

Commercial Policies in Japan and the Problem of the Deindustrialization of Central Areas of Local Cities

Summary:

When it comes to commercial policies, from the late 1990s toward the mid-2000s, there have been no efficient political measures taken in Japan to reuse city center areas while moving large-scale retailers to suburban areas. As a result, in highly motorized local cities with relatively small economies, the city center area tends to be deindustrialized, which has been a serious problem in such cities.

Keywords: *local city, deindustrialization of city center areas, commercial policy, Japan.*

1. Commercial policies in Japan and the use of city center areas

After the Second World War, the City Planning Act enacted in 1919 fundamentally supported the legal basis of the urban policies of Japan. This older version of the City Planning Act had two main functions. One was to identify “use districts” in a city and approved the construction of specific buildings for each use district, such as residential buildings, factories, and retail stores. The other was to standardize the structure and area of each building¹.

In 1968, after the rapid economic growth of Japan, the old version of the City Planning Act was revised and replaced by a newer version of the same name. Around this time, Japanese industry was undergoing rapid change in structure, from primary industries to secondary industries and to tertiary industries, with large populations of people moving from agricultural villages to urban areas. Therefore, the new version of the City Planning Act enacted in 1968 had a function to control the sprawl of suburban agricultural villages while promoting the modernization of cities. For example, the act modernized city center areas by deregulating the floor area ratio of a large part of urban areas so as to promote the construction of new concrete buildings with high to medium height, in order to replace the wooden low-height buildings that are neither fire retardant nor quakeproof remaining in city center areas. On the other hand, in agricultural villages surrounding urban areas, non-urbanization areas were identified to control sprawl. In Japan, until 2004², there

was no law to preserve historical heritage or landscape sites in urban areas – the equivalent of the Bucalossi Law (1977) or the Galasso Law (1985) in Italy – except for some exceptional historical cities such as Kyoto or Nara. For this reason, the new version of the City Planning Act and its exceptional concomitant measures to deregulate the floor area ratio turned various cities in Japan into modern urban areas with tall buildings in a short period, along with the continued economic growth.

Many of the modern buildings that were newly built in city center areas in Japan were used for offices and commercial facilities. With regard to the latter, in particular, general merchandising stores (hereinafter referred to as “GMSs”) and supermarkets (hereinafter referred to as “SMs”) started to grow rapidly in city center areas since the 1960s, and in time, the competition between these stores and traditional shopping streets became fierce. Then, in 1973, the Japanese government established the Large-scale Retail Stores Law. This law identified commercial facilities with a sales floor larger than 1,500 square meters as large-scale retailers, in order to restrict their store size and business conditions³. This regulation was clearly a political compromise that resulted from requests from shopping streets, and it restricted the business activities of large-scale retailers in city center areas until 1991, when a strong request from the United States led to deregulation.

In 1991, the Large-scale Retail Stores Law was significantly deregulated because of a request made by the United States that was critical about the public regulation of economic activities. As a

result, the business activities of large-scale retailers were liberalized, in practice, in areas that are not geographically neighboring traditional shopping streets. The early 1990s was a time during which land prices in Japan appreciated to their peak, backed by the bubble economy. Thus, many large-scale retailers were attempting to open stores on roadsides in suburban areas, where land prices were cheaper, avoiding city center areas with low profitability. The deregulation of the Large-scale Retail Stores Law in 1991 was also in accordance with such business strategies of large-scale retailers, thus encouraging the move of such stores to suburban areas (i.e., the “scrap and build” of city center stores) throughout the 1990s.

