

Local Economic Recovery: Firsthand Accounts from Tohoku
Panel Discussion
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Summary of Discussion

On September 17, 2012, a delegation of four leaders who are spearheading the recovery of Kamaishi city of Iwate Prefecture—one of the cities hardest hit by the 3/11 disaster—visited New York. Speaking to an audience of roughly 100 people, they offered a firsthand account of the progress made to date in revitalizing the local economy in the disaster zone and of the challenges that small businesses and local governments continue to face.

Panelists:

Akiko Iwasaki, Owner, Horaikan Ryokan

Akio Ono, President, Ono Foods Co., Ltd.

Takahiro Sasa, Deputy Manager, Kamaishi City Industry Promotion Department

Takeo Kikkawa, Professor, Graduate School of Commerce and Management,
Hitotsubashi University

Moderator:

Keiko Tsuyama, Freelance Journalist

Business owners who suffered considerable operational and structural damages to their businesses now have to take out new loans for reconstruction on top of their pre-existing loans accumulated before the disaster. This problem of “double debt” has become a major issue for small businesses throughout the region,

and this has weighed heavily on two of the participants, Akio Ono, who is now leading the effort to revive the region’s fishing industry after his successful seafood processing company was swept away by the tsunami, and Akiko Iwasaki, an innkeeper who miraculously survived after being swallowed by the tsunami and who later sheltered about 100 residents at her ryokan (a traditional inn).

Despite government subsidies that cover up to 75 percent of the cost



Horaikan before the disaster



*Images from inside the
horaikan after the disaster*

of rebuilding facilities, the remaining 25 percent requires a new loan, and new loans are needed to replace raw materials as well.

Unfortunately, no measures have been taken to help businesses deal with the debt that they were already carrying before the disaster. For example, Ono had recently taken out a multimillion-dollar bank loan to expand his business by building a new processing plant outside of Kamaishi, but days after the opening



Ono's seafood distribution center destroyed just 15 days after its grand opening

ceremony it was swept away by the tsunami. Ono noted, "Everything is gone, but the debt remains."

Iwasaki, meanwhile, revealed that her accumulated loans amount to twice what they were prior to the disaster. Given that they are also facing higher commodity prices and decreased income, business owners are struggling financially to restore their businesses to full capacity, and many are deciding it is not worth their while to rebuild.

The local businesses are also struggling to rebuild their supply chains. According to Ono, 50 percent of the regional supply chain for the seafood processing industry has yet to recover. Prior to the disaster, 14,000 boats were actively in use in the Kamaishi region, but 97 percent were damaged or destroyed in the tsunami. Meanwhile, all 108 fishing ports around the prefecture were destroyed, and many are still being repaired. In addition, little progress has been made in the restoration of seafood processing facilities in the region. Of the 25 major facilities that previously operated in the Kamaishi/Otsuchi area, only 10 have resumed operations.

Along with the collapse of the supply chains, businesses have also suffered from the loss of a reliable customer base. Ono has found that demand for his products from private companies based outside the prefecture dwindled as the companies suspended their operations after the earthquake. With decreased demand from his main customers, Ono is now forced to look elsewhere for income and a new client base.

Kamaishi also faces the demographic reality that senior citizens represent a third of the city's population and the overall population is declining. To ensure long-term economic vitality, Kamaishi requires job-creating entrepreneurs and a willing workforce. However, Ono noted that as residents relocate away from the disaster zones and women disengage from the workforce to attend to their homes, the disaster has amplified the region's chronic labor shortage. Although some companies have managed to restore their damaged facilities, many are being prevented from restarting production because they cannot secure the necessary workforce.

In order to tackle some of the key challenges such as dwindling customer demand, business leaders are reaching out to new clients. Ono has turned to schools and nursing homes to sell his seafood products and has introduced Internet-based sales, successfully changing his customer base from large corporations to community institutions and individual residents. Kikkawa, who has been working with the city on community revitalization issues for years, also noted the importance of attracting demand from external markets. Reflecting that view, Iwasaki's ryokan has launched a number of innovative initiatives to attract people from around the world to enjoy nature, music, sports, and the arts in Kamaishi. She also noted that, as part of its recovery plan, Kamaishi, which is famous in Japan for rugby, is lobbying to host the 2019 Rugby World Cup. To address the issue of the aging and declining city population, Sasa has proposed that Kamaishi utilize the resources at their disposal, for example by employing the substantial senior population.



Open-air performance in Kamaishi by the Super Kids Orchestra led by the world famous conductor, Yutaka Sado.

Kamaishi's leaders are not only working to revive their local economy and restore the old city landscape; they are also working to create a disaster-resistant city. To do so, they are focusing on preparation and awareness, hoping to reduce the number of casualties and accelerate the recovery process in the event of a future disaster. Sasa is pushing to create a "smart community" with renewable energy sources that could supply electricity even if a disaster strikes, and an energy management system that allows shopping malls and facilities to be used as evacuation shelters if necessary. Ono is reinstalling his important machinery on higher levels of his factory to minimize his losses in the event of another tsunami. And Iwasaki is drafting plans to create an amphitheater for recreational activities that could also serve as an evacuation center during emergencies—one that is easily accessible via wheelchair ramps for the elderly and the disabled.



Introducing solar panels for schools and other public facilities that serve as evacuation shelters

The presentations by the delegation from Kamaishi offered a glimpse into the resiliency of the city's spirit. Rather than give up in the face of the daunting challenges of rebuilding, they are working not just to restore the city to its previous state but to build a better, stronger, more vibrant, and safer city, one that can become a model for other recovering communities throughout the Tohoku region. At the same time, the discussions also highlighted the fact that long-term challenges remain, and that economic recovery in the region will require a great deal more time, effort, and resources.