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Article — Digitized Version

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Intereconomics

Suggested Citation: Zaunitzer-Haase, Ingeborg (1966) : At the intersection of markets: EFTA investments in the area of Hamburg/Schlesivig-Holstein, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 01, Iss. 5, pp. 14-17, <https://doi.org/10.1007/BF02923289>

This Version is available at:

<https://hdl.handle.net/10419/137613>

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At the Intersection of Markets: EFTA Investments in the Area of Hamburg/Schleswig-Holstein

By Dr. Ingeborg Zaunitzer-Haase, Hamburg

About a year ago Herr Kurt Ladendorff, auditor in Hamburg, caused quite a sensation with his projected establishment of "europoint", an international conference centre in the Hamburg suburb of Wedel, located in Schleswig-Holstein. Whilst the interest of local papers concentrated on the projected super-hotel, the restaurants for gourmets, bowling-alleys, and other recreation centres, the interest of experts focussed on the question of why it should be the Hamburg region where such an international meeting centre is to be established. According to the wishes of its planner "europoint" is to be an international meeting centre not only between the economic blocs—i.e. above all between EEC and EFTA—but over and above this a show-window, a permanent trade fair for EFTA firms establishing themselves in the Common Market. Particularly in view of this latter task no better location could be thought of. Last years' company promotions in the EEC area, initiated by firms domiciled in EFTA countries, have been concentrating conspicuously on the Hamburg/Schleswig-Holstein region. In the following contribution our author investigates kind, size, and importance of these company promotions.

For several reasons the North German region, above all Hamburg and its vicinity, is better suited for EFTA investments than other areas. Schleswig-Holstein and Hamburg are those places on the European map where EEC and EFTA are adjoining most and which—particularly in the case of Hamburg—offer traffic connections with a very receptive hinterland. The triangle-location between EEC, EFTA and COMECON supplies additional incentives for investors.

The Industrial Development of the North German Economic Area

Moreover, in the North of the Federal Republic of Germany the supply of skilled labour is not as limited as in other parts of the country. Most essential, however, is the fact that Hamburg's importance has intensified during the post-war period (which is over now according to Chancellor Erhard) and is not exclusively based on the City's harbour anymore, although now as before the latter is very essential for the whole of Europe. Hamburg has become the biggest industrial city of Germany (in addition to West Berlin). Not only im- and export, shipbuilding and shipping companies but most of the other branches of trade and industry are represented here as well (apart from mining and the iron industry which are a reservation of the Ruhr area).

Besides wide areas suitable for industrial locations are continuously developed in the Hamburg region. In the harbour and harbour extension area alone more than 5 million square metres have been developed as building lots. Every year 60,000 square metres of building sites are added. Another 1.6 million square metres are available in the vicinity of the harbour extension area. Up to 1970 DM 125 million are preliminarily projected for the development of another 340 million square metres not quite so close to the harbour (e.g. in the quarters of Billbrook, Harburg, Bergedorf, and Rahlstedt.) After that (from 1970 on) once again 460 million square metres are to be opened up for industry in the Hamburg marshes, in Billwerder-Moorfleet, Wilhelms-

burg, Georgswerder, and other areas. Measures for industrial promotion are given highest priority in the Hanseatic City State.

Surveys of Foreign Investments in the Federal Republic

Hamburg's strong force of attraction involves also neighbouring Schleswig-Holstein. There, too, many industrial sites are available, thus e.g. around the towns of Flensburg, Kiel and Lübeck, but also in many small places in the vicinity of Hamburg that are almost suburbs to it like e.g. Elmshorn, Pinneberg, Barmstedt, Garstedt, Wedel, etc.

However, the finding out of EFTA investments in these regions is meeting with quite some difficulties. Three securities are obstructing an accurate survey: the tax secrecy, the bank secrecy and the anonymity of statistics.