2. Challenges remaining after the “Three Acts” on City Planning (1998-2006)

In the late 1990s, the move of large-scale retailers into suburban areas led to the serious deindustrialization of city center areas for two reasons. The first reason is the fact that the center of consumption moved to suburban areas as a result of the move of large-scale retailers into suburban areas. Places for daily consumer activity moved to suburban areas, which caused the number of visitors in city center areas to decline rapidly, causing traditional shopping streets to suffer. The second reason is the fact that large-scale retailers withdrew from city center areas. While these retailers were in competition with traditional shopping streets in the beginning, they established conditions by which to co-exist with shopping streets by attracting consumers to city center areas. It should be pointed out, however, that many old stores built before 1991 were small, less than 1,500 square meters, in order to skirt the regulations of the Large-scale Retail Stores Law. The majority of these relatively small large-scale retailers in the city center areas lost in competition with larger stores in suburban areas or had to close their stores in order to gain funds to open their own larger stores in suburban areas. As a result, city center areas lost their “source for attracting consumers”.

In order to deal with the decline of city center areas, the government took a support measure based on three laws: (1) the Act on Vitalization in the City Centre, (2) the City Planning Act (revised in 1998), and (3) the Act on the Measures by Large-scale Retail Stores for the Preservation of the Living Environment (hereinafter collectively referred to as “the “Three Acts” on City Planning”), as its pillar. However, the “Three Acts” on City Plan-

ning were not able to achieve the goals originally set out by the government, causing more problems to the contrary (Araki, 2007).

The Act on Vitalization in the City Centre that was enacted in 1998 was a law to support spontaneous urban planning by residents in city center areas including those who own stores or residences there. In order to gain this support, it was obligatory to establish a Town Management Organization (hereinafter referred to as a “TMO”) (Watanabe, 2011). However, it was financially difficult to carry out urban planning using a TMO, as expenses such as human resource costs that were necessary to maintain a TMO were not included in the use of the subsidy. According to a survey carried out by Watanabe (2011), as of February 2006, only 225 plans gained subsidization to support city center revitalization with the final approval of their TMOs, while 624 cities, towns, and villages applied for support through this scheme for their 683 revitalization plans. As a result, the ideas behind TMOs as a base or behind urban planning by local residents were difficult to achieve in many cases.

On the other hand, the City Planning Act was revised in 1998, and the business activities of large-scale retailers were approved in use districts where the activities were not approved according to the previous law, such as suburban factory areas, non-urbanization areas, and agricultural areas. This revision has been explained as a measure to locate large-scale retailers away from traditional shopping streets in city center areas, in order to divide the functions of the two (Kato and Ishihara, 2009). However, this measure ended only in accelerating the move of large-scale retailers into suburban areas, which continued from the 1990s. The third Act on the Measures by Large-scale Retail Stores for the Preservation of the Living Environment made it obligatory for stores with an area of 1,000 square meters or above to have a soundproof facility, a garbage disposal facility, and a parking lot that corresponds to the area of the sales floor. However, such facilities led to a significant decline in profitability in city center areas where land prices are high. For this reason, this measure ended up accelerating the move of large-scale retailers into suburban areas, as was the case with the City Planning Act.

Thus, the “Three Acts” on City Planning were revised in 2006 out of necessity. However, the failure of the commercial policies for the eight years since 1998 led to the rapid deindustrialization of city center areas in highly motorized local cities with small economies. This is due to the fact that



the effects of the three acts were cancelled off, as the Act on Vitalization in the City Centre struggled to achieve efficient revitalization, while the other two acts encouraged large-scale retailers to move to suburban areas. The failure of the “Three Acts” on City Planning (1998-2006) in Japan is comparable to the case of deregulation in the United Kingdom during the 1980s. Due to the Free Market Approach Policy by the Thatcher government, many superstores and hypermarkets opened stores in suburban areas in the United Kingdom mainly in the 1980s, resulting in the deindustrialization of city center areas in many local cities (Guy, 1994). Thereafter, the Major government shifted policy in 1992, restricting the business of large-scale retailers in suburban areas while carrying out large-scale redevelopment in city center areas in some core cities (Guy, 2007). Nevertheless, city center areas were not revitalized in many local cities, causing a serious gap between supply & demand, such as the representative case of the food desert problem (Wrigley, 2003). Even though the “Three Acts” on City Planning in Japan

were enacted six years after the policy change by the Major government (1992), Japan did not learn any lesson from the failure of the United Kingdom in the 1980s.

