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Nordic Regional Imbalance on the Increase



25 Regional Centres Identified in Finland



The Minister and His Critics:

Martti Korhonen: – The "Oulu Case"

Cannot Be the "Finnish Case"



Journal of Nordregio

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Regional Policy – National or Local Responsibility?

In this issue of the Journal of Nordregio, we present several articles that go to the heart of the regional policy debate in Finland. More specifically we try to describe the nature and logic of the new Finnish regional centres programme currently being put into practice. Of the many concerns that this programme is set out to meet, one stands out as being fundamental when it comes to the further development of regional policy, not only in Finland, but also throughout Norden: whose responsibility is it to cater for the future?

Should the regional layout and solutions within each of the countries be a national or a local responsibility, or to complicate things even more, should it be a regional or an EU responsibility? The question is asked because the initiative taken in Finland to let several urban regions take responsibility for restoring some kind of national settlement balance, can be interpreted as a step towards a more regionally or locally oriented policy regime. The national implications of this move is a question to be discussed in its own right, as indeed professor Heikki Eskelinen notes, pointing to the fact that though the "symbolic" parts of regional politics are increasingly transferred to the municipalities throughout the country, monetary transfers have as yet not followed suit.

We thus find ourselves in the midst of a vigorous debate that is currently taking place more or less simultaneously across all of the Nordic countries.

In Sweden many point to the apparent gap between the rhetoric of the regional development agreements and their economic and legal resources, and the quarrel continues in the media over whether the joint county administration experiment in Scania and Västra Götaland is anything more than a delusion set out to "pay" in symbols what is in reality denied in budgets and legislation.

In Norway the whole field of regional politics is in the process of reformation. After the recent attempts by the outgoing social-democratic government to reform the field and to launch a reform of the regional administrative system, it

remains to be seen what changes in attitude will be brought to this issue by a possible new "centre-right" government consisting of the Conservatives, the Christian Democrates and the tiny Liberal Party. Traditionally all of these parties have been more favourable to local (i.e. municipal) self-government than the social-democrates, although the Conservative Party has also taken an aggressive stance on abolishing the administrative level of the county municipalities. The impact of such diverse tendencies on immediate policy initiatives however remain to be seen.

In Iceland the situation is somewhat similar to that of Norway, which means that the whole field of politics seems to be in need of renovation. Indeed, in Iceland we see a situation in which Reykjavik is fast establishing itself as one of the fastest growing metropolitan regions in Europe, whilst the rest of the country loses out substantially in population terms. This has led to a more or less concerted wish on the part of Akurery, Ísafjördur, Egilsstadir and Selfoss to form regional growth centres in their respective parts of the country. The problem remains however which instruments to use in order to enhance growth in these centres, as not all of them, like Akureyri, can expect to have the establishment of a university in their locality. Besides, the general wish to utilize the municipalities more intensively in pursuing a strategy of regional development flounders on the fact that most Icelandic municipalities are too small and economically speaking too week to be able to act forcefully.

Denmark seems, in terms of this Nordic "snapshot" at least, to be the country pioneering regional responsibility, the Danish model empowers widely mandated regional administrative bodies to cooperate freely with the European institutions in Brussels. Conceived in a period of high Danish unemployment levels and scarce national financial resources, this model has continued to perform well as a "regional mediator" under the increasingly ameliorating economic climate that manifested itself as the century came to its end.

The question of which model to choose, a centrally or locally/regionally

based one, is not only a question of the tasks at stake, it is as much a matter of political traditions and tensions pertaining to the nations in question.

Sweden, offering the most typical example of a centralized political regime, will it would seem, be hard pressed to change its modus operandi in a more decentralized direction. Finland, it could be argued, has chosen to activate its municipalities in a situation of aggravated geographical imbalance, scarce national budgetary resources and the lack of a distinct regional administrative apparatus. Norway is looking for a model that forges its political culture of extreme local self-determination with a manageable system of implementing structural reforms and the apparent need for a national scheme of regional policy intentions, whereas Iceland seems to be "shopping" for institutional models in mind of its structuring and imbalance problems.

