

Structural challenges of tourism urbanization and new developments: The possibility of regional economic revitalization in Hakodate

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Abstract This paper examines why Hakodate continues to decline despite tourism success. Although attracting 5 million tourists annually, Hakodate's population declined 20% since 1980 (320,000 to 250,000). Through historical analysis and comparison with Kanazawa City, this study identifies structural limitations of tourism-dependent development.

Hakodate transformed from a multi-industry port city to tourism-dependent economy following the collapse of fishing, shipbuilding, and maritime commerce (1960s-1980s). While tourism promotion increased visitors and consumption, four critical limitations emerged: (1) low-wage, unstable employment failing to retain young workers; (2) limited economic ripple effects with substantial income leakage externally; (3) high vulnerability to seasonal fluctuations and external shocks; (4) inability to reverse demographic decline.

Comparative analysis with Kanazawa reveals sustainable regional economies require diverse industrial foundations. Unlike Hakodate, Kanazawa maintains stability through balanced tourism, administrative functions, higher education institutions, and manufacturing sectors. The research concludes tourism complements but cannot serve as sole core industry. Regional revitalization requires multi-sectoral industrial development, youth retention strategies, and coordinated government efforts. This study illuminates tourism-led development limitations applicable to numerous Japanese regional cities facing similar structural challenges.

Keywords tourism urbanization; regional economic decline; industrial structural transformation; Hakodate; economic ripple effects

1 Introduction

1.1 Problem Statement

Hakodate is one of Japan's representative tourist cities. The night view from Mount Hakodate is known as one of the "Three Great Night Views of the World" and "Three Great Night Views of Japan." The city possesses diverse tourism resources including the Motomachi district with its historic buildings, red brick warehouse district, Goryokaku, and morning market. In the 2025 "Municipal Attractiveness Ranking," it ranked first. In 2016, the Hokkaido Shinkansen opened, significantly improving access from Tokyo. Tourist arrivals fluctuate around 5 million annually, with tourism consumption exceeding 100 billion yen [1].

However, Hakodate's population peaked at approximately 320,000 in 1980 and has continued to decline, reaching approximately 250,000 in 2020 [2]. This represents a 20% population decrease over 40 years. The outflow of young people is pronounced, and the aging rate exceeds 35%. The economic scale is also shrinking, with evident stagnation in the regional economy through shopping street closures, corporate withdrawals, and declining municipal tax revenues.

A paradox exists here. Despite success as a tourist city, why is Hakodate in decline? This paper aims to answer this question.

1.2 Previous Research and This Study's Perspective

There is substantial research on regional revitalization through tourism. While many studies emphasize the positive effects of the tourism industry on regional economies—job creation, income increase, and improved regional image—research pointing out the limitations of tourism dependence also exists. In particular, issues such as employment instability in the tourism industry, low wage structures, and limited economic ripple effects have been identified.

However, there are few studies that comprehensively analyze the limitations of tourism promotion targeting cities like Hakodate that have "succeeded in tourism urbanization but are in decline." This study analyzes the relationship between the tourism industry and the overall regional economy from three perspectives: industrial structure, employment, and population dynamics, using Hakodate as a case study.

1.3 Analytical Framework

This paper proceeds with analysis using the following framework: First, we trace Hakodate's historical changes from the Meiji period to the present, clarifying the process of "loss of core industries." Second, we analyze the characteristics of the tourism industry—employment quality, economic ripple effects, and seasonal fluctuations—revealing the structural limitations of the tourism industry. Third, we analyze the relationship between population dynamics and the regional economy, elucidating the mechanism of youth outflow. Fourth, through comparison with other tourist cities, we clarify Hakodate's specificity and generality.