In addition there are problems of definition. In the Federal Republic the following capital investments of foreigners are generally permitted and their returns may be transferred abroad in any currency without special authorisation:

- Purchase of securities,
- granting of loans and other credits in D-Mark and foreign currencies,
- foundation or acquisition of enterprises in the Federal area,
- setting-up of legally dependent establishments (branches) and of business premises,
- acquisition of real estate, owner-occupied apartments, etc.,
- interest-bearing DM-savings accounts, and finally also the contribution to material assets and rights for the execution of these investments.

In this connection direct investments are of particular interest among capital investments, namely foreign participations in German enterprises or firms resident in Germany.

It is quite easy to obtain aggregate statistics, global data of foreign investments in the Federal Republic. Thus the Deutsche Bundesbank (German Federal Bank) in its Monatsberichte (Monthly Reports) No. 5, May 1965, for the first time has published data of foreign participations in the nominal capital of firms resident in the German Federal Republic and among others stated that at the end of 1964 in Western Germany there had been 3,267 firms holding foreign capital participations at a total nominal amount of DM 11,100 million and that there had been 530 other firms with foreign participations of an unknown size. These figures were broken down by economic branches, legal forms of companies, and countries of origin. 34.1 % of these DM 11,100 million originated from the United States, 17.4 % from the Netherlands, 16 % from Switzerland and Liechtenstein, 9.8 % from Britain, 7.1 % from France, 5.2 % from Belgium and Luxembourg, 3.2 % from Sweden, and the rest from "other countries". The data published by the Bundesbank do not comprise regional break-downs.

At the end of 1960 the Federal Ministry for Economic Affairs has published for the first time a report on foreign investments in the Federal Republic. On June 30, 1965, they amounted to DM 6,500 million. Half of these investments (DM 3,200 million) originated from the United States, DM 1,280 million from EEC countries, and DM 2,000 million from EFTA countries. The reason for the apparent contradiction to the data given by the Bundesbank are unqualified differences in the definition of the term "participation" in connection with such investments.

On request of the author the Bundesbank unburied some hitherto unpublished data valuable for our purpose.

EFTA Participations in the Nominal Capital of German Enterprises

(DM in million, position by the end of 1964)

| Location of enterprise | total | Britain | Switzerland | other EFTA countries |
|------------------------|-------|---------|-------------|----------------------|
| Hamburg | 878.9 | 764.4 | 56.9 | 57.6 |
| Schleswig-Holstein | 28.0 | 7.7 | 2.7 | 17.6 |
| Bremen | 81.1 | 15.2 | 65.1 | 0.8 |
| Niedersachsen | 66.5 | 8.7 | 55.3 | 2.5 |

Hamburg as Investment Area of EFTA

We see that Hamburg is a major investment area of EFTA. However, it has to be taken into consideration that some firms are having their headquarters in Hamburg and make out their balance sheets here while their production is taking place outside the Hanseatic City. This division of administration and production applies above all to such enterprises that have been newly established in Schleswig-Holstein but are located in the vicinity of Hamburg. Shiftings in taxation resulting from this practice are not of interest in this connection.

It proved to be impossible to compile for the Hamburg area a complete table of those enterprises in which firms or individuals from EFTA countries are holding major participations. There is no collecting centre for that. The Commercial Register does not contain anything as to countries of origin. There is

no detailed information on the size of contributions to capital.

Nevertheless a list of EFTA investments in Hamburg—the form of participations, their kind and volume—can be presented. It is no more than logical that trade, import and export are prevailing.

Denmark

In 1961 eight smaller Danish firms were founded in Hamburg.

In 1962 twelve firms with a Danish controlling interest settled in Hamburg, eleven of which were wholesale traders and im- and export companies. The 12th one is a shipping agency. These companies' total capital stock amounts to DM 275,000, but not all of it is owned by the Danish partners.

In 1963 ten companies established themselves in Hamburg, mainly trade organisations, with an average capital stock of between DM 20,000 and DM 50,000. Among them was one major enterprise with a Danish controlling interest: the Industriselskabet Kristian Kirks Telefonfabriker A/S with a capital stock of dkr 1 million.

