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Prospects of the North German Coast

by Dr Hans Spilker, Hamburg

The contribution of the North German coastal area to the GNP of the Federal Republic corresponds roughly to its population, namely one seventh¹. In other words, the GNP per head is much the same in the coastal area as the average for the whole of the Federal Republic.

However, compared with the South German area—Baden-Württemberg and Bavaria—the coastal area is clearly ahead, the difference being something like 8 p.c. It must be added, however, that in former years this difference in the GNP per head of population between coastal area and Southern Germany used to be considerably greater; in the mid-fifties it was still approximately 13 p.c. The inhabitants of Southern Germany have therefore increased their GNP at a faster rate than those of the coastal region. Moreover, the population increase has been much greater in the South than in the North. Since the mid-fifties the population of Bavaria and Baden-Württemberg has increased by more than 20 p.c. whereas the increase in the North German coastal area amounted to no more than 12 p.c. Correspondingly, the contribution of the two South German Länder to the GNP of the German Federal Republic rose from 30 to 31 p.c., whereas the coastal area's contribution declined from 15 to 14 p.c.

These and similar calculations reflect the much-quoted "development weakness of the North German area"². There are many reasons for this weakness, the most important of which are the following:

- ☐ the fact that the area lies a long way off the great business centres of the European Economic Community;
- ☐ the area's "under-industrialisation" which manifests itself in a relatively low contribution by trade and industry to its GNP;
- ☐ the fact that in the industrial sector of the area which is in any case not very large, growth industries are comparatively rare, while branches

of industry which are threatened with stagnation, if not decline, are on the contrary relatively numerous;

- ☐ the uneven spread of the productive potential, its concentration in a few larger centres, each surrounded by country areas whose structure is largely geared to agricultural activities.

The sum total of all this does not make a rosy picture; it would seem to support the view of those who see in the German coastal area the straggler in Germany's economic development.

Yet, this opinion is now gradually giving way to a more optimistic and at the same time more realistic assessment of the situation. What has without doubt helped to bring about this change of opinion are some spectacular decisions on the part of some firms to locate factories in the coastal area.

Diminishing Economic Distances

It is an indisputable fact that the North German coastal area is geographically remote from the main centres of economic activity. It is equally true, however, that large-scale investments in the communications system have steadily diminished distances, in economic terms, between these centres and the area. Though distances did not shrink, transport takes less time and costs relatively less.

This is one of the reasons why the big German seaports have been able to hold their own surprisingly well against their geographically more advantageously situated competitors in the neighbouring Western countries, particularly as far as the transshipment of more valuable general goods is concerned. They would have been even more successful, if they had not had to wage a running battle against the difficulties which result from the still existing differences between various national communication systems. The ports at the estuaries of the Rhine and the Schelde have the advantage of belonging to countries

¹ The author's own estimate, based on a joint publication of the Statistical Offices of the Länder on "Das Bruttoinlandsprodukt der kreisfreien Städte und Landkreise 1957 bis 1966", Wiesbaden 1968.

² Compare for instance the "Raumordnungsbericht 1968", published by the Federal Government, Federal Stationery Office V/3958, p. 45.

who as a matter of deliberate policy keep transport costs of overseas cargo to and from their ports at lower levels than those obtaining between German ports and the interior. A common European communications policy which removes these differences should improve the prospects of the German ports still further. Then there is the chance that the EEC may be opened up towards the North and also the increasing liberalisation of the East-West trade—all good omens for the future of the German seaports which stand to profit most from these changes precisely because they do lie on the fringe of the Europe of the Six.

The impending developments in the field of trade policy will mean better opportunities not only for the ports but also for other branches of economic activity, including services, which are orientated towards foreign trade, and it is precisely along the coast that such firms are to be found in profusion. There are good grounds for assuming that ports, firms engaged in foreign trade and those operating ancillary services in that field along the German coast will not lag behind in the general development of world trade. Then, if the problems of the developing countries overseas are to be solved, there is bound to be in the years and decades to come an increase in trade between Europe and precisely such regions of the third world which are traditional trading partners of the big German ports. From all this it is reasonable to deduce that overseas trade will continue in future to make a great and possibly a disproportionately growing contribution to the economic prosperity of the German coastal area.

Under-industrialisation of the Coastal Region

The "under-industrialisation" of the coastal area is illustrated for instance by the fact that scarcely more than 40 p.c. of the GNP is contributed by manufacturers, whereas their contribution to the GNP of the rest of the Federal Republic accounts for 57 p.c. Assuming—and such an assumption will still have to be made for at least a couple of decades—that industry is the essential factor of economic growth, a small industrial potential is undoubtedly a handicap. Such handicap must be lifted if the region is to have a chance to participate in general economic growth and prosperity.

