

## The Depression and Restructuring of Kitakyushu's Economy

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# The Depression and Restructuring of Kitakyushu's Economy<sup>1)</sup>

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## I. The Formation of the Kitakyushu Industrial District

The Kitakyushu industrial district was formed by the Industrial Revolution and the high growth of the Japanese economy since the end of the 19th century. It became one of four major industrial districts in Japan, ranking with Hanshin, Keihin and Chukyo industrial districts at the end of the 1910s immediately after World War I.

It is said that there are three reasons why Kitakyushu was a major industrial district for a half century from the late 1910s, despite being located in the western part of Japan, far from the Tokyo, Osaka, Kyoto and Nagoya metropolitan areas.

Firstly, it is located near the Chikuho coal field which was the largest coal field in Japan, and has two ports, Wakamatsu Port and Moji Port, sending off Chikuho's coal to the Hanshin and Keihin industrial districts. Considering that Japan had a coal-based economy, this was a very important factor for the Kitakyushu area. Kitakyushu and its surrounding areas are known for their abundant limestone, which can encourage a cement industry.

Secondary, Kitakyushu was the gateway to China and Korea, the most important trading countries with Japan before World War II. A lot of raw materials and fuels such as coal, iron ore, rock salt and soybeans were imported into Moji Port. This means that Kitakyushu had great advantages as an industrial location.

Finally, the first nationalized iron & steel works, the Yahata Work, was constructed in 1897 in Kitakyushu. It was the largest iron & steel work for a half century in Japan, combining Chikuho's coal with imported iron-ore from China. It has played a leading role in the Kitakyushu industrial district since the beginning of its operation.

In summary, three factors, that is, Chikuho's coal, Wakamatsu and Moji ports and Yahata iron & steel works played the most important role in the formation of the Kitakyushu industrial district. These factors have led to some significant characteristics of the Kitakyushu industrial district<sup>2)</sup>.

The most important characteristic is that the district has been heavily skewed to basic resource-type industries such as iron & steel, chemical and cement industries. For example,

Kitakyushu's iron & steel industry produced 73% of the pig iron and 52% of the crude steel in Japan in 1929<sup>3)</sup>. In addition, coal chemicals, represented by Kurosaki plant of Mitsubishi Chemical Industries Ltd., glass and cement were the main industries in the district. In other words, the Kitakyushu industrial district was the most important base for supplying iron & steel and cement all over the country.

The second characteristic of the district is that it has been a 'Branch Plant Economy', because most of the big plants have belonged to big companies whose headquarters have been located in Tokyo or Osaka, not in Kitakyushu. For example, the headquarters of the Nippon Steel Corporation, Mitsubishi Chemical Industries and Toshiba Corporation, having Yahata works, the Kurosaki plant and the Kitakyushu works, respectively, are located in Tokyo. Sumitomo Metal Industries, Ltd. have their headquarters in Osaka and their works in Kitakyushu. On the other hand, there are only few companies which have large works with headquarters in Kitakyushu, Yasukawa Electric MFG. and TOTO Ltd. are two such.

This means that most manufacturing activities in the Kitakyushu industrial district have been controlled and directed from headquarters beyond the region. In this sense, we can call the Kitakyushu economy a 'Branch Plant Economy'.

The third characteristic of the industrial district is that machinery industries have not developed as fully as in other major industrial districts such as the Keihin and Chukyo areas. Most of the steel produced in this district was transported to other regions, not used in this region and most of the machinery or equipment for plants in this region was transported from other industrial districts. While machinery works for coal mining were located in Kitakyushu district by several coal mining companies, most of them did not develop into big companies, apart from one company, the Yasukawa Electrical MFG, Co. Ltd., which now produces high-tech machinery such as robotics<sup>4)</sup>.

In this process the Kitakyushu industrial district was formed and played the very important role in the primary metals and heavy manufacturing industries in Japan from the 1910s to the 1960s. As a result many people lived in this district and the population of Kitakyushu city reached 104 million in 1965, immediately after the birth of the city by the five cities' amalgamation in 1963.

## II. The Decline of the Position of the Kitakyushu Industrial District in Japan

After World War II, especially since the 1960s, the conditions for the Kitakyushu industrial district have changed greatly.

The most important change is that the countries from which materials and fuels are imported into Japan have shifted from China and Korea to the U.S.A., Canada and Australia. As a result,

Kitakyushu has lost its favourable location for importing raw materials and fuels into Japan. Most of them are imported near the three major industrial districts of Keihin, Chukyo and Hanshin along the Pacific Coast. Iron & steel, oil-refinery and petro-chemical industries have agglomerated in these districts.

