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## The Need for a Policy of Regionalisation

by Helmuth Kern, Hamburg\*

**"Possibilities of a regional structural policy in industrial states as demonstrated by the example of the Federal Republic of Germany." This was the subject of the main lecture which Senator Kern delivered on Dec. 20, 1972, in the course of his tour of Japan in Tokio at the Keidanren, the most influential of Japanese business organisations. The Senator's lecture provoked a lively discussion in which 30 leading members of the Japanese business world participated.**

**T**he world in which we live suffers from disturbances of equilibrium. This in itself is nothing new, for there has never been a time when the world has evolved in a completely harmonious manner. What is new is that the present upsets may endanger the very existence of mankind. There is, on the one hand, the technical and scientific progress. This progress threatens to an ever increasing extent to become uncontrollable spiritually, politically and morally. We are all becoming increasingly aware of the negative effects of the undoubtedly agreeable aspects of technical progress — effects which are not confined to the congested area of the industrial countries, effects like excessive noise, air and water pollution and the devastation of the countryside.

### The Problem of Equilibrium Disturbances

On the other hand, we note not only on a world-wide scale but also on a national and regional plane discrepancies in many respects. Among them are: the uneven distribution of goods; the unequal chances to develop economically and technologically; the great differences in the financial strength of the rich and highly developed countries vis-à-vis the economic difficulties and the backwardness of the less developed countries. On a world-wide scale this means: inter-continental economic and social conflict between industrial nations and the developing countries; seen from the point of view of East-West relations it means: differences between the capitalist and socialist economic and social orders.

Then again, in each individual country tensions develop between regions in different stages of development. In recent years people have become increasingly aware of the fact that these regional discrepancies constitute the root problem of regional policy. The need for regional planning beyond narrow political and administrative bor-

ders has been stressed with ever greater insistence not only to help the less fast growing regions to catch up but also to raise the productive capacity of the whole national economy. The dilemma confronting planners, politicians, economists and scientists lies however in the vast gap between their good intentions and their powers to carry them out.

As a rule it is easy to obtain approval for concepts of regional policy as long as they are uttered verbally, but when it comes to realising them, objective and subjective difficulties begin to mount up. Objective difficulties because frequently the necessary financial means cannot be found; subjectively because, though sensible global solutions may be approved in principle, partial solutions in the interests of regional corporations are given preference in practice. This applies just as much to the Federal Republic as it does to Japan. But the regional policies of Japan and Germany have still other features in common, though they differ in some respects.

### Regional Policy in Japan and Germany

Differences between the Japanese and the German regional policies result first of all from their different starting points. The regional structure of the Japanese economy is centripetally orientated because Japan's geographical centre is at the same time its economic centre. There, in the region between Tokio and Osaka (the "Pacific Belt Area"), by far the largest part of the Japanese national product originates.

Compared to Japan, the structure of the Federal Republic of Germany is far more evenly distributed. There is the high density area in the West (the industrial region of Rhine and Ruhr), but there are also the industrial areas in the North

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(around Hamburg) and that in the South (around Munich, Frankfurt and Stuttgart). These industrial areas of high density whose economic power is vastly superior to the average of the whole country, while not being evenly distributed over the whole country, are nevertheless more widely dispersed than in Japan.

One reason for this is undoubtedly the political structure of Germany (federal system). But geographical factors also play a role which must not be under-estimated. Whereas the Federal Republic's territory is relatively flat for the most part in the North but also in the South, the Japanese landscape is much more mountainous so that under present conditions no more than 15% of the area is fit for human habitation and economic exploitation.

### German Objectives

A further difference between the Japanese and German regional policies stems from the different objectives they pursue. The German regional economic policy is orientated towards three objectives:

- ☐ Justice: The disparities between the income levels of various regions are to be avoided or eliminated so that living and working standards become practically the same throughout the Federal Republic.
- ☐ Growth: The highest possible economic growth is to be attained by the best possible use of the scarce production factors, labour and capital. In other words, this aim is achieved if these factors contribute to the country's overall production the maximum of which they are capable.
- ☐ Stability: In pursuing this aim, it is hoped to render the regions cyclically and structurally less sensitive. The method employed to attain this objective is as a rule the dispersal of existing economic mono-structures and diversification. Where an economic structure is evenly balanced, cyclical fluctuations will be less intensely felt than in a region with a largely one-sided structure.