The unpredictable sets of dynamics emerging between local initiatives and centrally conceived plans and policy regimes are not of course new, in fact Nordic post-war history is filled with such debates. What is interesting with the turn of events in Finland is that the desire to activate the urban network in the process of the re-forging of regional policy, does not bear the simple imprint of the "bottom up" principles of the 1970s. In fact, though concieved at the national level, it seems that central government is more than happy to let the local authorities take their share of responsibility to help mend what could otherwise be a burden which was too tough even for the national political system to address. In this light, historical parallels with the Danish model become more obvious.

Perhaps then we can best speak of a "centrally inspired" regionalism as a way of understanding what has taken place in Denmark, and is now also underway in Finland. In conclusion however it is probably a facile assumption to make that Sweden will surely be the last of the Nordic countries to subscribe to such a regime for its regional policy.

Nordic Regional Imbalance on the Increase

The late 1990s witnessed the aggravation of regional imbalances across the Nordic countries, both in demographic and socio-economic terms. New data from monitoring the current situation is now being compiled for release by Nordregio.

By Jon P. Knudsen

In this issue of Journal of Nordregio we present a first glimpse of Nordic demographic patterns as they have evolved over the past decade. And let there be no doubt, the tendency towards reinforced imbalances is striking. Starting with a picture in the early 1990s that did not look particularly bad for many of the peripheries of Finland, Norway and Sweden, these countries have developed a much more acute centre-periphery dimension in their settlement structure over the last few years. Meanwhile, Iceland has maintained the pattern prevalent throughout the 1980s and 1990s whereby Greater Reykjavik virtually attracts the country's entire demographic surplus.

Regional concentration

This polarisation has particularly favoured the metropolitan regions as well as some scattered pockets of growth elsewhere, whereas the traditional peripheries of the north and the declining industrial regions throughout the rest of the countries are losing population. In Denmark, however, developments have been less dramatic, the country as a whole being smaller and also something of a showcase for a rather balanced regional structure. Towards the end of the decade however we can see that the tendency towards population growth being concentrated in the areas surrounding Copenhagen and in East Central Jutland has intensifi-

Researchers Tomas Hanell and Jörg Neubauer from Nordregio have conducted the work behind this new map of regional Norden, and Hanell's conclusions are not to be misunderstood:



Tomas Hanell

clear tendency which shows that the amount of space showing demographic growth in

- There

is now a

the Nordic countries is decreasing. The metropolitan regions stand out as the prime winners in this development that underwent a significant turning point during 1997/-98 when this new pattern emerged.

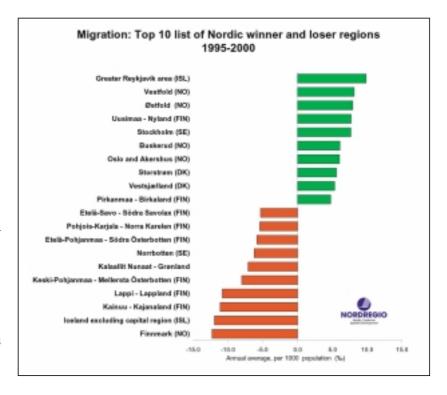
-What lies behind such figures?

- That requires a complex answer that I'm not fully prepared to give here, but we may talk of reciprocal influences by demographic and economic factors, as the regions, which experience population growth, also seem to increase their shares of the value added of their countries.

The generation of new employment, specifically within the higher order private service sector, is also fastest in these regions, and the population is generally younger than in the rest of the respective countries.

- What are the mechanisms influencing this picture?

- Again, they are many, but let me point out just a few. The metropolitan areas clearly undergo a process that makes their influence in the national economy more important - in addition to having to compete in a global marketplace with other cities; these regions also represent attractive, differentiated labour markets and growth centres within their own countries; furthermore patterns of migration add to the imbalance. We also see that regions with major airports and universities attract certain specialised and growing industries that have specifically sophisticated localisation requirements.



- Do we see no centrifugal forces operating?
- Of course, the prices of land for instance are becoming very high in many of the centrally located regions, and this forces some enterprises to relocate out of those locations that are most in demand. There is also an emerging labour shortage within the capital regions, where e.g. health care personnel or construction workers have been much on the agenda lately, but bottlenecks also exist within segments of what may be considered to be pure "white-collar" employment, such as engineers, marketing professionals, and so on. Inflated housing markets add to the pressure in the capital regions. These are among some of the factors that point to the fact that the growth capacity of the metropolitan areas also have limitations.

