

# Hamburg's Road to Becoming a Global City

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## 1. Introduction

Roughly 800 years ago, merchants in northern German towns struck an alliance for trade agreements and mutual protection against pirates. This small network of cities rapidly spread through central Northern Europe and reached nearly 200 cities, which would later be known as the Hanseatic League or Hanse. Between the 13 and 15th centuries, the Hanse dominated trade in the Baltic & North Sea. This was in no way any sort of political entity, but rather a collection of small market cities with a common objective (Mark & Elisabeth, 2022). This paper will examine one of the key cities that played a role in the Hanseatic League, Hamburg. The port of Hamburg, also known as Germany's gateway to the world, remains emblematic of the city's heritage as a trade hub. As the second-largest city in Germany, Hamburg plays a vital role in German trade, logistics, finance, and culture. Its significance in trade is also renowned on the international stage, however, in terms of being a 'Global City' Hamburg is often overshadowed by other German cities such as Berlin, Frankfurt, or Munich. This is surprising as in 2023 Hamburg, together with London and Zurich, was claimed to be one of the most promising European cities of the future as per a study by the Financial Times group (FDI Survey, 2024). On the Globalization and World Cities Research Network (GaWC), Hamburg scored a *Beta+* meaning Hamburg plays a significant role in connecting moderate economic regions to the global economy. This also means that Hamburg is on the cusp of being recognized for reaching the highest level of international influence, or 'Alpha' cities (GaWC - World City Relational Data, n.d.).

In the following, this paper will identify the extent to which Hamburg follows Saskia Sassen's theory of Global cities and present potential areas of improvement that

could promote Hamburg to an Alpha city on the GaWC ranking. To fully realize this ambition, Hamburg must develop specific economic, infrastructural, and cultural dimensions. The following will briefly describe Hamburg's profile as a global city based on Sassen's theoretical framework by focusing on (1) Hamburg's economic functions, (2) Its global connectivity, and (3) the service sector. In the final section of this paper, Hamburg's capacity as a global city is compared to New York City to conceptualize possible recommendations.

## **2. Defining Global City Criteria through Hamburg**

### ***2.1. Economic capacities of Hamburg***

According to Saskia Sassen, a global city serves as a central node for financial, legal, accounting, and managerial services (Sassen, 2001). These sectors in particular make the city attractive for global firms looking to build their headquarters there. One way in which Hamburg exemplifies this characteristic of a global city is through the aviation industry, which plays a critical role in the city's economy and industrial landscape. One of the two leading aircraft manufacturers, Airbus, has one of its primary headquarters located in Hamburg. Together with Lufthansa Technik, these two companies are situated in the third-largest (behind Seattle and Toulouse) location for the civil aviation industry worldwide. Together with the Hamburg airport and over 300 small to medium-sized companies, Airbus and Lufthansa Technik formed the 'Hamburg Aviation Cluster' (HAC) to use networked research and development (Aviation, 2001).

When reconsidering Sassen's theory, she explains that a global city possesses a concentration of specialized services and complex corporate functions (Sassen, 2001). This characteristic is evident in Hamburg's Aviation cluster, as the industry has proven to be a global hub for the construction of aircrafts (Krenz et al., 2014). However, the HAC is rooted in specialized manufacturing, while Sassen emphasizes that the specialization of major global cities is oriented around financial, legal and corporate management services (Sassen, 2001). Nonetheless, the HAC exhibits subtle indications of global city theory by being a prime example of agglomeration economies. An agglomeration economy thrives due to the proximity of businesses, which leads to knowledge spillovers and labor market pooling (Yao et al., 2022). An example of this would be the collaboration between Airbus and local suppliers within the cluster. Moreover, the ZAL Center of Applied Aeronautical Research elucidates the knowledge-building capacities for the advancement of aerospace technology. Shared infrastructure such as testing facilities or research centers between members of the HAC gives small to medium-sized businesses an advantage and accelerates innovation. The rapid growth of the aviation sector is largely due to Airbus's decision to build its A380 commercial carrier in Hamburg.