2 Hakodate's Historical Changes: The Process of Losing Core Industries

2.1 Meiji Period to Pre-War: Multi-layered Economic Foundation

Hakodate as an Open Port

Hakodate was an international trading port opened in 1859 and was one of the political, economic, and cultural centers of

Hokkaido from the Meiji period to the pre-war era. Hakodate's economy had a multi-layered foundation including: (1) port and shipping industry, (2) fishing industry with herring fishing as the core, (3) shipbuilding industry, (4) commerce and finance, and (5) administrative, educational, and cultural functions. Rather than depending on a single industry, Hakodate was a comprehensive regional city with multiple industrial foundations. The population continued to grow, reaching approximately 140,000 in 1920 and approximately 200,000 in 1940.

2.2 Post-War to 1980s: Gradual Loss of Core Industries

Decline of the Fishing Industry

After the war, the fishing industry that supported Hakodate's economy rapidly declined. The greatest factor was the collapse of herring fishing. Herring catches plummeted in the 1950s, becoming nearly depleted by the 1960s. Furthermore, the 1977 establishment of 200-nautical-mile zones restricted distant-water fishing. Hakodate's catch volume drastically decreased from approximately 200,000 tons in the 1960s to tens of thousands of tons by the 1980s [3].

Contraction of Shipbuilding

With the decline of the fishing industry, shipbuilding also contracted. Hakodate Dock fell into financial difficulties in the 1980s and implemented large-scale workforce reductions.

Decline in Port Functions

Changes in the transportation system significantly lowered Hakodate Port's status. The decisive factor was the abolition of the Seikan ferry in 1988. The Seikan ferry had been the main artery connecting Honshu and Hokkaido for 80 years. With the opening of the Seikan Tunnel, the ferry was abolished, and related jobs and industries were lost all at once. Tomakomai Port became Hokkaido's main logistics hub, and Hakodate Port's cargo handling volume continued to decrease.

Outflow of Commercial and Financial Functions

As Sapporo's concentration intensified, corporate headquarters and branches located in Hakodate moved to Sapporo. Financial institutions also underwent consolidation, and withdrawals of department stores and large commercial facilities occurred in succession.

2.3 1980s Onward: Acceleration of Population Decline and Economic Contraction

Hakodate's population peaked at approximately 320,000 in 1980 and then turned to decline. The main cause is youth outflow and natural decrease (deaths exceeding births). By 2020, it reached approximately 250,000. The decline of core industries resulted in significant job losses, particularly in relatively high-wage "quality jobs." The regional economy contracted, with deteriorating fiscal conditions and declining administrative services.

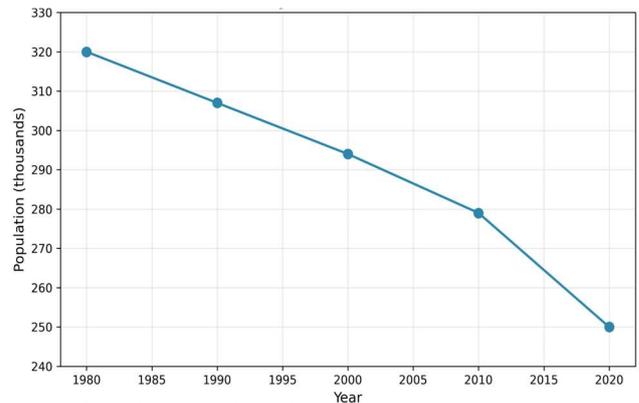


Fig.1 Hakodate Population Trends (1980-2020)
Source: Hakodate City Statistical Book [2]

3 Transition to Tourism Urbanization: Strategy and Results

Development of Tourism Promotion Policies

Facing the decline of core industries, Hakodate positioned tourism promotion at the center of regional policy from the 1980s. Hakodate City formulated the "Hakodate City Tourism Basic Plan" in 1988, positioning tourism as a core industry. The city actively invested in preservation and development of tourism resources including historic buildings, port district redevelopment, event hosting, food tourism, and transportation access improvement. In March 2016, the Hokkaido Shinkansen opened, significantly improving access.

3.1 Results of Tourism Promotion

Hakodate's tourist arrivals increased from around 2 million annually in the 1980s to over 4 million in the 2000s. After the Hokkaido Shinkansen opened in 2016, it reached approximately 5.57 million, recording a historic high [4]. Tourism consumption was estimated at approximately 107 billion yen in 2015 [5]. Tourism-related employment increased, and Hakodate received high nationwide recognition as a tourist city.

