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Hamburg and the Enlarged EEC

Hamburg's trade has profited from the dynamic effects of the European Common Market. In the following interview Dr Fahning, Director of the Hamburgische Landesbank-Girozentrale, gives his views on the importance of the EEC enlargement for the Hanseatic City.

Dr Fahning, can it be said of the EEC that on balance it has had a positive influence on the development of Hamburg's commerce?

Yes, indeed. The facts are that Hamburg's trade with EEC countries has grown nearly five-fold while the total business done by Hamburg importers and exporters has little more than doubled. Here is clear evidence of the positive influence of the European Economic Community. It is all the more surprising because Hamburg's foreign trade has a natural overseas bias. For this reason the EEC should, if anything, have given a below-average impulse to growth.

Did not EEC developments in the past arouse some criticism in Hamburg?

There has certainly been criticism. You know that in Hamburg the foreign commerce is largely handled by merchant houses. The direct exporter and importer finds himself in a more favourable position if the foreign market is near by. The EEC has had the effect of removing foreign trade barriers and giving

the Federal Republic easier access to the other EEC markets. The merchant's know-how is consequently no longer as important as it was in days gone by. Nonetheless Hamburg is, all in all, taking a very positive view of the EEC.

The Importance of the EEC's Enlargement

Let us now turn to the proposed enlargement of the EEC. Great interest is currently being taken in the accession of Great Britain and Ireland which has already been settled, and the entry of Denmark which is in prospect. How important is this EEC enlargement for Hamburg?

A distinction must be made between qualitative and quantitative effects. I believe that the impact on EEC policies of the accession of the new members will be primarily of the qualitative kind. Great Britain has always been a free trade country, as is shown by the liberal tariff and trade policy which it has pursued. The liberal climate of opinion will be strengthened in the EEC, and to my mind that is really decisive, for as an

economic and commercial centre Hamburg will derive positive impulses from this liberal spirit in the EEC. Hamburg's economy has always achieved satisfactory growth rates when commerce was subjected to as little regulation as possible.

The geographical benefit is another qualitative aspect. Until now Hamburg has been on the fringe of the EEC area. All the border territories of the Community have had to cope with something of an "enclosure effect", which led to the rupture of traditional links. In the enlarged EEC Hamburg will no longer be on the periphery; its geographical situation will prove more favourable.

Can you think of detrimental effects of the EEC enlargement on Hamburg?

Yes, certainly. The situation on the EEC boundary had, after all, some advantages. As a border region we offered, for instance, an interesting site for investments by countries which did not belong to the EEC. And you know that substantial sums of Danish capital have flown

into the northern part of Germany. There will be no further investments of this kind from now on. Similarly, British industry will no longer have to invest in Hamburg because it is now inside the EEC. These however are minor drawbacks of the EEC enlargement as seen from Hamburg; as salient facts they must be taken note of.

Repercussions on Shipping

Would the positive effects on Hamburg have been greater if Norway had also joined?

Yes, the qualitative effects at any rate would have been greater. We must realise that Norway's "No" has caused something of an ideological setback for European union; some visions have perhaps been bedimmed. That is why I personally would have preferred a "Yes" from Norway. There is also the fact that the Norwegians are important as a shipping nation. Norway's accession would certainly have given a stimulus to the efforts to reach a common shipping policy in the EEC, and it seems to me that such a policy is long overdue.

What kind of an EEC shipping policy do you envisage?

The main element of an EEC shipping policy would have to be an attempt at harmonising the terms on which the EEC members compete with each other. That the conditions prevailing outside Europe would also have to be taken into account for a harmonised shipping policy goes without saying. An EEC shipping policy would thus not only have to align the working conditions and support measures of the nine members, but the competitive position of EEC shipping would in my opinion have to be adapted to the competitor countries outside Europe. At the same time co-operation beyond the national

sphere should as far as possible be maintained in the shipping industry.

Is there not a danger of such a policy leading to more rather than less protectionism in the shipping industry?

We here in Germany have for a long time set an example and given a lead by working for a liberal shipping policy. I think that we have by now waited long enough; others apparently do not find our good example convincing. And so one has to muster courage to embark temporarily on a policy of dirigisme which offers better chances for encouraging German—including Hamburg—shipping firms. This is the problem. In my view we stand a better chance of achieving something by acting together with our eight EEC partners than by proceeding in isolation on the national level. The greater the sphere of common interests, the greater also will be the weight which can be thrown into the scales at international negotiations.

