist-related businesses that must be discussed. What are the social and cultural costs of tourism? Tourism is an industry and as such must produce profits to stay in business. Tourism uses large acreages of the precious little land we have in Hawai'i -- only 4.2 million acres in all (approximately 6,400 square miles. In contrast, San Bernadino County, California, has 20,000 square miles of land). Thousands of acres of golf courses are being planned. One writer claimed that Hawaii's tourist industry needs 46 more golf courses, 27 of them on O'ahu (Tune, Hon. Ad/S.B. 4/15/90). Each golf course uses between 100 and 200 or more acres of land and a million or more gallons of precious fresh water daily. In addition the use of pesticides and herbicides threatens our ground water and the nearby ocean resources. We do not have an endless supply of water. In fact, it is estimated by some water specialists that we are presently pumping out of the deep recesses of our mountains water that was stored there millions of years

ago, and that we are pumping out much more than is being put back by present rainfall, our only source of replenishment.

One writer revealed that there are five resort-related boat harbors planned for the leeward coast of the island of Hawaii (Clark Hon. S.V./Ad. 2/11/90). These will use hundreds of acres of Hawii's shoreline primarily to enhance the profits for the owners of the big resorts, three are owned outrigh by Japan capital and one is a joint venture of Japan and American capital. Exploitation of Hawai`i's resources for profits that end up elsewhere is the pattern.

Tourism is an industry. The primary purpose of an industry is to make a profit, no matter where the capital comes from. In Hawai'i this means the tourist industry is profitting on Native Hawaiian land. They use and abuse the resources of our land. The tourist industry uses enormous amounts of water. Not only do hotels require tremendous amounts of water, but golf courses are even greater consumers of fresh water. Being small islands, we have a limited supply of water storage space in the ground-water lens. Overdrawing the ground water can cause infiltration of salt water into the lens. So, we have a water resource problem, as well as a land resource problem. Part of the land use problem is that our local people are being evicted. Part of both of these problems--land and fresh water-- is the tremendous size of the tourist industry. Dr. Haunani-Kay Trask, Director of the Center for Hawaiian Studies at the University of Hawaii, feels that tourism has not only done nothing for Hawaiians, it has exploited them, evicted them and demeaned them (Taped Interview, 1989).

Dr. Haunani-Kay Trask, points out that there are 30 tourists for every resident; six million tourists a year. They come to see Hawaiian

? doesn't add up: Haw. pop. is 1.2 million

culture. This results in the exploitation by the tourist industry of Hawaiians and their culture. The people become "artifacts" to be viewed. This has a devastating effect on young Hawaiians, and their attitude about themselves. Hawaiians become ornaments for the tourist industry, items to be bought and displayed. Hawiians become poorly paid servants, waiting on the needs of the wealthy tourists, dancing for the tourists, and indeed fulfilling the tourists' every fantasy. The commercialization of Hawaiian culture and the demeaning of the Hawaiian people is what tourism means to many Hawaiians today.

The impact of this subservient role on our Hawaiian people is disasterous. They begin to see themselves as they are depicted in the posters. They are colonized in their minds by seeing themselves as they are depicted by the colonizers. They begin to see themselves only as servants whose lives are lived to make the tourists happy. They are there to dance for the tourists, smile for them, serve them; never express their own thoughts, just keep the tourists happy and serve the tourist industry. This becomes an extremely difficult psychological problem to overcome.

In the view of Professor Trask, tourism has done no good for Hawaiians at all (Taped Interview, H-K Trask, 1989). The tourist industry destroys what she calls the "Hawaiian cultural alternative," much of which depends on available agricutural land on which to grow traditional food crops, and access to an unpolluted sea and coastal waters where Hawaiians can fish, and develop traditional aquaculture to provide themselves with needed protein.

