

# THE RECOVERY OF SMEs AND LOCAL SOCIETY FROM THE GREAT EAST JAPAN EARTHQUAKE AND TSUNAMI

- A Case Study of the Coastal Area of Iwate Prefecture

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## ABSTRACT

This research analyzed small and medium size enterprise recovery process from the catastrophic natural disasters. Especially how basic industries, which are capable of creating the cash-inflow to the society, can contribute to change the trends of the population decrease and socioeconomic decline in the coastal area of Iwate prefecture. The research subjects have been expected to stimulate the external demands and create the cash-inflow to the society and they have been receiving supports from Iwate prefectural government. And this research focused on how those enterprises respond to and recover from the catastrophic disaster and contribute to the society. In order to monitor their recovery process and consequence, we used qualitative approach for both monitoring as well as continued interview surveys. For analyzing the enterprise disaster recovery process and its consequence, this research applied the framework proposed by Yamaguchi (2001) which explains the regional economy growth led by the external demand increase. Nakamura and Tabuchi (1996) developed the original framework for regional economy growth by combining the Export Base Model and The Simple Keynesian Model. The author modified the framework developed by Yamaguchi (2001) to add specific elements for the disaster recovery such as governmental financial support and generated three research questions (1) how “where and how enterprise resume their work-place” affect the contribution to the local society, (2) how “changes in the society made by disaster” affect the enterprise external demands increase,

and (3) how “financial support from government” affect the investment to expand the business-bases. Then the author analyzed the three research question using the data of disaster-affected enterprise recovery process.

For the results, first, this research demonstrated the consequence of different decisions on how and where enterprises resume their work-places. The author found that resuming the work-place in the early stage of recovery may be risky because unexpected events such as being affected by post-disaster urban planning and have to relocate the work-place, may happen. At the same time, those enterprises restarted business in the early stage of recovery was contributing to the society by replacing the services and products coming into the region from outside with their own product and stopped cash-outflow. This research showed enterprises can contribute to the society by restarting their businesses in the early stage of recovery. At same time, society may receive negative impact from those enterprises as government may need to cover their relocation cost of those enterprises which have affected by the post-disaster urban planning.

Second, this research presented how changes in demand-side affect the enterprises and how governmental financial support provided to the enterprise affect the owners investment decision. The author found out that there are enterprises are in three different types of situations. First type is which have established their marketing strategy to stimulate the external demand and investing to their work-place accordingly to the necessity of production capacity increase. Second type is have been searching for the better marketing strategy for stimulating the external demands, as they have changed the targeting market from inside to outside of local region. Third type is increasing the financial debt through the recovery process, as they already had financial debt and creating additional debt to resume their work-places. For the second and third type, it is uncertain that their current marketing strategy would be stimulating the external demand or not. Therefore,

author concluded this study by stating the importance of continuous monitoring and providing adequate supports to them.

*Key words:* The Great East Japan Earthquake and Tsunami, SMEs recovery from natural disaster,  
The coastal area of Iwate prefecture