Internal differences

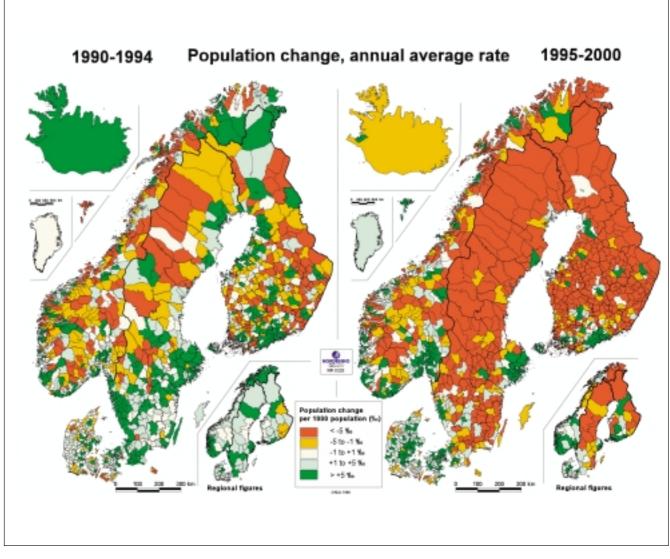
Diving into comparing the net migration scores of the regions, we find that Greater Reykjavik is the fastest growing urban region in Norden (nearly one percent on average each year due to migration), and, in fact, one of the fastest growing in Europe, speaking in relative terms. Then come the metropolitan regions of Finland, Norway and Sweden alongside the Oslo-adjacent regions of Østfold, Vestfold and Buskerud.

Looking at this general situation more closely, a large share of the capital regions' expansion is also due to substantial immigration from abroad, especially in Denmark and Norway. In Sweden this held true for the first half of the decade, though it has since been decreasing in intensity.
 Sweden on the other hand has a

more balanced settlement structure than e.g. Finland or Norway, Hanell explains.

At the bottom of the list, ranking the regions with the most substantial relative migration losses, we find the traditional periphery of the north in Finland, Norway and Sweden, some of the inland Finnish counties, Greenland and the rural parts of Iceland.

Nordregio will publish a more comprehensive report on Nordic regional development trends and issues within the next couple of months. In this context, several demographic and economic parameters will be investigated. – Most of the background work has been done, though we still have to work on the analysis of the material, says Tomas Hanell.



25 Regional Centres Identified in Finland

The process of picking regional centres for the new Finnish regional development programme is now underway. 25 centres have so far been identified with the possibility of seven more being identified before Christmas.

By Jon P. Knudsen

In its first issue (2001:1) Journal of Nordregio wrote about the Finnish initiative to draw on regional urban initiatives in order to secure a more balanced regional development pattern across the country. This process came a to a preliminary conclusion in August when the bids of 25 urban regions were approved by the Ministry of Interior Affairs after having being examined by a special council of experts.

42 urban regions in total opted

for inclusion in the programme, of these, ten were recommended for other development schemes and procedures, whilst a further nine were asked to elaborate upon their applications and re-submit their entries in November of 2000.

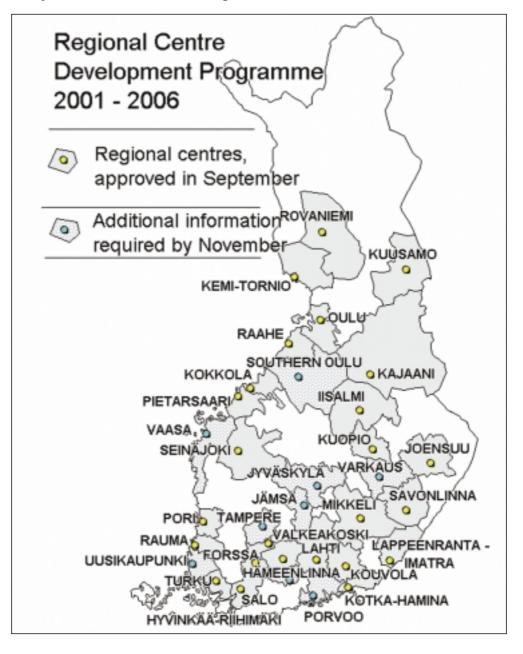
The aim of the programme is to create a more balanced regional structure by stimulating municipalities, firms, R&D-institutions and civil organizations into deeper regional cooperation. Invoking partnership between different actors, the process of development will hopefully be stimulated by taking the strength of each of the regions as a point of departure. The intention is to transcend narrow concepts of economic policy through utilisation of a suitably strengthened sociocultural regional structure in order to construct a dynamic and thriving regional environment for inhabitants and firms alike.