3. Case study of the “scrap and build” of a large-scale retailer: Case of Jusco-Aeon

It is easy to identify a trend in Japan in which large-scale retailers withdraw from city center areas and open stores in suburban areas, as caused by Japanese commercialization policies, by analyzing the location of large-scale chain stores that have numerous stores in both city center areas and suburban areas. This article examines a case study of Jusco, a large-scale retailer run by the largest retail company in Japan, Aeon Group⁴.

As of 1989, just before the deregulation of the Large-scale Retail Stores Law, there were 281 Jusco stores throughout Japan. Table 1 shows the number of stores that remained until 2011, 22 years later, along with the number of stores that were

Table 1. Changing of the large-scale retailers (Jusco) by geographical location.

floor area by store category	geographical location of the stores									
	in front of a train station or on a shopping street (city center)		residential district		suburban		uncertain		all location	
	number	ratio	number	ratio	number	ratio	number	ratio	number	ratio
closed stores	82	81.2%	44	77.2%	61	59.2%	16	80.0%	203	72.2%
under 1,500m ²	21	100.0%	28	93.3%	13	92.9%	5	100.0%	67	95.7%
1,500 ~ 2,999m ²	12	75.0%	6	85.7%	9	60.0%	4	80.0%	31	72.1%
3,000 ~ 4,999m ²	20	83.3%	4	44.4%	17	58.6%	3	100.0%	44	67.7%
5,000 ~ 9,999m ²	26	74.3%	6	66.7%	22	53.7%	3	50.0%	57	62.6%
over 10,000m ²	3	60.0%	0	0.0%	0	0.0%	1	100.0%	4	33.3%
survived stores	19	18.8%	13	22.8%	42	40.8%	4	20.0%	78	27.8%
under 1,500m ²	0	0.0%	2	6.7%	1	7.1%	0	0.0%	3	4.3%
1,500 ~ 2,999m ²	4	25.0%	1	14.3%	6	40.0%	1	20.0%	12	27.9%
3,000 ~ 4,999m ²	4	16.7%	5	55.6%	12	41.4%	0	0.0%	21	32.3%
5,000 ~ 9,999m ²	9	25.7%	3	33.3%	19	46.3%	3	50.0%	34	37.4%
over 10,000m ²	2	40.0%	2	100.0%	4	100.0%	0	0.0%	8	66.7%
all stores	101	100.0%	57	100.0%	103	100.0%	20	100.0%	281	100.0%
under 1,500m ²	21	100.0%	30	100.0%	14	100.0%	5	100.0%	70	100.0%
1,500 ~ 2,999m ²	16	100.0%	7	100.0%	15	100.0%	5	100.0%	43	100.0%
3,000 ~ 4,999m ²	24	100.0%	9	100.0%	29	100.0%	3	100.0%	65	100.0%
5,000 ~ 9,999m ²	35	100.0%	9	100.0%	41	100.0%	6	100.0%	91	100.0%
over 10,000m ²	5	100.0%	2	100.0%	4	100.0%	1	100.0%	12	100.0%

Source: ‘Supermarket Directly’ 1990 and 2012 (Shougyo-kai).



closed by then by location out of the 281 stores⁵.

It shows that only 79 stores (28.1%) out of 281 survived until 2011. The remaining 202 stores were closed during the 22 years. Secondly, if we look at the survival ratio by location, it shows that 40.8% of all “suburban” stores have remained, with only 18.8% of the stores “in front of a train station or on a shopping street” in city center areas. If we look at the ratio by floor area, the survival rate becomes lower as the store becomes smaller. It is particularly important to point out that 67 out of the total of 70 stores (95.7%) with an area below 1,500 square meters that can skirt regulations through the Large-scale Retail Stores Law were closed. Furthermore, all of the stores with an area below 1,500 square meters that were “in front of a train station or on a shopping street” were closed. On the contrary, eight out of the total of 12 stores with a sales floor of 10,000 square meters or above maintained their business. These figures show the tendency in which Jusco stores moved to suburban areas with larger sales floors.