Another important change is the so-called 'Energy Revolution' that has occurred since the 1960s. Japan has shifted from a coal-based economy to an oil-based economy and mining has ceased in many coal fields, including Chikuhō. This has meant that the favourable location of the Kitakyushu district for iron & steel and chemical industries has been lost.

Considering these changes in conditions for the Kitakyushu industrial district, big companies with large plants in this district began to locate new plants in other districts. For example, Yahata Steel Corporation which had long put its head works in Kitakyushu built new plants at Sakai, Osaka Prefecture, in 1965 and Kimitsu, Chiba Prefecture in 1968. This meant that the corporation had shifted eastward to build market-oriented works in the Hanshin and Keihin areas.

In 1970 the corporation became the largest steel company in the world, Nippon Steel Corporation, by amalgamating with Fuji Steel Corporation. In consequence, Nippon Steel Corporation had large and modern integrated works in Tokyo (Kimitsu works), Nagoya (Nagoya works) and Osaka (Sakai and Hirohata works) metropolitan areas and the importance of Kitakyushu (Yahata works), in the corporation had declined. Sumitomo Metal Industries, Ltd. has also shifted from Kitakyushu (Kokura works) to the Osaka (Wakayama works, Wakayama Prefecture) and Tokyo (Kashima works, Ibaragi Prefecture) metropolitan areas. Mitsubishi Chemical Industries Ltd. which had long put its head work in Kitakyushu (Kurosaki plant), has shifted eastward by building new petro-chemical plants at Mizushima, Okayama Prefecture, Yokkaichi, Mie Prefecture and Kashima, Ibaragi Prefecture.

In considering the position of the Kitakyushu industrial district it should not be overlooked that machinery industries such as automobiles and electrical machinery had grown more rapidly than basic resource-type industries such as iron & steel, chemicals and cements in the period of high economic growth from the late 1950s to the early 1970s in Japan. This has been another important reason for the slow development of the Kitakyushu industrial district compared to the other three major industrial districts, Keihin, Chukyo and Hanshin.

Therefore Kitakyushu's share of the value of manufacturing shipments in Japan decreased from 4.5% in 1935, to 1.9% in 1965 and to 1.4% in 1975. It has become difficult to say that the Kitakyushu industrial district is one of the four major industrial districts in Japan. Now it may be more appropriate to say that the Kitakyushu industrial district is located in western edge of the Pacific Coastal Manufacturing Belt, stretching from the Tokyo metropolitan area to Northern

Kyushu.

### III. The Depression of the Kitakyushu Industrial District

Japan's economy has entered upon a new phase in the late 1980s after the period of low economic growth from the late 1970s to the early 1980s. The new phase is characterized by 'Industrial Adjustment'. Agriculture, live-stock, textiles, shipbuilding and the iron & steel industry have faced very severe depression because of the competition with products from the U. S. A., Canada, Australia and Asian Newly Industrialized Economies. On the other hand, the automobile and electrical machinery industries have been located in the U. S. A., E. C. countries and South-East Asian countries so as to improve trade imbalances with these countries. There was no doubt that Japan's leading industries would shift to high-tech machinery industries such as computers, word-processors, robotics and semi-conductors, producer service industries such as R & D, software, engineering and architectural services and consumer service industries such as entertainment & recreational, medical & health, educational and welfare services. Therefore high-tech industrialization and service industrialization have been rapidly promoted in the late 1980s in Japan.

Table 1 Number of Employees by Industries in Fukuoka and Kitakyushu

	Kitakyushu City				Fukuoka City			
	persons (1986)	%	81-86	86/81 %	persons (1986)	%	81-86	86/81 %
Total	500,252	100.0	- 4,761	- 1	663,396	100.0	21,420	3
Agriculture	1,745	0.3	- 609	-26	1,434	0.2	- 376	-21
Mining	572	0.1	- 429	-43	165	0.0	- 66	-29
Construction	47,051	9.4	- 7,064	-13	60,685	9.1	- 3,956	- 6
Manufactures	99,637	19.9	-10,284	- 9	49,408	7.4	- 3,454	- 7
Transport	48,657	9.7	- 4,865	- 9	51,339	7.7	- 1,112	- 2
Elec. & Gas	3,114	0.6	- 372	-11	4,626	0.7	- 214	- 4
Wholesale	38,455	7.7	- 1,475	- 4	116,276	17.5	6,231	6
Finance	15,577	3.1	- 2,272	-13	33,226	5.0	1,599	5
Real Estate	8,613	1.7	- 35	0	15,187	2.3	438	3
Producer Service	26,956	5.4	3,259	14	53,687	8.1	13,461	34
Retail	77,863	15.6	- 3,350	- 4	91,358	13.8	- 5,280	- 5
Eeating Places	33,912	6.8	164	0	54,460	8.2	4,003	8
Personal Service	32,361	6.5	3,264	11	41,410	6.2	3,020	8
Social Service	53,688	10.7	3,368	7	67,985	10.2	7,225	12
Government	12,052	2.4	395	3	22,150	3.3	- 557	- 2