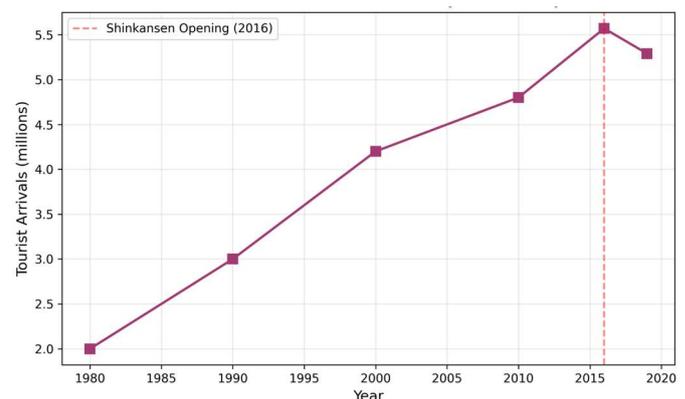


Fig.2 Tourist Arrivals in Hakodate(1980-2019)
Source: Hakodate City Tourism Statistics[1][4]

3.2 Summary: The "Success" of Tourism Urbanization

Judging from these indicators, Hakodate's tourism promotion can be called a "success." However, despite this, Hakodate City's overall population is declining and the economy is contracting. Why? The next chapter analyzes the structural limitations of the tourism industry.

4 Structural Limitations of the Tourism Industry: The Problem of "Cannot Make a Living from Tourism"

4.1 Employment Quality: Issues of Low Wages and Unstable Employment

Wage levels in the tourism industry (accommodation, food service industries) are significantly below the all-industry average [6]. In Hakodate, jobs lost in fisheries and shipbuilding were relatively high-wage regular employment, while many jobs newly created in the tourism industry are low-wage part-time and temporary positions. The tourism industry has a high proportion of non-regular employment, with hotels and restaurants temporarily hiring personnel during busy seasons and reducing them during off-seasons. This low-wage, unstable employment is not attractive to young people, who seek higher-wage, more stable employment and move to Sapporo or Honshu.

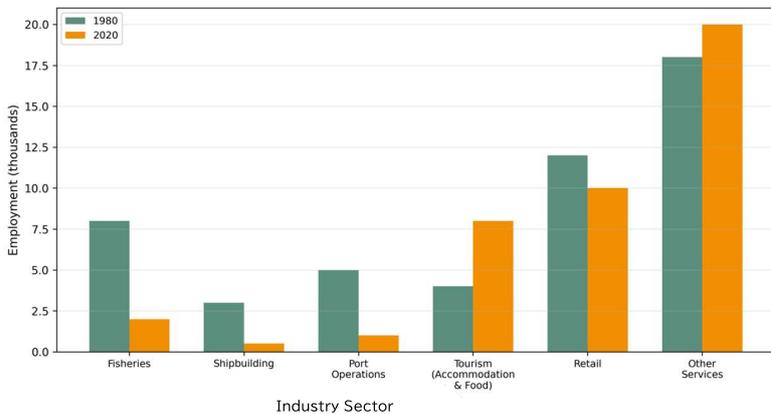


Fig 3. Employment by Industry Sector in Hakodate (1980 vs 2020)
Source: Hokkaido Fisheries Statics [3], Basic Survey on Wage Structure [6]

4.2 Limitations of Economic Ripple Effects

The economic ripple effects of the tourism industry are often overestimated. Much of what tourists spend flows out to external areas. Major hotel chains have headquarters in Tokyo with profits flowing back. Much of the ingredients and products are procured from outside Hokkaido. Many transportation companies are external enterprises. Income circulating within the region is only a portion of tourism consumption. The regional multiplier effect of tourism consumption is 1.3-1.5, significantly lower than manufacturing (2.0-2.5). Additionally, the tourism industry is not organically connected to regional agriculture, fisheries, manufacturing, and construction, making economic ripple effects limited.