Hamburg Firms Endowed with Danish Capital 1965*

| Name of firm | Capital in DM | Danish majority (yes / no) |
|--|---------------|----------------------------|
| "Urias" Warenhandels GmbH | 20,000 | yes |
| Kristensen & Co. GmbH (Im- and export) | 20,000 | yes |
| Deatex Textilgroßhandel GmbH | 20,000 | yes |
| Holzgest. Nordisk GmbH | 20,000 | yes |
| Labofa Stahlmöbel Handelsges. mbH | 20,000 | yes |
| Daniaholz GmbH (Im- and export of scandinavian timber) | 20,000 | yes |
| F F I | | |
| Fine Foods International GmbH | 20,000 | no |
| Deutsche Atlantik Linie GmbH | 20,000 | no |
| I A T | | |
| Interhandels Auto Transport GmbH | 20,000 | yes |

* Year of foundation. Listed in order of registration.

In 1964 nine Danish enterprises were set up in Hamburg, three of them started with a capital stock of more than DM 50,000:

- Skaarup Schifffahrtsgesellschaft (DM 100,000, no recognisable Danish majority),
- Dana-Special Smorrebrød Restaurant GmbH (DM 80,000, Danish majority),
- Kosmos-Import GmbH (DM 60,000, no Danish majority).

Complete lists of most recent establishments by countries are published in the following tables in order to enable a survey of their kind and size.

Britain

In 1961 ten firms considerably endowed with British capital have been registered in Hamburg, including the chocolate factory MARS with a capital stock of £ 206,000, and the fire insurance company "The Palestine Insurance Corp. Ltd." with a capital stock of £ 200,000.

In 1962 eleven firms with high British participations have settled in Hamburg most of which started with a capital stock of DM 20,000. Three of them

turned out to be major companies: Elderpalm Schifffahrtsagentur GmbH (DM 100,000), "Commart" Common Market Produce Brokers GmbH (90,000), and Ironguard-Bekleidung (Europa) GmbH (DM 100,000).

In 1963 again eleven firms set up business, of which the only major one is Linguaphone Sprachkurse GmbH with a capital stock of DM 100,000.

In 1964 there have been only seven British registrations in Hamburg, including, however, three major investments.

- Stockmann-Rowntree and Company GmbH, endowed with a capital stock of DM 3 million (which has taken over the chocolate factory Stockmann-Werk KG),
- Eurocopie Entwicklungsgesellschaft für Reprographie GmbH which has started with DM 200,000.
- James Robertson & Sons Preserve Manufacturers with DM 100,000.

British Establishments in Hamburg 1965 *

| Name of firm | Capital in DM | British majority (yes / no) |
|--|---------------|-----------------------------|
| Genelex Electrogeräte GmbH (Im- and export) | 20,000 | yes |
| A. Weißhuhn & Co. Textil GmbH (manufacture) | 20,000 | no |
| The Thames Service Deutschland GmbH (manufacture) | 60,000 | yes |
| Waddel & Reed Internationals Ltd. | 5,000 £ | yes |
| The Penetone Comp (Deutschland) GmbH (manufacture) | 125,000 | yes |
| Proprietary Perfumes GmbH perfumery trade | 20,000 | yes |
| Bauförderung International GmbH | 100,000 | no |
| Trebor Süßwaren GmbH (manufacture) | 20,000 | yes |
| White Warenhandels GmbH (Im- and export) | 20,000 | yes |
| Lipton (Deutschland) GmbH (Im- and export) | 500,000 | yes |
| Flesko Darmhandels GmbH | 50,000 | no |
| Guild Telision Service GmbH | 100,000 | yes |
| Patentools GmbH, Vertrieb-Export | 20,000 | yes |
| B. M. B. (Sales) Deutschland GmbH | 20,000 | yes |

* Year of foundation. Listed in order of registration.

Norway

In 1961 only one smaller company endowed with Norwegian capital established itself in Hamburg.

