

3 Regional Economy

Overview

In terms of the country's total GDP, Hokkaido ranked sixth among regional economies in 1988. Of its GDP that year of ¥14.4 trillion, 70 per cent was generated by the tertiary sector, followed by secondary industry (24 per cent) and primary industry (7 per cent).

When comparing the contribution made by various sectors to Hokkaido's GDP with national averages, the island's strengths and weaknesses are immediately apparent. Hokkaido's strong sectors are agriculture, forestry and fisheries (6.6 per cent versus 3 per cent), construction (13.1 per cent versus 7 per cent) and services (15.3 per cent versus 11.7 per cent). Weak sectors include manufacturing (11.7 per cent versus 34.5 per cent) and financial services (3.6 per cent versus 7.1 per cent).

Primary and heavy industries once guaranteed prosperity, but not so today. Over the past few decades, both structural changes and foreign competition have placed tremendous pressure on forestry, fisheries, coal and steel.

In a country where vast industrial complexes are the norm, only five Hokkaido factories employ more than 1 000 workers. As well, the public sector employs a greater proportion of the workforce (13 per cent) than elsewhere in Japan. This is partly due to the strong military presence on the island.

Hokkaido's attempts to restructure its economy are beginning to show dividends. The island has attracted foreign investment and there are now a number of companies with foreign capital on the island. These are listed in Table 1.

Agriculture

Although Hokkaidans comprise only 4.6 per cent of Japan's total population, the region accounts for approximately 10 per cent of the country's total food production. It is the only region in Japan where food production exceeds ¥1 trillion annually.

In 1989, the island accounted for 18 per cent of Japan's total rice crop, 12 per cent of the vegetable harvest, 42 per cent of all livestock, and 20 per cent of all dairy products.

"Made in Hokkaido" has become synonymous with quality food products, particularly dairy items. Table 2 shows Hokkaido's share of Japan's food production in 1987.

Averaging 11.9 ha, Hokkaido farms are nearly 12 times larger than the national average. The island's dairy and field crop operations are also generally larger than those in the European Community.

Although Hokkaido farm households comprise less than 3 per cent of the national total, nearly 80 per cent derive the bulk of their income from farming, compared to slightly under 30 per cent nationally.

By Japanese standards, Hokkaido farms are unusually efficient. Island farmers spend an average of 36 hours for each 1 000 m², compared to 140 hours nationwide. And according to 1988 statistics, their income per 1 000 m² is almost double the national average.

Despite their efficiency, Hokkaido producers realize that further improvements must be made if they are to withstand increased competition brought about by import liberalization.

As a result, there is growing interest in Canadian agricultural expertise. Canada already supplies 60 per cent of the island's dairy breeding stock and 100 per cent of its Hereford breeding stock. Hokkaido also imports large volumes of Canadian feed, including dehydrated alfalfa and long-fibre hay.

While these exports show considerable room for expansion, market possibilities also exist in the fields of embryo transfer and dairy breeding, plant genetics (particularly cold-resistant strains) and pharmaceuticals.

Forestry and Fisheries

Hokkaido comprises over 20 per cent of Japan's woodlands. In 1990, 70 per cent (5.6 million hectares) of the island was covered by forest, more than half of which was owned by the government. Approximately 64 per cent was natural forest and 30 per cent cultured woodlands.

While the ratio of cultured to natural forest is low by Japanese standards, it should be noted that most of the island's cultured forests are quite young and will appreciate in value as they mature.

As Hokkaido is one of the few areas in Japan where forest resources are not concentrated on steep slopes, harvesting is also more economical.

In 1988, the island's forest industry shipments were valued at ¥1.27 billion. Pulp and paper accounted for 55 per cent, lumber and wood products 34 per cent and furniture and fittings 11 per cent.