In so far as the lesser industrial activity is due to the coastal region's peripheral situation, its possibilities of further development should improve as, for the above-mentioned reasons, the negative effects resulting from that peripheral situation wear off. There is all the more reason to expect this as in many branches of industry

transport costs tend to be of diminishing importance when it comes to choosing an industrial site. Industrial sectors for which transport costs are no longer a prime consideration look for a location in the coastal area as a rule not because of the proximity of water deep enough for ocean-going ships but because of other advantages the area has to offer. Among such advantages are an efficient, well trained and experienced labour potential, possessing many skills as well as the attractiveness of the region as an area to live in and to spend one's off-time. These are the reasons why the German coastal area has had growing success in competing with interior regions in the struggle to attract fresh industries and to persuade resident firms to expand.

Energy Prices Relevant

Things are different when industrial firms are to be attracted that need a site by the side of water deep enough for ocean-going vessels, for only this gives these firms a chance to receive raw materials from overseas and/or ship bulk cargoes abroad at low cost. The possession of such a deep water anchorage is becoming increasingly interesting as the ever growing size of ships reduces shipping costs still further. The possibility of acquiring such an anchorage has led a growing number of firms to join in the "rush to the sea". It is known that for years the German coast received nothing of the influx. This was primarily due to the fact that the German coastal area was in no position to offer energy at competitive prices. The larger consumers of bulk goods to whom removal to the coast is worthwhile are as a rule also large consumers of energy and the cost of that energy is therefore of decisive importance when it comes to choosing a new site. Small wonder, therefore, that large enterprises of the metallurgical and chemical industries have without exception moved to sites where they have not only access to deep water but also particularly low energy charges. That explains for a large part developments on the Dutch coast, for there natural gas makes it possible to produce energy particularly cheaply.

What makes it difficult for the German coastal area to offer energy at competitive prices is in the first instance the German national energy policy. This policy is primarily concerned to find a solution to the hard coal problem; it tends to overlook the fact that regions far from the mines have their problems, too—problems which are all the more serious the more these regions are in direct competition with foreign economic areas which do not have to help to support an energy policy which favours other regions at their ex-

pense. As long as this policy remains unchanged the German coastal area is forced to rely on self-aid—in other words on measures like the construction of—for the time being—two nuclear energy plants in Stade and in Brunsbüttel. Such plants should make it possible to offer to the biggest potential customers energy at attractive prices. The mere announcement of these plans has already led to a number of decisions in favour of factory sites in the area which shows that the “rush to the sea” is now also going to the German coast. Large metallurgical and chemical works are growing up along the coast between Hamburg and Wilhelmshaven on sites which until a few years ago management would not even have considered. This indicates a trend which will change the face and the economic importance of the German coastal area decisively.

Improved Site Conditions

Deep water and cheap energy are not the only conditions which must exist to attract companies to sites in the area. A suitable labour force must be available, communications must be good also to the interior, the factory must be situated where it is “in touch” with other industrial undertakings and suppliers of services, etc. It is becoming clear that there exist on the German coast sites which from all points of view are fully competitive or else the above-mentioned development could not have got off the ground. This development can only continue if further attractive large factory sites can be offered. The number of such plots which are at present available is not small, but the supply is of course restricted by the nature of the terrain and by economic circumstances. One limitation which is making itself increasingly felt springs from the constantly growing size of ships with the obvious result that, as time goes on, the number of locations with deep-water anchorages is bound to decrease. Then there is the cost involved in the development of sites which in themselves are suitable. To prepare such a terrain for industrial purposes may in some cases be very costly indeed. For this reason it may be preferable, because less expensive, to fill in the foreshore and convert it to dry land and thereby to gain access to water deep enough for the purposes of very large industrial complexes.

In this connexion the project of creating an industrial port area in the shallow waters in front of the Elbe and Weser estuaries deserves special mention³. This port area which stretching from Cuxhaven to Neuwerk will be capable of accommodating factories of any size on cheap land

which provides good connexions with the hinterland and is at the same time accessible to ships of more than 300,000 tons dead weight. As long as such space reserves are available, waiting to be opened up, there is no limit in sight for the continued industrialisation of the German coast.

Structural Improvements

The process of industrialisation now under way will not only increase the contribution of the productive industries; it will also lead to an improvement of its structure. After all, the factories which have either newly settled in or are already existing and are now expanding belong for the greater part to sectors which are commonly reckoned to belong to the “growth industries”. In addition, efforts are being made to introduce all kinds of structural improvements for the benefit of branches of industry whose prospects are, or appear to be, less promising.

Some of these efforts aim for instance at strengthening the German shipbuilding industry economically and technically with a view to increasing its competitiveness. The measures are meant to enable this still very important industry to obtain its share of orders for the growing volume of world tonnage without having to rely for ever on state help. Clearly, this is going to be far from easy, for the international competition for new orders has been greatly distorted by all sorts of practices adopted nationally. Nevertheless it should be possible to achieve the desired ends by consistently pursuing an appropriate structural policy based on facts and not on illusions.