In 1962 five trade organisations with Norwegian controlling interest were registered in Hamburg.

In 1963 three Norwegian enterprises set up business.

In 1964 four Norwegian companies settled in Hamburg, among them a Norwegian participation in Wasa Gesellschaft GmbH, marketing special types of bread, although the majority of the capital stock of DM 100,000 is Swedish. However, in Hamburg Wasa-crackers are merely marketed, production takes place at Celle.

In 1965 Norwegians participated only in the establishment of two firms, each without controlling interest: "Libretto" (manufacture of lingerie), capital stock of DM 20,000, and "Ascon" Chemie GmbH (Im- and export), capital of DM 20,000.

Sweden

In 1961 nine smaller firms with Swedish capital resources set up business in the Hanseatic City.

In 1962 six Swedish firms or private persons and one shipping agency founded Hamburg establishments (capital stock totalling DM 210,000).

Firms with Considerable Swedish Capitalisation as Registered in Hamburg 1965 *

| Name of firm | Capital in DM | Swedish majority (yes / no) |
|---|---------------|-----------------------------|
| Wasaknäcke Knäckebrötfabrik (in addition to the foundation in 1964) | 20,000 | yes |
| "Ascon" Chemie GmbH (Im- and export) | 20,000 | yes |
| Skandia Stahl Vertriebs GmbH (Marketing of iron) | 100,000 | yes |
| Mecman GmbH (Distribution and trade) | 25,000 | yes |
| Ariadne-Ladeneinrichtungs GmbH (Wholesale trade) | 21,000 | yes |
| A B U Angelgeräte Handelsges. GmbH (Im- and export) | 20,000 | yes |
| Sveka Warenhandels GmbH (Im- and export) | 20,000 | no |
| Marktindex Audits and Surveys GmbH (Market research) | 20,000 | no |
| Lenica Sportartikel Handelsges. mbH (Im- and export) | 20,000 | yes |

* Year of foundation. Listed in order of registration.

In 1963 only five minor Swedish companies established themselves in Hamburg.

In 1964 there have been six of them, the only major one the already mentioned Wasa GmbH owning a capital stock of DM 100,00 with a Swedish controlling interest.

Moreover, the Svenska Cellulose Aktiebolaget (SCA) recently announced its intention to establish a central depository in the Hamburg harbour extension area. For this purpose Hamburg places 80,000 square metres at its disposal. Operations are to start in 1967.

Switzerland

In 1961 eleven Swiss firms set up business in Hamburg

In 1962 four firms endowed with Swiss capital have been founded. Apart from a smaller assembling company the following firms have been established:

| Name of firm | Capital in DM | Swiss majority (yes / no) |
|--|---------------|---------------------------|
| Trans-Pak Gesellschaft für transparente Verpackung mbH | 200,000 | yes |
| Interroof Soluble Coffee Vertriebs GmbH | 100,000 | yes |
| ADIA GmbH | 20,000 | yes |

In 1963 Swiss firms or individuals founded three establishments in Hamburg:

| Name of firm | Capital in DM | Swiss majority (yes / no) |
|---|---------------|---------------------------|
| Gesellschaft für Handelsbeteiligungen mbH | DM 3 million | yes |
| Inter Consumer Goods GmbH | DM 100,000 | yes |
| Wilkens Pemberton AG | sfr 170,000 | yes |

In 1964 Swiss private individuals or legal entities founded a market research business, a bigger trade company, and a smaller manufacturing corporation.

Portugal

In 1961, 1962, 1963 and 1964, apparently no Portuguese investments in the form of participations have been made in Hamburg. In 1965 only one Portuguese firm has been set up: Faser Importhandelsgesellschaft mbH with a capital stock of DM 200,000 having a Portuguese majority.

