

- The Canadian 2 x 4 industry has already achieved fairly good market penetration in the region. The rising popularity of this construction method should support continued export growth. Continuing promotional efforts would also help to ensure that Canada expands its market share.
- Chugoku's mountainous regions are likely to become the focus of increased resort development. Canadian log homes have already proven popular in other regions of Japan and there is reason to believe that Chugoku will offer similar opportunities.
- Chugoku furniture producers have begun to access hardwoods — particularly walnut and oak — from the eastern United States to replace increasingly scarce tropical hardwoods. It is believed that a substantial volume of Quebec hardwoods shipped to mills in the United States is, in turn, exported to Japan.
- The Hiroshima and Okayama metropolitan areas offer potential for processed food exports. Local authorities are willing to assist Canadian marketing efforts.
- Canadian automotive parts manufacturers report that sales of OEM parts to Mazda in Japan are good, and that sales to the company's American subsidiary are even better. Further opportunities in the auto parts sector exist for technology transfer, licensing and contract manufacturing.
- Capitalizing on Japanese Canadians' Chugoku roots could reap benefits for the Canadian tourism industry.
- There may also be some scope for co-operative research projects, as the region's 30 R & D establishments, each of which employ more than 50 researchers, are working in areas of interest to Canada — i.e. new materials, biotechnology, ceramics, agri-chemicals, pharmaceuticals, and macromolecular materials.

2 Introduction

Economic History

As a peninsula, Chugoku has a natural unity. Historically, however, the region's mountainous spine has divided the region into two distinct economies. To the south, Yamaguchi, Hiroshima and Okayama, which lie along the Inland Sea, are more urban, densely settled and industrialized. By contrast, the north is less developed, more sparsely populated and dependent on agricultural and social traditions. Along with the rural areas of northeast Japan, Tottori and Shimane are among the least developed prefectures in the country.

The southern region can be further divided into areas that face either east or west. Japanese economists and planners often include Yamaguchi in with the Kyushu region, due to its strong links with Kitakyushu and Fukuoka across the Shimonoseki Strait. On the other hand, Okayama prefecture lies largely in the orbit of the Osaka-Kobe metropolitan complex.

Sitting at the centre of the region, Hiroshima is, perhaps, most representative of Chugoku and as such, both the prefecture and the city are the primary focus of this report.

From the late 19th century until WWII, the country's first modern heavy-industrial complexes sprang up along the Inland Sea, taking full advantage of the plentiful deep-water berths and coal deposits in nearby Yamaguchi.

These assets made the coast an ideal site for shipbuilding and many of Japan's naval and merchant ships were built there. Major naval and military logistical bases, established at Hiroshima and Shimonoseki to support the country's expansion into neighbouring Asian nations, further bolstered the economy. The textile industry also developed rapidly, particularly in Okayama.

Although the war put an end to military-related activity, the rebuilding of bomb-damaged Hiroshima fueled the economy. As well, Chugoku benefitted from Japan's emphasis on heavy industry development in the 1950s and '60s. While naval vessels were once the mainstay of the region's shipbuilding industry, Chugoku became a dominant player in the super tanker and large merchant vessel market.