4.3 Seasonal Fluctuation and Employment Instability

Hakodate's tourism has large seasonal fluctuations, with highest numbers in summer and autumn, and off-seasons in winter and spring. This creates employment instability and necessitates reliance on seasonal and short-term employment. Tourism demand is also easily affected by weather, disasters, economic recession, and infectious disease outbreaks, creating vulnerability to external shocks.

4.4 Structure Unable to Stop Population Decline

Tourism industry employment does not contribute to youth retention due to its low wages and instability. Young people continue to flow out, birth numbers decrease, natural decrease accelerates, and the aging rate rises above 35%. Tourism promotion does not lead to solving fundamental problems of youth outflow, declining birthrate, and aging.

4.5 Summary: Limitations of the Tourism Industry

The analysis reveals four main structural limitations: (1) employment quality issues with low wages and instability not leading to youth retention, (2) limited economic ripple effects with much consumption flowing out externally, (3) vulnerability to seasonal fluctuation and external shocks, and (4) inability to stop population decline. While the tourism industry can support part of the regional economy, it is insufficient to compensate for the loss of core industries and support the entire regional economy. This is the essence of "cannot make a living from tourism."

5 Comparative Analysis: Comparison with Kanazawa City

5.1 Why Compare with Kanazawa

To clarify Hakodate's factors of decline, this paper selects Kanazawa City as a comparison target for the following reasons: (1) commonality as historic cities and tourist cities, (2) timing of Shinkansen opening (Kanazawa in March 2015, Hakodate in March 2016), (3) positioning as regional cities facing structural challenges, and (4) appropriate population scale (Kanazawa approximately 460,000, Hakodate approximately 250,000).

5.2 Overview of Kanazawa City

Kanazawa is a historic city that developed as a castle town, escaping war damage and preserving historic townscapes. From the 1980s onward, it actively promoted preservation and tourism. With the March 2015 Hokuriku Shinkansen opening, tourist numbers increased significantly. Kanazawa's population is approximately 460,000, having remained nearly flat over recent decades [7].

Table 1 Comparison of Key Indicators: Hakodate vs Kanazawa

Indicator	Hakodate	Kanazawa
Population (2020)	250,000	460,000
Population Change (1980-2020)	-20%	Stable
Prefectural Capital	No	Yes
Major University Students	~1,000	~10,000
Manufacturing Sector	Declined	Active (99% gold leaf)
Tourism Annual Visitors	5 million	4-5 million
Aging Rate	>35%	~28%

Source: *Hakodate City Statical Book* [2], *Kanazawa City Statical Book* [7]

5.3 Comparison of Hakodate and Kanazawa

While both cities share characteristics as historic tourist cities with similar Shinkansen opening timing, their population dynamics are contrasting. Kanazawa maintains its population

while Hakodate experiences rapid decline. Key differences include:

(1) Prefectural capital functions: Kanazawa is Ishikawa Prefecture's capital with clustering of administrative institutions creating stable white-collar employment. Hakodate is not Hokkaido's capital, with administrative functions concentrated in Sapporo.

(2) Scale of higher education institutions: Kanazawa has multiple large universities including Kanazawa University (10,000 students), bringing young population inflow and local graduate retention. Hakodate's universities are smaller with low local retention.

(3) Manufacturing existence: Kanazawa has surviving manufacturing including machinery, textiles, and traditional crafts (gold leaf at 99% national share), creating higher-wage stable employment. Hakodate's major manufacturing has declined.

(4) Regional centrality: Kanazawa functions as a core city within Ishikawa Prefecture and the Hokuriku region. Hakodate faces overwhelming Sapporo concentration, with regional core functions concentrated there.

5.4 Summary: Importance of Diverse Economic Foundations

Comparison with Kanazawa reveals that cities dependent on tourism alone are fragile, and having diverse economic foundations is important. Kanazawa has multiple economic foundations including administrative functions, higher education, and manufacturing in addition to tourism. Hakodate lost its core industries and became overly dependent on tourism. While the tourism industry brings certain effects, it has structural limitations making it insufficient to support the entire regional economy. Hakodate's decline stems not from tourism promotion failure but from losing economic foundations other than tourism and being unable to reconstruct them.