Source ; Census of Establishment

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As for the iron & steel industry, having supported the Kitakyushu economy for a long time, it has been depressed through decrease of demand caused by the machinery industries being located in foreign countries. Nippon Steel Corporation has begun to concentrate production to only four works among eight integrated works, that is, the Kimitsu, Nagoya, Oita and Yahata works. In the Yahata works rationalisation has occurred by diminishing production of pig iron and crude steel, shifting to produce speciality steels and decreasing employees. This has caused the increase in bankruptcies among many small and medium-sized subcontracting firms and in the number of unemployed people in the Kitakyushu area.

Between 1981-1986 the number of workers engaged in the iron & steel, non-ferrous metals and products, and fabricated metal product industries in Kitakyushu city decreased by 10,800 (Table 2). Therefore the total number of manufacturing workers also decreased by about 10,300 (i. e. 9 percent). But the number of workers engaged in all industries decreased only by 4,700, as a result of the increase in service industries.

Owing to the depression in the Kitakyushu economy, the population of the city decreased from 1,065,000 in 1980 to 1,056,000 in 1985. It should not be overlooked that there were only two cities in which population decreased among 11 big cities of over one million population in this

Table 2 The Indices of Manufacturing in Kitakyushu

	Number of Establishment in 1986		Number of Persons Engaged in 1986			Value of Shipments in 1985			
	million yen	%	million yen	%	81-86	million yen	%	80-85	
Food	469	14.5	8,202	8.3	—	615	18,058	7.5	— 3,298
Lumber	345	10.7	3,705	3.7	—	807	4,976	2.0	— 1,868
Textile	202	6.3	2,461	2.5		178	1,343	0.6	277
Pulp & Paper	67	2.1	1,457	1.5	—	179	2,201	0.9	— 412
Publishing	368	11.4	7,462	7.5		265	10,706	4.4	2,942
Chemicals	57	1.8	4,663	4.7		402	41,957	17.4	1,208
Petroleum	19	0.6	3,410	3.4	—	740	5,077	2.1	— 5,548
Plastics	65	0.2	966	1.0			1,595	0.7	
Ceramic	155	4.8	7,095	7.1		532	10,424	4.3	— 2,876
Iron & Steel	109	3.4	23,030	23.1	—	5,197	82,017	34.0	—21,512
N-ferrous	24	0.7	1,429	1.4	—	2,347	2,823	1.2	— 4,658
Metal Products	434	13.4	12,455	12.5	—	3,281	10,438	4.3	— 402
Machinery	377	11.7	9,411	9.4	—	657	29,671	12.3	6,461
Electric M.	180	5.6	10,165	10.2		3,098	15,318	6.4	7,601
Transport E.	84	2.6	1,820	1.8	—	1,086	2,841	1.2	— 285
Total	3,229	100.0	99,637	100.0	—	10,284	241,246	100.0	—20,600

Source ; Census of Establishment

**Table 3** Numbers of Persons Engaged  
in Large Works, 1987

	1983-87	87/83
• Nippon Steel Corporation	13,594(-2,217	-14.0%)
• Sumitomo Metal Industries Ltd.	2,211(- 808	-26.8 )
• Mitsubishi Chemical Industries Ltd.	2,667(- 266	- 9.1 )
Yasukawa Electric MFG. Co., Ltd.	1,834( 190	-11.6 )
TOTO Ltd.	3,589(- 524	-12.7 )
• Toshiba Corporation	1,680( 367	28.0 )
Kurosaki Refractories Co., Ltd.	1,396(- 153	- 9.9 )
• Nippon Steel Chemical Co., Ltd.	1,043	
Mitsui High-tech, Inc.	1,060	
Zenrin Co., Ltd.	1,228	
Total of 10 corporations	30,302	

• corporations with headquarters located in Tokyo or Osaka

period. The other is Osaka. On the other hand, the population of Fukuoka city, located about 50 km west from Kitakyushu and within 20 minutes by the bullet train, increased from 1,089,000 to 1,160,000 in the period. It may be said that the high growth of Fukuoka city has caused by agglomeration of head and branch offices of big companies and producer service industries in this central city of the Kyushu region. Taking into consideration these facts, it is clear that the Kitakyushu economy has faced a very severe depression.