The programme period runs until 2006, and before the end of 2003 the programme will be evaluated in order to enhance the performance of its remaining years. The programme is supported with FIM 25 mill. as seed money for 2001, and FIM 40 mill. for each of the followings years. Added to this will be the financial input of the municipalities themselves.

The programme is run in concordance with other regional sche-

mes, and is in line with the new EU-supported structural and regional programmes for the same period. In fact, one of the criteria laid down by the government when selecting urban regions for the programme was the ability of the regions concerned to comply with the overall regional goals set by other regional, national and EU bodies.

As such, the regional development programme it is hoped, will add to the already concerted ongoing effort to create a more balanced Finnish settlement structure.



EIA-Ruling Against Hydro-Electric Power Plant Project in Iceland

On the 1st of August 2001 the Planning Agency in Iceland issued a ruling, opposing the proposed construction of a highly disputed 750 MW hydroelectric power plant, proposed by the National Power Company in Kárahnjúkar in eastern Iceland.

By Hólmfrí∂ur Bjarnardóttir

The ruling was made on the basis of the Environmental Impact Assessment Act 106/2000, following a review of an Environmental Impact Statement (EIS) on the Kárahnjúkar power plant. The EIS gave an account of the project and identified the effects of its construction and the resulting activities on the environment.

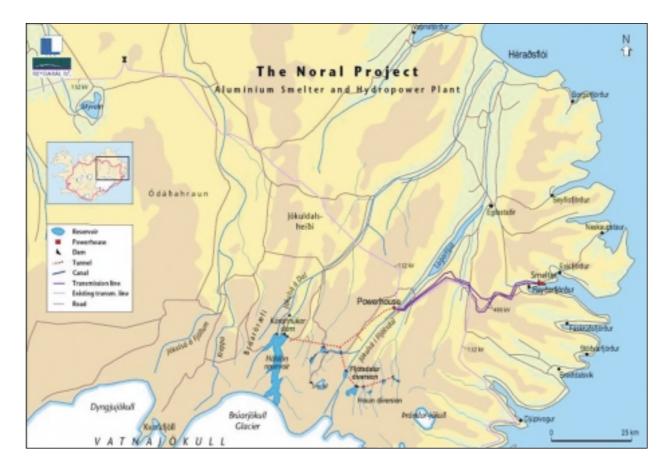
The essence of the planning agency's findings was that the construction was considered to entail substantial, negative, and irreversible environmental effects, and that the EIS did not demonstrate that the benefits from the project would outweigh the foreseeable environmental costs. Furthermore, the information provided by the

developer on the construction, on its economic feasibility, and on the environmental effects of the power plant was considered to be inadequate. As a consequence the processing of the construction permit has been brought to a halt.

According to the Icelandic EIA Act, a governmental agency, namely, the Planning Agency shall issue a reasoned ruling on the EIA, deciding whether the proposed project can be accepted, with or without conditions, or whether the proposed project is to be opposed, due to its expected environmental effects.

The Planning Agency decision has caused a political uproar in Iceland, as the hydroelectric power station is regarded by some politicians as essential to the economic lifeblood of eastern Iceland, an area that has seen an exodus of people to the capital conurbation in recent years. Moreover, the project itself has direct implications for the proposal to construct an aluminium smelter in Rey∂arfjör∂ur, also in eastern Iceland, as one of the main objectives of the power station was to produce electricity for the construction and operation of the aluminium smelter or other energyintensive industry that may develop in the area. The first phase of the construction of the power plant was scheduled to begin in 2002 and was to be finalised in 2006, with the second phase scheduled to start in 2009, and to be completed by 2013.

The case is unprecedented in an Icelandic EIA context, both with regard to the size and foreseeable impact of the project, the comple-



xity of the issues involved, and the high political profile generated. Furthermore, the case has received considerable media attention, and has raised the temperature of public debate over the last couple of years, essentially splitting the nation in two over the issue of the contrasting needs of economic development and environmental protection.