It can be argued that in one way or another, all residents of Hawai'i are impacted negatively by the overindulgence of investments in tourism,

in which investment capital from Japan played the lead role for a time and is still extremely influential. A few examples will bear this out. In 1990, single-family homes in Honolulu had the highest median price nationwide for the third consecutive quarter: $290,400 (Sylvester Hon. S.B. 5/8/90). "The median price of a single family home on O'ahu was 25% higher at the end of 1989 than at the end of 1988" (Aleshire, Hon., Ad. 3/24/90). By September1993, the median price for a one-family home on the Island of O`ahu rose 11% to $385,000, which is 8.5 percent higher than September 1992 (Hon. Star-Bull. 10/5/93). Mortgages take half of the income from resident islanders. Even after a 20% down payment, 52.5% of a family's gross monthly income goes to buy their home (Sylvester Hon. S.B. 3/27/90). In 1989 condominium prices increased by 18% to a median of $135,000. Property taxes have soared and as early as 1990, the Mayor of Honolulu was warning people to "brace themselves for the worst" (Waite, Ad. 4/16/90). If the tax rate remains the same as last year for O'ahu property owners, the city could collect as much as $375 millions more this year.

In addition, as a result of increased urbanization there are about 4,500 more residential land parcels and condominiums from which to draw taxes this year (Ibid.). As an argument against using the market value as a basis for taxes, it was pointed out that the market value is inflated only because "the Japanese can borrow money for less, they can afford to pay 57 percent more for the properties than can U.S. buyers. Therefore, the prices they pay should not be taken as market value" (Wiles Hon. Ad. 4/16/90).

At the peak of foreign investment announcements, the stockmarket in Tokyo exploded. By March 1993, Hawai`i was reporting that investment from Japan was off by 80% (Wiles, Hon. Ad., 3/19/93).

Japanese Real Estate Investment

Year	Hawai`i Total	Percent of total U.S. Investment
1992	$328,000,000	41%
1991	$1,660,000,000	33%
1990	$2,860,000,000	22%
1989	$4,437,000,000	30%
1988	$1,830,000,000	11%
1987	$3,330,000,000	26%
Pre-1987	$3,905,000,000	29%

As I see it, the situation is serious. Those residents of Hawai'i who are not making money off of the inflated prices, and that includes 90% of us, are paying the bill, and it is a big one. Many leave Hawai'i each week because they cannot afford to live where they were born. A recent headline reminds us that inflation is outstripping our incomes (Smith Hon. Ad. 10/8/93). "Local consumers' incomes rose only 2.9% last year (1992) and inflation rate rose 4.8% (Ibid.).

What is happening to Japan's economy now-- when it shakes and trembles, threatening disaster -- is effecting us with our over-dependence on the tourist industry and on capital investment in it from Japan, which has been encouraged by our political and economic leaders (the governor and lieutenant governor and their advisors, the banks and their economists, etc.), will undoubtedly cause great suffering among the people of Hawai'i, particularly those who already suffer most under the weight of this tremendous burden, the Hawaiian people, whose only homeland is Hawai'i. Some analysts, as early as 1990, were predicting an economic "crash" in Japan land prices. Not only were these prections realized, but a lot more has occurred. Foreclosures in Hawai`i are

rampant and real estate investors are scrambling to "save" their investments by filing for protection under the bankruptcy laws. Others may simply get sold on the auction block (Kaser, Hon. Ad. 10/5/93). The Hyatt Regency Waikiki is in receivership (Hon. Ad. 10/5/93 p. 1). Mitsui Trust and Banking Co. began court action for back rent due from Azabu Building Group, owners of the hotel since 1986. Azabu is owned by Kitaro Watanabe. Azabu owns a number of other Hawai`i properties, including the Ala Moana Hotel, in Honolulu, Maui Marriott, and the Keauhou Beach and Kona Lagoons hotels on the Big Island and the King's Village shopping center in Waikiki (Hon Star-Bull. 10/5/93).

At the same time the above is going on, Shimizu Corp. part-owner of the Four Seasons Wailea, Maui, will have its interest bought out by TSA International. First, TSA's interest will be bought by Shimizu Corp, and in a separate transaction, Shimizu Corp will sell everything to TSA (Wiles 1993: C3).

A recent headline reveals "Lavish Maui links development floundering: Waikapu country club shaken by downturn." (Tanji, Hon. Ad., 8/15/93). The main cause was reported to be "sales of golf country club memberships are languishing because the Japanese no longer are able to buy and sell memberships for very high prices" (Ibid.). The resort had planned two golf courses on its 600-acre area that was bought back in the heyday of big-spending investors for $9.1 millions (Ibid.).