Based on criticism directed at the “Three Acts” on City Planning, in Japan, the Act on Vitalization in the City Centre was revised in 2006, and the City Planning Act was revised in 2007. This revision was similar to the policy change carried out in 1991 by the Major government in the United Kingdom, strictly controlling the opening of business outlets by large-scale retailers in suburban areas, while encouraging them to open stores in city center areas once again. However, as large-scale retailers had been led to suburban areas from 1991 until 2006, many city center areas in local cities had been deindustrialized, and therefore, it is expected to be difficult to carry out revitalization. Furthermore, there is another factor slowing down the revitalization of city center areas in local cities,

as sites formerly used by large-scale retailers that had become “hollow” without being reused (Fig. 1). After peaking out in 1990, the bubble economy of Japan collapsed, and the Japanese economy entered a long period of stagnation. The economic decline caused deflation and low consumption, leading many chain stores into a business slump from the late 1990s toward the early 2000s. As a result, the number of sites formerly used by large-scale retailers left without being reused rapidly increased, severely restricting the urban planning of local cities.

4. Current conditions and challenges for sites in local Japanese cities formerly used by large-scale retailers

In Japan, there are no public statistics regarding sites formerly used by large-scale retailers until before their withdrawal. Thus, Hashimoto (2016) carried out a survey on municipalities with a population of 20,000 or above, as of 1995, examining whether there were any large-scale retailers (with an area of 1,500 square meters or above) that withdrew from city center areas during the period between 1995 and 2011, and if so, what type of store is in question, along with the current conditions of the site that was formerly used by the store. This survey was carried out in February 2012, targeting 849 cities, towns, and villages throughout the country using a questionnaire, and an effective response was collected from 629 municipalities (the response rate was 73.7%). According to the survey result, 285 out of the 629 municipalities (45.3%) that responded to the questionnaire had experienced a withdrawal of at least one large-scale retailer from the city center area, and the total number



Fig. 1. Typical vacant buildings of former large-scale retailers in city center (Kanazawa city and Saga city).



Table 2. The current conditions of the withdrawing store site by three types of stores.

reusing of the site (multiple answers)	previous store types					
	department stores (133 samples)		GMSs (240 samples)		SMs (29 samples)	
	number	ratio	number	ratio	number	ratio
department stores	8	6.0%	0	0.0%	0	0.0%
GMSs	3	2.3%	17	7.1%	0	0.0%
SMs	19	14.3%	33	13.8%	11	37.9%
discount stores or shopping buildings	32	24.1%	41	17.1%	5	17.2%
amusement arcade	10	7.5%	17	7.1%	3	10.3%
public organizations or facilities	33	24.8%	51	21.3%	7	24.1%
offices and collective housing	24	18.0%	40	16.7%	2	6.9%
vacant stores	25	18.8%	37	15.4%	6	20.7%
empty land or parking lot	21	15.8%	65	27.1%	3	10.3%

Source: Questionnaire survey in 2012 (n=629 municipalities).

of such cases mounted to 474. The ratio of such municipalities would be as high as 50.4% when excluding the 64 municipalities that did not have any large-scale retailer in their city center areas to start with, thus having nothing to gain statistics from.

Out of the survey result, Table 2 shows the type of store before the withdrawal and the current conditions of the store site by targeting the major three types of stores: department stores, GMSs, and SMs (multiple answers allowed).

The table shows that sites were reused for a similar purpose only for 6.0% and 7.1% for department stores and GMSs, respectively, while in more than 40% of the total cases the store site was used for non-commercial purposes, such as for public organizations or facilities (24.8%), as well as for offices and collective housing (18.0%). Furthermore, the site was not used, such as in the case of an empty store (18.8%) or an empty land or a parking lot (15.8%), in 34.6% of the total cases, demonstrating the fact that it is difficult for other commercial facilities (department stores, GMSs, and SMs) to reuse the site formerly owned by large-scale retailers and to maintain an attraction for consumers in city center areas. The municipalities see a serious problem in this situation, particularly concerned with “a decline in the traffic volume in city center areas (department stores: 80.5%, GMS 60.8%)”, consumption outflow (department stores 55.6%, GMS 45.8%)”, and “the decline of neighboring shopping streets (department stores 69.2%, GMS 58.8%)”.