6 Factors Making Hakodate's Industrial Restructuring Difficult

6.1 Geographic Constraints

Hakodate is located approximately 300 km from Sapporo, disadvantageous for corporate location and logistics. Hakodate Port has difficulty accommodating large vessels, and Hakodate Airport is a regional airport with limited international and cargo flights. These logistics infrastructure constraints make manufacturing location difficult.

6.2 Policy Choice Issues

Since the 1980s, Hakodate concentrated policy resources on tourism promotion, relatively neglecting investment in other industries. Utilization of universities and research institutions for industry-academia collaboration has been insufficient. While youth retention is recognized as important, concrete results remain limited due to the fundamental shortage of "attractive employment."

6.3 Impact of National and Hokkaido Policies

Hokkaido development policy has emphasized Sapporo-centered development, with infrastructure investment concentrated there, making investment in Hakodate relatively less and

expanding economic disparities. Public works reduction from the 1990s contracted the construction industry without constructing alternative industrial foundations, accelerating regional economic hollowing out.

7 Conclusion

7.1 Findings of This Study

This paper addressed the question "Despite success as a tourist city, why is Hakodate in decline?" The analysis reveals that Hakodate's decline stems from the loss of core industries, which created structural economic weakening. The tourism industry proved insufficient to compensate for this loss, exhibiting critical limitations in employment quality and limited ripple effects. While tourism promotion succeeded in increasing tourist numbers and consumption, population decline and economic contraction persisted. Comparative analysis with other cities demonstrates the importance of diverse economic foundations. The factors preventing core industry reconstruction are complex, including geographic constraints, policy choices, and national and Hokkaido-level policies.

7.2 Meaning of "Cannot Make a Living from Tourism"

The tourism industry can support part of the regional economy but cannot become a core industry supporting the entire regional economy. Tourism is a "complementary industry," not a "core industry." Core industries create high-wage stable employment, strengthen economic circulation within the region, retain young people, and lead to population increase. The tourism industry does not satisfy these conditions. Therefore, tourism promotion alone cannot stop population decline or revitalize the regional economy.

7.3 Policy Implications

The research suggests several policy implications. First, while tourism promotion should continue, over-dependence on tourism alone is inadvisable. Second, regions must develop diverse industries through manufacturing attraction and new industry development. Third, strengthening youth retention measures is essential to address demographic challenges. Fourth, regional cooperation should be enhanced to expand economic zones beyond individual municipalities. Fifth, national and prefectural policy changes are necessary to correct metropolitan concentration and expand investment in regional cities.

7.4 Future Research Issues

This study has several limitations that suggest directions for future research. More rigorous quantitative analysis is needed, particularly regarding economic ripple effects and employment statistics. The scope of comparative analysis should be expanded to include other tourist cities beyond those examined here. Future studies should incorporate perspectives from residents and businesses through surveys and interviews to complement the macro-level analysis presented here. Finally, rigorous policy evaluation is necessary to assess the effectiveness of

tourism and industrial promotion policies implemented by municipalities.

7.5 In Conclusion

Hakodate's case symbolizes problems faced by many Japanese regional cities. Many municipalities position "tourism" as a solution to core industry loss, population decline, and economic contraction. However, as this study reveals, tourism promotion alone cannot fundamentally solve these problems. Tourism is important but "you cannot make a living" from it alone.

Regional economic revitalization requires comprehensive efforts including construction of diverse industrial foundations, youth retention, and strengthening regional cooperation. This cannot be achieved by a single municipality alone; collaboration among diverse actors including national and prefectural policy changes, private sector investment, and resident participation is indispensable.

Hakodate's challenge continues. How to construct new economic foundations while using success as a tourist city as a foundation. This question is a challenge shared not only by Hakodate but by many regional cities in Japan.

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