. Hawai`i has never been a place where wages are high. There has always been a wide disparity between cost of living and wages. In 1992, i Hawai`i is reported to have been "one of only seven states where personal incomes failed to keep pace with inflation."

In additon, the tremendous infussion of foreign capital has taken its toll in inflation. In 1992, Hawai`i had an inflation rate of 4.8 percent, more than a point higher than the national rate of 3.7 percent, making Hawaii's gap even wider" (Smith 10/8/93). And the forecast for future months do not look any better. A curious figure that nearly matches Hawai`i's inflation rate is that of the rate of increase in crime in the Islands, up 4.6 percent in 1992. "Theft, being a crime of opportunity, appears to be the type of crime that thrives in Hawai`i as in any tourist destination" (Green, cited by Altonn, Hon. Star-Bull. 10/2/93).

One cannot help but compare the present scene with what was being written in 1987: "New owners are pumping millions into [Hawai`i's] economy" (Sylvester, Hon. Star-Bull. 4/16/87). When the crash came in Japan, there was nothing Hawai`i could do to change what its effects would be,locally. All this money spent on inflated prices for real estate and the headline in today's paper gives us an idea of what happens when we lose control of our economy: "UH to cull staff by 463 for latest budget cut: The $350 million loss will be spread through the system" (Vickers 10/14/93). There have been "three years of budget trimming that totaled more than $23 million. Enrollment during that time jumped 6 percent" (Ibid.). The President of U.H.Manoa, Mortimer, is quoted as saying, "Reduced services and fewer classes may mean students will have to sty in school longer to get into classes they need to graduate" (Ibid.). Perhaps independence for Hawai`i, having a sovereign nation of Hawai`i, would give us a better chance set up rules to protect ourselves from these roller-coaster, economic swings from too much foreign investment followed by too many bankruptcies, high cost of living, inflation, and a downturn in the quality of education.

should note that great major. of tourists are from U.S.

REFERENCES CITED

Aleshire, Ilene
1990 "Oahu home prices top U.S.: Median price hits $280,900, up 25 percent." *Honolulu Advertiser*, Feb. 8, 1990:A13.

Altonn, Helen
1993 "Isle crime rate up 4.6 percent in '92: FBI figures show violent crimes jump 9.3 percent here." *Honolulu Star-Bulletin*, October 2, 1993.

Arago, Jacques
1823 Narrative of a voyage around the world in the Uranie and Physicienne Corvettes, commanded by Captain Freycinet, during the years 1817, 1818, 1819, and 1820; on a scientific expedition undertaken by order of the French government in a series of letters to a friend, London.

Bradley, Harold Whitman
1968 *The American Frontier in Hawaii, The Pioneers, 1789-1843*. First published, 1942. Reprinted 1968. Gloucester, Mass.: Peter Smith

Bryan, William Alanson
1915 *Natural History of Hawaii*. Honolulu: The Hawaiian Gazette Co., Ltd.

Chinen, Jon J.
1958 *The Great Mahele*. Honolulu: University of Hawaii Press.
1961 *Original Land Titles*. Honolulu: University of Hawaii Press.

Clark, Hugh
1990 "Big Isle going for boats: Resort builders look beyond golf to yacht harbors." *Sunday Star-Bulletin & Advertiser*, Feb. 11, 1990:B1

Devaney, Dennis M., Marion Kelly, Polly Jae Lee, and Lee S. Motteler
1982 Kane'ohe, a history of change. First published 1976. (Revised ed.) Honolulu: The Bess Press.

Dooley, James
1993 "Mizuno properties seized in Japanese fraud case" *Honolulu Advertiser* 10/6/93:A3.

Ellis, Rev. William
1963 *Journal of William Ellis: Narrative of a Tour of Hawaii, or Owhyee.* Honolulu: Advertiser Publishing Co.

Freycinet, Louis Claude de Saulses de
1839 *Voyage autour du Monde, Entrepris par Ordre du Roi...Execute sur les Corvettes de* S. M. l'Uranie *et* la Physicienne, *Pendant les Annees 1817, 1818, 1819, et 1820,...* Vol. 2, Part 2, *Historique* by de Freycinet.