## ***2.2. Global connectivity through trade***

The second and arguably biggest player in Hamburg's economy is the Port of Hamburg. Solidifying its importance for international trade since the Hanseatic times, the port connects to a wide network of international trade routes (Merk & Hesse, 2012). The port is also one of the most important job providers in Hamburg and the small towns

surrounding it, offering almost 60,000 jobs in Hamburg and 115,000 nationwide (*Jobs*, n.d.). The port of Hamburg can be imagined as being part of the 'Champions League' of ports as, together with the ports of Rotterdam and Antwerp, the port of Hamburg is a hub for intercontinental freight transport. The port's internationality is further established through its representation at international trade fairs. Going back to Sassen's theory, the port serves as a typical example of how global cities include specialized hubs that control global economic activity (Sassen, 2001). The international trade networks, logistics, ship manufacturing, and insurance are just a small cog in a huge machine benefitting Hamburg, and this machine is one of many internationally that when working together with other machines, like the one in Rotterdam, benefit the entire world.

Thus far, this paper has identified two economically significant sectors with specialized services, the Hamburg Aviation cluster and the Port of Hamburg. While these cases share characteristics with Sassen's theory of global cities, how come Hamburg is still in the background of the global cities conversation compared to, say, Frankfurt?

This then raises the question of how we classify global cities, if Hamburg meets all the criteria of being a global city but is completely outshined by cities like Berlin, Frankfurt, and Munich what must the city do to be considered a frontrunner in the Global Cities game? To understand this we must take a comparative approach to identify strengths and weaknesses.

### **3. Enhancing Hamburg's Global Connectivity & Economic Influence**

While Hamburg has a strong interconnectedness at a local level, its global connectivity is not as prevalent. Frankfurt for example, hosts important multinational financial institutions such as the European Central Bank and attracts a high volume of foreign businesses. Hamburg is outperformed in terms of economic influence, which is at the core of Sassen's theory. Frankfurt also aligns with Sassen's idea of the global city more closely than Hamburg does in that Frankfurt headquarters multinational corporations, financial institutions, law firms, and managerial institutions, Hamburg is more known for shipping, trade, and logistics. Perhaps the public perception of Hamburg being a port city plays a role in its classification as a global city. In this regard, what Hamburg is lacking is the prevalence of international financial institutions. Hamburg falls behind Frankfurt and Munich in the amount of socially insured workers in the financial and insurance service sector. To put this into perspective, we must look at indicators such as the Foreign Direct Investment (FDI) to determine the attractiveness to foreign businesses. In 2023, Hamburg received the top spot in the FDI report by the Financial Times. The report outlined the city's great economic potential, business friendliness, and connectivity (Intelligence, n.d.-a). The reason for this climb in the ranking is its geographical location. Because it is so close to the North Sea it has become a key player in offshore wind energy, attracting many foreign investors (Intelligence, n.d.-a). Foundations such as H2Global headquartered in Hamburg are one of the frontrunners in establishing and accelerating a green hydrogen market, thus fostering more international cooperation and presence of multinational firms (*The Foundation*, n.d.). The report also identified renewables, real estate, hotels, and

tourism as Hamburg's strongest sectors in terms of FDI capital expenditure . This can be applied to the geographical centralization of the renewables sector at an international level. To reach Frankfurt's status as a Global city, this paper puts forth the following recommendations: Firstly, Hamburg needs to outpace Berlin, Munich and Frankfurt in establishing a digital infrastructure that's lucrative enough to make foreign companies set up shop. This race is the result of a post-covid remote work culture which necessitates cities to adapt. Secondly, the city needs to allocate more subsidies to support FinTech startups. One incentive could be to decrease the city's trade tax (16.45%) which is higher than the country average (15.8%) (German Foreign Direct Investment in 2021/2022, n.d.)

#### **4. Conclusion & elaboration of Sassens Theory**

In conclusion, Hamburg has cemented itself as a trade hub since Hanseatic times and continues to do so today. While Hamburg excels in the field of aviation, trade and logistics, which align with some aspects of Saskia Sassen's global cities theory, it lacks a centralized financial and corporate service like Frankfurt does. In that sense it is not yet the ideal global city as Sassen had imagined, but its current trajectory indicates it is well on its way to becoming one. Hamburg must capitalize on the collective urgency of a functioning renewable energy sector to meet our climate goals.

Maybe the global city of the future is not a central node for financial, legal, accounting, and managerial services, but rather a hub for green sustainable solutions. A city that is globally recognised for fostering a strong international network of think tanks, private businesses, IGOs, NGOs and public institutions all aimed at finding solutions to



climate change. While Saskia Sassen described the formation of agglomeration economies, the same principle could be applied to the geographical centralisation of the renewables sector at an international level.

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