### Japan's Priorities

Whereas in the Federal Republic these three objectives — Justice, Growth and Stability — have, as a rule, been given equal weight with the result that on the whole a better inter-regional balance has been achieved than in other European countries, Japan has so far apparently given priority to the problem of growth to the exclusion of all else. The concentration of economic activities in the relatively small central area of Japan has produced in its wake numerous problems of an environmental and infrastructural nature but in particular in the field of communications. Growth

problems in these congested areas have hitherto been in the foreground of discussions about Japanese regional policy, while another complex of problems — problems of "external diseconomies" which may reduce the effectiveness of the production factors employed and may prove detrimental to the rate of growth of the entire national economy have been largely ignored. Regional policy measures intended to assist backward areas have been primarily conceived as potential contributions to a solution of the bottleneck problems of the central industrial areas.

Although Japanese and German regional policies start from different points of departure and differ essentially in their objectives, it is nevertheless possible to discern several common features in their regional strategy. Both countries operate according to the concept that development aid should be concentrated on certain defined areas.

### Regional Action Programmes in the Federal Republic and Japan

In 1969, regional action programmes were launched in the Federal Republic of Germany when Federal Government and Lands proclaimed the "improvement of the economic structure of the regions" as their common task. The areas in need of aid — about 60 p.c. of the total territory of the Federal Republic, inhabited by 30 p.c. of the population — were combined into 21 larger spatial units with much the same structural problems. The funds allocated by the Federation and its constituent "Lands" are used according to a common plan, drawn up for a period of five years and extrapolated annually. The plan makes it easier to see how much aid is given and to whom and ensures that the system of preferences is uniformly applied in all development areas. The regional action programmes concentrate their material aid on certain specific areas in order to attain a high degree of effectiveness. Aid is being concentrated on commercial centres with a catchment area of at least 20,000 inhabitants; they have been chosen to act as crystallisation centres for the economic development of a larger area. Some of these focal points, whose chances of development and passing on their new-found prosperity to the whole region are considered to be particularly bright, are accorded preferential treatment.

As for the conditions, kind and extent of the aid given within the framework of the common plan, suffice it to say that it consists essentially of subsidies given to industrial investors (including the tourist trade) and for improving the regional infrastructure. To qualify for a subsidy, an industrial enterprise must show that its operations will result in the creation of an appropriate number of new jobs in one of the focal points of the regional

action programme. In principle, the value of the subsidy must not exceed 15 p.c. of the contemplated investments; in the priority centres it may go up to 20 or even 25 p.c.

To help them to improve the infrastructure of their region, the local authorities concerned receive subsidies which at times are rather considerable (no upper limit is fixed for these subsidies, but the local authorities are expected to participate in the project financially). These infrastructural projects are mainly concerned with the development of industrial estates, the extension of communications, the construction of plants for the supply of energy and water as well as for the purification of water and the disposal of waste material — to mention but a few examples.

Similar to the German "Regional Action Plan", the Japanese Focal-Point Development Plan for Hokkaido (Kyoten Kaihatsu Keikaku) also envisages a division of the area into regions according to their natural and functional features. This plan, which was passed in 1965, aims at setting in motion an independent regional growth process by establishing focal points for public investments to help extend regional infrastructures. The plan provides for action programmes for six regional nuclei on the island of Hokkaido, each consisting of a major town of a least 150,000 inhabitants.

This plan, in spite of its similarity with the German programme, differs from it in one particular respect — the insistence on at least 150,000 inhabitants. In this respect, the German "Regional Action Programme" compares unfavourably with the Japanese plan in that the size of many of its focal points is much too small.

### The Lower Elbe Project

After these remarks of a more general and theoretical nature, I should like to draw your attention to a practical example of regional policy:

to the region of the Lower Elbe with Hamburg at its centre. Hamburg is a highly developed industrial area of great density. It is located like an island in the midst of a still largely farming territory. If this present agricultural structure is maintained, Hamburg will in the long run be unable to keep pace with other competing industrial areas because it will be impossible for Hamburg as metropolis of that area to prosper by its own efforts. The safety of Hamburg's economic future therefore increasingly depends on the economic development of the entire region surrounding it, just as the hinterland is dependent on the growth potential of Hamburg.

