3 Regional Economy

Overview

In 1987, Tohoku's GDP reached ¥28.8 trillion, or just over 8 per cent of the national rate. At 65.1 per cent, the tertiary sector made the highest contribution to the GDP, followed by secondary activity (30.8 per cent) and primary production (6.9 per cent). Most secondary activity took place in areas closest to Tokyo — Fukushima (37.6 per cent) and Niigata (35.8 per cent).

For the most part, the region's agricultural industry is highly inefficient and has been in decline since the 1950s. Employment in the wholesale and retail sector (20 per cent) recently surpassed employment in the agricultural workforce.

Reasonable land costs and availability of manpower are spurring industrial development in Tohoku. In 1989, the region led Japan in new factory start-ups. The previous year, it accounted for 25 per cent of all start-ups, and in 1987, 33 per cent of all new location announcements made by major companies were in the region. Major Tohoku-based companies are presented in Table 1.

After the Kanto and Tokai regions, Tohoku has become the most popular location for new plants built by companies with foreign capital in the region. Table 2 shows companies with foreign capital in Tohoku, while Table 3 details major overseas investments by Tohoku-based firms.

It is reported that over 6 per cent of all Japanese factories are now located in Tohoku, and local authorities say that new plants are helping to upgrade the level of technology in the region. Tohoku has become Japan's branch-plant hinterland, a culturally safe alternative to investment in Southeast Asia.

Most of the 861 factories that opened in the region in 1988 are in the southern prefectures of Miyagi and Fukushima — each a day's return journey by truck to Tokyo. It is estimated that 157 of these new plants are in the high-tech sector and that Tohoku is home to 30 per cent of Japan's high-tech production facilities.

However, even with this added industrial investment, Tohoku's economy and standard of living are heavily subsidized by urban taxpayers through massive infrastructural investments and various farm subsidies.

Agriculture

As producers of 34 per cent (by volume) of Japan's rice crop (Niigata claims the highest prefectural output in the country), Tohoku farmers have played a lead role in opposing agricultural import liberalization. And there is little doubt that farmers need protection to stay in business. The only segments — mainly because of their proximity to the vast Tokyo market — that might hold their own in the absence of subsidies and in an open market are dairying and market gardening.

In 1989, 11 814 km² of land (about 15 per cent of Tohoku's total area) were under cultivation. However, only 20 per cent of crop-growing operations were over 2 ha, and only 30 per cent of farm families earned all or most of their income from farming that year.

In 1988, the region's agricultural production was valued at ¥1.67 trillion. Crops accounted for ¥1.2 trillion and livestock ¥454 billion. Rice, potatoes and apples are the major cash crops. Tohoku's share of Japan's agricultural production is presented in Table 4.

By Japanese standards, Iwate has a large dairy (76 100 head) and beef cattle (56 200 head) herd. But with only six head in the average operation, Iwate farmers are not nearly as competitive as their counterparts in Hokkaido, where farms are larger and more modern.

Now that the battle against rising imports has been all but lost, local producers are eager to try new methods of raising livestock. Consequently, Canadian exports of dehydrated alfalfa products — which offer more protein at a lower price than locally available rice straw — have fared well. And if a shakeout in the industry results in larger, more scientific farm units, Canadians may find new markets for advanced breeding products.