Consequences for the Transport Sector

What other consequences could follow from the enlargement for Hamburg's transport sector?

Well, about shipping we have already spoken. There are two other fields in which Hamburg may look forward to favourable developments. One is transport by rail. The opening of the Common Market to Scandinavia may be expected to result in improvements in rail traffic. The trains will run more frequently, and this means that railway communications will be better.

I am also looking forward to a substantial improvement on the roads. The accession of Denmark will certainly have an impact on the construction of additional motorways in Schles-

wig-Holstein. The motorway to Puttgarden, for instance, is—in conjunction with the "Vogelfluglinie" route—an eminently practical project and can probably be put into effect shortly.

What benefits will manufacturing industry in Hamburg derive from these developments?

The volume of transport will increase because new opportunities will emerge for a division of labour as different markets are brought into closer proximity. This will show itself for instance in coastal shipping, the carriage of goods by road, railway traffic and short-distance air services. Besides, the ferry services will be operated more frequently and provide new transport potentialities. All this together is bound to result in an intensification of communications between Hamburg and the new member countries.

Opportunities for the East-West Trade

Side by side with the beginning closer economic cooperation with the former EFTA countries there has of late been a normalisation in economic relations with the states of Eastern Europe. What view do you take of the repercussions of this process on economic life in Hamburg?

This process will have various repercussions. For one thing, additional trading opportunities will open for the import trade as a result of the supply by the East of raw materials which can be obtained in the world market only under more difficult conditions. New opportunities will also present themselves in the export sector and for transit trade. Furthermore Hamburg's industries may well be able to establish new contacts. Hamburg has always cultivated this traditional market and made early use of visits to trade fairs

in Eastern Europe. This was done because it was appreciated that especially intensive studies were needed for opening this eastern market. It was for this reason that the Elbe policy has now received official Federal blessing.

We expect an improvement in the traffic situation to go hand in hand with this intensification of trade exchanges. We are particularly interested in an intensification of shipping services in the Baltic Sea, an extension of the air links including the airport of Hamburg and an improvement of road traffic, especially by linking it up with the motorway network of the Federal Republic. The "Route of the Marshes", as it is called, could form a new European highway leading all the way from Hamburg via Dresden to Prague. Extended to Cuxhaven and Neuwerk, this route would show Hamburg's close links with the East very clearly.

The Role of the Overseas Trade

Is there a risk that Hamburg, while concentrating its activities more firmly on Europe, might lose sight of the sphere in which it has hitherto always played a prominent role — the overseas trade?

I do not expect the overseas markets to recede into the background in the context of Ham-

burg's trade policy. They are the traditional markets of the Hamburg economy because the city had at a very early stage become a trade centre for what was called "colonial produce". Hamburg has kept its hold on this trade. Coffee is being imported chiefly from South America because certain flavours are in demand. In eastern Asia they are likewise certain commodities which are traditionally obtained only from Indonesia and India. The close ties between the Hanseatic City and these overseas countries will be preserved in future because Hanseatic merchant firms long ago set up branches in these regions, so that they have a very close relationship with them. You know that Hamburg is doing all in its power to maintain this relationship.

That trade with the EEC has expanded more strongly than has that with overseas countries is, as I remarked earlier, a result of the removal of the impediments to trade in Europe. Our dealings with overseas markets would receive a similar impulse if the obstacles hampering it were likewise removed.

Hamburg as a Financial Centre

Hamburg stands to gain in importance as a financial centre as a result of the favourable opportunities for economic development which will arise when the EEC has been enlarged. What is your view of Hamburg's

prospects as a banking and finance centre in Europe?

We must realise that as a financial centre Hamburg is now overshadowed by Frankfurt. That is the outcome of a post-war development. The international financial markets are in the grip of a concentration process. In the Federal Republic there has been a shift towards the Frankfurt area. Besides, there exists a very important international financial market in London. Great Britain's entry into the EEC will compel Hamburg to occupy an intermediate position, which may be welcomed in one way but calls for careful watching in others. Care will have to be taken in good time to strengthen Hamburg's position and extend it in concert with the two bigger centres. It will be possible to do that if new financial markets are opened, partly in cooperation with the Nordic region. There is no lack of opportunities, and I therefore think that Hamburg has a good chance of success as a financial and banking centre.

Hamburg will have to find a place of its own as a financial and banking centre between the big financial capitals. Even though it will always be smaller than the other two, Hamburg will have a chance which it can turn to good use if it concentrates on the type of business in which it has always enjoyed a special competitive advantage.

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