Horwitz & Finn
1967 *Major Landowners in Hawaii.* Honolulu: Legislative Reference Bureau, University of Hawaii.

Kaser, Thomas
1993 "Foreclosure ahead for Hyatt Regency Waikiki?" *Honolulu Advertiser*, October 5, 1990:A1.

Kelly, Marion
1978 "Notes and Comments," pp. 93-120. IN *Hawai'i in 1819: A Narrative Account By Louis Claude de Saulses de Freycinet.* Ella L. Wiswell, Translator, Marion Kelly, Editor. Honolulu: Pacific Anthropological Records No. 26, Department of Anthropology, Bernice P. Bishop Museum.

1980 *Majestic Ka`u: Mo`olelo of Nine Ahupua`a.* Report 80-2, Dept. of Anthropology, B.P.Bishop Museum

Kuykendall, Ralph S.
1928 *Hawaii in the World War.* With the assistance of Lorin Tarr Gill. Honolulu: The Historical Commission. Printed by the Honolulu Star-Bulletin, Ltd.

1938 *The Hawaiian Kingdom, 1778-1854, Foundation and Transformation.* Vol. 1. Honolulu: University of Hawaii Press.

Lind, Andrew W.
1938 *An Island Community,Ecological Succession in Hawaii.* Chicago: University of Chicago Press.

Lynch, Russ
1990 "Japanese real estate buys soar in Hawaii; The $4.44 billion spent on property last year doubles that of the previous year." *Honolulu Star-Bulletin*, March 12, 1990

Morgan, Theodore
1948 *Hawaii, A Century of Economic Change, 1778-1876.* Cambridge: Harvard University Press.

Morris, David
1990 "Communities around the world risking their futures on tourism." *Honolulu Advertiser*, March 23, 1990: A19

Odo, Franklin
n.d. JACL Statement on Legislative Attempts to Curb Foreign Investment in Hawaii. Honolulu.

Ramsour, David
1990 "Foreign Investment and Loss of Control." IN *Business Trends*, Honolulu: Bank of Hawaii.

Russ, William A., Jr.
1992 *The Hawaiian Revolution (1893-94).* (First published, 1959). Cranbury, N.J.: Associated University Presses.

1991 *A Listing of Foreign Investments in Hawaii.* December 31, 1990. Honolulu: Department of Business, Economic Development & Tourism. Trade & Industry Development Branch. Business & Marketing Division. May 1991.

Smith, Kit
1993 "Inflation outstrips Hawaii incomes." *Honolulu Advertiser*, October 8, 1993.

Sullivan, Josephine
1926 *A History of C. Brewer & Company Limited, One Hundred Years in the Hawaiian Islands.* Edited by K. C. Leebrick. Boston: Walton Advertising & Printing Company.

Sylvester, James
1987 Japanese upgrading isle investments: new owners are pumping millions into economy. *Honolulu Star-Bulletin* 4/16/87.
1990 "Mortgages take half our income in Honolulu." IN *The Honolulu Star-Bulletin*, 3/27/90, p.1.

Tanji, Edwin
1993 Lavish Maui links development floundering: Waikapu country clum shaken by downturn. Honolulu Advertiser, August 15, 1993.

Thrum, Thomas G.
1890 "Hawaiian Maritime History: a brief sketch of noted vessels and commanders in the development of the coasting service of the Hawaiian Islands." *Thrum's Hawaiian Almanac and Annual for the year 1890*:66-79.

Vickers, Melissa
1993 "UH to cull staff by 463 for latest budget cut." *Honolulu Star-Bulletin*, October 14, 1993.

Wiles, Greg
1990 "Money business: Isles pocketing profits: Japanese investment a windfall for lawyers, brokers,agents" *Advertiser/Star-Bulletin* 4/8/90.

1993 "Japan Investment here off 80%." Honolulu Advertiser 3/19/93.

1993 "Four Seasons Wailea to change hands twice." *Honolulu Advertiser*, September 30, 1993:C-3

Young, Lucy
1989 "Kona resort dealing leads to new state caution." IN *Honolulu Star-Bulletin* 11/27/1989:A6.