Companies with Swiss Capital in Hamburg 1965 *

| Name of firm | Capital in DM | Swiss majority (yes / no) |
|--|---------------|---------------------------|
| Fadco (Deutschland GmbH (Im- and export) | 100,000 | no |
| Minolta Camera Handels GmbH (Wholesale trade) | 80,000 | yes |
| Project-Finanz GmbH (Financial consultants) | 20,000 | no |
| Dudeins Industriegeräte Handels-GmbH (Wholesale and foreign trade) | 100,000 | no |
| Giraudan GmbH (Import, manufacture) | 400,000 | yes |
| Dube Fototechnik Vertrieb GmbH (Im- and export) | 20,000 | no |

* Year of foundation. Listed in order of registration.

Finland

1961, 1962, and 1963 no firms with Finnish capital contribution have been established in Hamburg. 1964

two minor firms settled, one of them the branch of an enterprise constructing prefabricated houses.

Finnish Companies in Hamburg 1965 *

| Name of firm | Capital in DM | Finnish majority (yes / no) |
|--|---------------|-----------------------------|
| AA-Lines GmbH | 20,000 | yes |
| Finntex Im- und Export | 45,000 | yes |
| Finska Schiffs-Kontor GmbH (Shipping agents) | 20,000 | yes |
| Greek Shipping Company Reederei | 20,000 | yes |
| "Fennia" Export-Import GmbH | 20,000 | no |

* Year of foundation. Listed in order of registration.

In Schleswig-Holstein even more manufacturing enterprises and other EFTA firms have been established than in the Hamburg area. Between 1949 and 1964 more than 100 enterprises set up business in Schleswig-Holstein, among them about sixty from Denmark, thirteen from Sweden, eleven from Britain, three from Norway, and four from Switzerland.¹

¹ Complete and detailed list of these firms published in WIRTSCHAFTSDIENST, 46. Jg. (1966), No. 4, pp. 217.

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World Business Trends

United Kingdom and Italy: Contrary Economic Trends

When introducing its new budget the British government considered it necessary to continue applying the brake to domestic demand, although during the first months of 1966 production has only slightly surpassed the previous year's corresponding level. Already in 1965 the increase in the British gross national product had slowed down very considerably, in real terms it reached 2.3% after 5.8% in 1964. To some extent this development directly reflected the check to private consumption caused by an increase of consumption taxes—as had been intended for reasons of economic policy. What slowed down most, however, was the growth rate of fixed investments, in real terms from 16% in 1964 to no more than 4% in 1965. This recession was most pronounced in house-building and fixed investments of private enterprises, but also public investments had been involved. Among domestic appropriations of the GNP it was only public consumption that showed an accelerated growth.

Since autumn 1964 already the internal determinants of economic policy have been more than ever subordinated to external targets. Certain results have been achieved in this connection. Above all the deficit on visible trade of £ 535 million in 1964 decreased to £ 265 million in 1965. Decisive for this development had been the fact that imports—due to the import surcharge—did not rise to any extent whilst exports increased by 7%, although this is less than that achieved by other industrial countries. Also during the current year the deficit on visible trade should decline again, though partially due to a postponement of imports pending the announced cancellation of the surcharge in November. Later on, however, it will be all the more difficult to obtain the surpluses required for the mature repayment during the next years of emergency credits.

Thus the British government will have to realise that even the present restraining of expansion (estimated growth rate of the gross

national product approximately + 2% in real terms in 1966) has not been sufficient to secure stabilisation in the field of foreign trade and payments. A further tightening of restrictions aiming at a short-term improvement of the balance of payments—apart from complications in the labour market—runs the risk of more than hitherto damping down the propensity to invest and also of delaying the British economy's increase in productivity and capacity required for a long-term rehabilitation. In order to face these risks last not least the new Selective Employment Tax has been created which favours the manufacturing industry. Whether or not this instrument will be a success is still an open question.

The rapid expansion in Italy contrasts sharply with the development in Britain. During the two first months of the current year Italy's industrial expansion surpassed the previous year's corresponding level by nearly 10%. Also the vigorous increase of imports since the middle of 1965 is a clear indication of the strength of stimulating forces. The emphasis of