The shipbuilding policy of the Federal Republic and of the individual Länder is no more than a part of the general structural policy that is being carried out in the coastal area. While it is impossible for reasons of space to describe that policy in detail, it should be mentioned that many measures taken by the authorities are specifically designed to make it easier for small and medium-sized firms in the productive as well as the service sectors to adjust themselves to the conditions they are likely to face in future. These small and medium-sized firms are for structural reasons relatively important in the coastal zone. For a region to have a high proportion of small and medium-sized businesses has its advantages as well as undoubted disadvantages. Such firms are more balanced and less crisis-prone. It is therefore very important to diminish the disadvantages and increase the advantages. The more one succeeds in this dual endeavour the better it will be for the economic development of the coastal area where small and medium-

³ See in this context “Hamburg Kurier”, No. 43/44 (1970), p. 44 ff.

sized firms offer a particular large variety of goods and services.

The economic structure of the German coastal area is in fact characterised by a very uneven distribution of economic activities. Next to centres of concentrated economic activity there are other areas which are economically little developed; the coastal region contains undisputed industrial pace-setters as well as areas which belong to the least developed of the Federal Republic. The GNP per head of population in Hamburg is for instance three times what it is in the district of Wittmund and similar districts. There are therefore good reasons for mobilising the economic reserves which exist also in these less developed areas. This is in the interest not only of the structurally weak areas but also of the developed centres which stand to profit from an increase in the economic power of the surrounding countryside.

The structure of the coastal area determines in advance regional policy measures. Such a policy to make sense and be successful must not scatter aid at random over needy areas. Aid will be much more effective if it is concentrated on certain focal points which are capable of development. Such focal points must be stimulated not only by direct help but also indirectly through impulses such as emanate constantly from larger centres. This means structural improvements in these centres, too. In short, what is wanted is a regional policy which in distributing aid does not simply apply the criterion "rich or poor" but treats the area as a functionally interconnected whole.

A blueprint along those lines has been prepared and published by the Hamburg Senator for Economic Affairs⁴. The concept underlying this study is that a common structural policy designed to improve economic conditions in the coastal region must be based on the economic interplay between better and less well-off areas. Uppermost among the Senator's proposals are those which aim at activating focal points in the economically weaker parts. These focal points are situated along "development axes" between more highly developed zones such as the regions of the Lower Elbe or the Lower Weser. This is the most effective way of using the limited means at the disposal of the authorities.

Once the most aggravating economic inequalities have been removed, the existing regional structure need no longer be regarded as a disadvantage. On the contrary, its advantages will

become clear, for the structure will show itself capable of meeting the requirements of a modern society which is not only prosperous but has also the leisure to enjoy its prosperity. The inhabitants of the coastal area will continue to enjoy the cultural and social facilities which the big centres have to offer and at the same time the scenic and recreational values of the varied and natural countryside on their doorstep. To preserve this pattern, if not to improve it, must remain one of the aims of the measures for the economic improvement of the coastal area.

Cooperation of Four Länder

Development plans and measures should not suffer from the fact that the coastal area belongs to four different Länder. A large measure of agreement between them is particularly necessary for the reason that the parts of the coastal region which are farthest ahead in their development are the very parts from which economic prosperity can most easily spread to other areas—areas which extend across the borders of several Länder. Apart from the solution of the economic and political problems that arise from the above-mentioned considerations there are other fields in which cooperation is fruitful. This is not a new idea, for it has already been put into operation to a much greater extent than is commonly realised. The four Länder act for instance in concert where their common interests in the fields of communications and energy are concerned. They also have agreed policies in matters of large-scale infrastructural projects such as motorways, airports, inland waterways and large power stations. A case in point is the agreement to develop Wilhelmshaven into Germany's oil port capable of accommodating tankers of up to 250,000 tdw. At the suggestion of the coastal Länder it was further agreed that the whole problem of Germany's deep-water ports, which the decision on Wilhelmshaven had not completely solved, should be referred to a commission in which the Federal Government and industry are also represented. This commission has since been considering the question quietly and without fuss.

Even if all possibilities for economic cooperation have not yet been fully exploited, it is becoming increasingly clear to all concerned that at stake is not only the prosperity of the economy and the individual citizens of one Land or another, but the future of a large coastal area—an area which still has a large growth potential waiting to be activated. The sooner and the more effectively these reserves can be opened up, the sooner will the German coastal area lose its underserved reputation for being the straggler of Germany's economic advance.

⁴ Helmut Kern, "Ein Modell für die wirtschaftliche Entwicklung der Region Unterelbe", published by the Board for Economic Affairs and Communications of the Free Hanseatic City of Hamburg, No. 9, Hamburg 1970.