Under such circumstances, however, almost half of all local municipalities have not been able to take any specific measures to deal with this problem. In particular, only 21.7% of the total municipalities took measures that involve a large amount of expenditures, such as subsidies for rent or the purchase of land. Municipalities have not been active in dealing with this problem partly because of the scarcity of municipal funds, while also because of other problems, such as the rapid opening of stores in urban areas where land prices are cheaper, as well as the complexity of dealing with land lease rights.

5. Conclusion

The deindustrialization of city center areas in local Japanese cities was mainly caused by Japanese commercialization policies, especially the deregulation of acts related to large-scale retailers carried out for as long as 16 years from 1991 until 2006, along with measures to encourage them to move to suburban areas. It has been pointed out that the deregulation measures for large-scale retailers were similar to those of the Bersani Law in Italy (Jetro, 2011).

On the other hand, until 2004, the City Planning Act in Japan did not include any regulation to preserve the landscape of the city by controlling the development of city center areas. For this reason, many local cities based their growth strategies on the redevelopment of city center areas



as well as on suburban expansion as a coherent measure throughout the period of economic growth in the 1960s to the collapse of the bubble economy until the 2000s. The business expansion of large-scale retailers in suburban areas was also highly valued as part of such growth strategies. However, the collapse of the bubble economy in the early 1990s followed by persistent economic depression changed the economic structure in Japan to a great extent. Typically, companies in the manufacturing industry moved their bases abroad and concentrated their economic activities in big cities (such as Tokyo, Nagoya, and Osaka), which severely hit the economy of local cities. On the other hand, in most local cities, there were not enough industries or activities that could replace the previous business, such as a manufacturing industry or the presence of shopping streets, which were on a decline. As a result, there was an oversupply in the real estate market in city center areas in local cities, worsening the little-used real estate problem.

As a post-growth society, one solution to these problems that local Japanese cities could take is the downsizing of the city as well as the re-concentration of urban functions in city center areas. In fact, after the revision in 2006, the “Three Acts” on City Planning caused a shift to a “compact city” as a policy principle. However, it is difficult for local Japanese cities – which continued growing by obtaining cheap suburban land in advance and by expanding urban areas using such land based on the appreciation of land prices, with this continuing from the end of the Second World War until 1990 – to turn themselves into “compact cities” in a short period of time. In fact, in many of the local cities that took on the policy to be a “compact city”, the conflict of interest between residents in suburban areas and those in city center areas became serious, and there has not yet been an effective solution to the problem. Therefore, it is necessary for local cities to first of all stop randomly expanding into suburban areas, rather than trying to turn themselves into “compact cities” in a short period of time. It would then be necessary for them to slowly revitalize city center areas through:

the renovation of existing buildings, the fluidization of land and buildings based on real estate securitization, the revaluation of local resources including history and culture and use in tourism, and through voluntary support by organizations for revitalization. It seems that there are many lessons that local Japanese cities can learn from urban planning policies in Italy.

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Notes

- ¹ The function of the latter was taken over by the Building Standards Act, which was enacted in 1950.
- ² In Japan, the Landscape Law was enacted in 2004 for the purpose of the formation and preservation of exceptional landscapes. The law’s principles are similar to those of the Galasso Law in Italy, although they are less coercive.
- ³ The regulation was tightened in 1979, additionally targeting stores with a sales floor of 500-1,499 square meters.
- ⁴ Jusco used to be a store brand that was common to two types of business, GMSs and SMs, run by a leading distributor, Jusco Group, since the end of the 1960s. In 2001, the name of the company was changed to AEON, and the store name has also been gradually changed to Aeon. However, this article uses the name “Jusco” for all the stores as a matter of convenience.
- ⁵ The characteristics of the location are based on the 1990 edition and 2012 edition of ‘Supermarket Directly’ (Shougyokai).