The number of unemployed persons increased from 23,700 in 1980 to 32,300 in 1985 and the percentage increased from 5.0% in 1980 to 6.7% in 1985, which is much higher than the 3.4% average in Japan in 1985.

#### IV. The Movement for Restructuring Kitakyushu's Economy

Recently the movement for restructuring Kitakyushu's economy has become very active. The city government has proposed many policies to strengthen the region's economy and the Kitakyushu Conference on Community Development has been formed this year by local business circles.

Considering the factors involved in the formation and decline of the Kitakyushu industrial district mentioned above, it is evident that there are three strategies for restructuring the region'

s economy.

First, it is important to strengthen the traditional manufacturing industries such as the iron & steel and chemical industries. Efforts should be made to shift to speciality steels and fine chemical products in these industries. Local government should help small and medium-sized subcontracting firms to find new markets and new products. Of course it is also important that high tech industries and producer service industries should be promoted. The growth of production in robotics, integrated circuits, leadframes for them and ceramics would have a great influence on the restructuring of the regional economy.

Second, it is expected that Kitakyushu will be the gateway city, through which goods and people pass between Japan's Pacific Coastal Belt and rapidly growing countries such as China and Korea. Recently imports have much increased from these countries to Japan through Kitakyushu port. Most imported goods have been transported to the Osaka and Tokyo metropolitan areas by rail and roads. About a quarter of the goods imported from Korea to Japan were unloaded at Kitakyushu port last year.

It may be said that the role of the gateway between China & Korea and Japan will become more important as the trade grows between these countries. It should not be overlooked that Kitakyushu port has become a transit trade port between China and Korea. Trading firms of these countries have begun to locate in Kitakyushu city for trading between Japan and Korea, Japan and China, Korea and China. Many persons from Asian countries have visited to study the technology of manufacturing industries such as iron & steel and chemicals.

An organization for the transfer of technology, KITA, has been formed and the International Centre for East Asian Studies has been planned in the city. One factor which played an important role in the formation of the Kitakyushu industrial district, that is, its favourable location near to China and Korea, is now playing the key role in restructuring the Kitakyushu economy.

The third strategy should be to promote service industries suitable for the Kitakyushu region. Service industries have become the single largest employer of the economic sector in most cities in Japan. In Kitakyushu city, producer service industries such as research and development, engineering & architectural and software services connected with manufacturing activities have steadily grown. It is expected that these industries will become one of the basic industries in this city by co-operating with important activities such as central management, information, finance & insurance and universities in Fukuoka city. Through the combination of these two cities, each with a population over a million, a fourth metropolitan area, Northern-kyushu (Fuku-hoku) metropolitan area, will be formed, having 3.5 million population, following Tokyo, Osaka, Nagoya.

It is necessary to promote consumer service industries such as retail, eating and drinking,



recreational, medical and welfare services. In the Yahata works, there is a big plan for an amusement park, 'Space-World', where people will be able to experience weightlessness. The large recreational area with tennis courts, play grounds, swimming pools and sophisticated hotels is being constructed in an area which Mitsubishi Chemical Industries Ltd. had owned. There is an important plan for redeveloping the area in front of Kokura Station and constructing a large shopping street in Kitakyushu city. These plans will promote consumer service industries by collecting people from not only Kitakyushu city and the surrounding areas, but also other regions.

The economy of the Kitakyushu region is in the midst of a fundamental transformation. Never again will Kitakyushu and its surrounding areas be a region depending so strongly on the iron & steel industry. The region's economy should gain diversity and balance through three major strategies, that is, restructuring manufacturing industries, constructing a gateway city and promoting service industries.

#### Notes

- 1) This paper was reported in the Kitakyushu Convention of the International Symposium on "Land problem" that was held in memory of the 15th Anniversary of Japan Association of Land Law in Kitakyushu city, 28 October, 1988.
- 2) Hirata, K. (1968) *Modern Medium and Small Enterprises (Gendai Chusho Kigyo Ron)*, Chuokeizaisha, Tokyo.
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