Neither Hamburg nor its surroundings can therefore live in "splendid isolation". On the contrary, a symbiosis between the two must be established which means that a form of meaningful and well-balanced give-and-take must be developed so that in future sufficient well paid jobs are available throughout the region. Economic priority must therefore be given on a regional basis to the problem of providing safe jobs, not only for today, but also for the future. This can only be achieved by constantly improving the economic climate of the whole region and its prospects for the future. This is the great problem confronting us in our area — an area which has evolved in the last few decades, and without any regard for boundaries of lands, within the triangle formed by the three towns of Lüneburg, Cuxhaven and Lübeck, with Hamburg at the centre.

What this region needs, therefore, is a meaningful structural policy which promises success. This need is today greater than at any time in the past. For it is beyond a doubt that the industrial density in the North German coastal region as a whole is still relatively low. Moreover, some of the industries operating in the Lower Elbe region are relatively old-fashioned. It is therefore the declared aim of all the regional authorities con-

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cerned with planning to "re-arm" the coastal area industrially with a view to strengthening its economic growth potential.

The first thing to do in the circumstances is to make full use of all the existing chances that have been neglected hitherto, i.e. to extend and improve the natural advantages inherent in our geographical position — advantages which make our region attractive to investors and should enable them to hold their own against competitors in other regions.

Among these advantages are:

- ☐ large coastal stretches accessible to ocean-going vessels, making transport much easier;
- ☐ cheap energy from nuclear power stations;
- ☐ a skilled and versatile labour force;
- ☐ good long-distance communications;
- ☐ relative proximity to the Scandinavian and East European markets with their great growth potential;
- ☐ the area's attractiveness to holiday makers.

### Doing Away with Boundaries

First of all, however, all the boundary fences must be done away with between Hamburg, Schleswig-Holstein and Lower Saxony, that is between the three Federal Lands whose territories form the Lower Elbe region, for only then will it become possible to pursue a uniform regional policy across the borders of lands and communes.

The model for the economic development of the Lower Elbe region which I submitted to the public about two years ago as a basis for discussion has since in fact been widely discussed and has already met with some initial success in that some of the authorities have declared their willingness to act on the proposed lines. The model simply presupposes the complete disappearance of all present boundaries, between Lands as well as between communes. It envisages the development of the region along the main traffic arteries which radiate from the centre. It is along these main traffic arteries that the focal points for local development are to be created. The areas between the radial routes are to be kept free for recreational purposes. The idea underlying the plan is thus the star-shaped expansion of the towns and other industrial centres — an expansion which would reach out for, and ultimately merge into, other industrial centres.

In the spaces in-between the industrial development areas which are to serve the purposes of leisure and recreation, while taking over the function of green lungs for the neighbouring industrial centres, economically sound agricultural

enterprises are to be established and provisions made to accommodate tourists.

As for the industrial development axes, the idea is to concentrate aid on the outskirts rather than in the immediate surroundings of the high density areas i.e. in places where the attraction of the centre itself is not sufficiently strong to encourage industrial newcomers to establish themselves. It would, of course, be complete nonsense to offer any promotion in the immediate surroundings of the major centres.

### The Attractiveness of Hamburg

The chances of the ideas outlined above being realised are favourable. The situation of the Lower Elbe region has already greatly improved in recent years following the settlement there of a number of important enterprises from various branches of industry. In Hamburg we now have an integrated aluminium plant of the Reynolds Concern, an electro-steel works and a Philips Electronic factory. In the surroundings of Hamburg, along the communication axes, Dow Chemicals have started a factory, so have the firm of Bayer and Vereinigte Aluminiumwerke.

By means of generous development schemes, more suitable sites can be made available in sufficient number and on favourable terms. The same applies to the planned harbour for ocean-going vessels at Neuwerk. The construction of nuclear power stations and natural gas works in or near Hamburg should lead to improvements in energy costs. (One nuclear power station with an output capacity of 660 MW is already operating, another with a capacity of 805 MW is in the process of construction and yet another of 1,200 MW is in the planning stage. The natural gas works with a capacity of 1,000 MW is being built.)

Hamburg's attractiveness as a suitable site for productivity-orientated enterprises with a strong growth potential is enhanced by its favourable geographic position in relation to the Scandinavian area and the most important industrial COMECON countries in Central Europe. It is reasonable to assume that trade with these areas will benefit especially from the extension of the EEC, the EEC's trade agreements with non-member states and from an intensification of the East-West trade following the more relaxed relations between East and West.

Another point in favour of Hamburg is the varied structure of the "tertiary sector" (the service sector). It ranges over a wide field — from the traditional services provided by port and trade through efficient banking and insurance institutions to the spheres of press, radio, television and publishing — fields in which Hamburg is leading in the Federal Republic of Germany.