Several opinion poles have been conducted throughout the various stages of the EIA procedure, where 35 – 40 percent of the respondents have been in favour of the proposal; about 35 percent were opposed to the project, with the rest remaining undecided.

The level of public interest was reflected in the six weeks' inspection period of the EIS itself, where a total of 362 comments from the general public and various interest organisations were submitted to the Planning Agency on the EIS, with

47 comments coming from outwith Iceland itself. Media coverage of the case has moreover precipitated lengthy discussion on the role and use of Environmental Impact Assessment in Iceland.

The appeal mechanism has been emphasised by cabinet politicians, including the prime minister, Davíð Oddsson, who has stressed in the media that the case has not yet been concluded by the Planning Agency's ruling. Several appeals have been submitted to the Ministry and the final decision rests with the minister of the environment, Siv Friðleifsdóttir.

It is clear that the decision of the minister of the environment will involve high political stakes, as the Kárahnjúkavirkjun and the aluminium smelter form an important component of the current government's strategy for Iceland's future economic development. Several members of the coalition government have declared their support for the project, regardless of the outcome of the EIA process. Moreover, the opposition remains split over this issue.

The function of the current legislative setup is to give authority to the Planning Agency in order that it may reach a decision, based on the information presented in the EIS, and on the results of consultation with designated experts and via the public participation process. It is certainly the case, that a decision to overturn the original ruling on political grounds would raise the issue of the legitimacy of the EIA process as a whole, and thus also put in question the normative basis for conducting such investigations in the context of current EIA legislation.

The minister of the environment is expected to issue a final verdict on the case by October this year.

The Unevenly Located New Nordic Economy

Project reveals important differences in the new ICT-sector between Nordic countries, and stable geographical concentration of jobs within national frames.

By Jon P. Knudsen

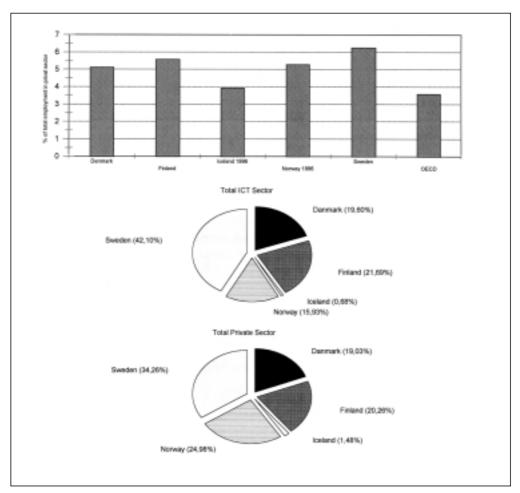
Whether we accept the notion of a "new economy" or not is an issue of some debate and controversy, as is the nature of its social and industrial equivalent. If we then accept that the new economy is more or less covered by the structure of the ICT-sector, we are then able to portray a phenomenon with its own distinct geography.

Assistant professor Lars Winther from the University of Copenhagen has just finished a preliminary study on the "new economy" in the Nordic context for the Nordregio research programme "Future Challenges and Institutional Preconditions for Regional Development Policy". Among his findings is an important qualitative difference in ICT-structures between, on the one hand Finland and Sweden, and on the other Denmark, Iceland and Norway, as well as a striking regional concentration within the sector on national centres.

Whereas Finland and Sweden are world-leading producers of ICT hardware, and are represented by companies such as Nokia and Ericsson, the sector is much more service-oriented in the other Nordic countries, giving a specific national blend to the sector from one country to the other. All of the Nordic countries are however to be found above

the OECD-mean when it comes to ICT-implementation and usage.

Within a given country, in this case let us highlight Denmark, the picture is one of concentration. Taking data for ICT-consultancy employment as the point of departure, Winthers finds an overwhelming concentration of jobs in the Copenhagen metropolitan area with a minor concentration in the county of Aarhus. -This indicates that to a large extent this new employment source is an urban based phenomenon, and that there is little evidence to suggest the spread of businesses within this sector to more peripheral areas, Winther writes.



The Nordic Countries Share of Total Nordic Employment in the ICT Sector and the Total Private Sector in 1998. (Source: Danmarks Statistik et al. 2000.)

	1980	1992	1997
Copenhagen	22,30	18,88	16,41
Frederiksberg	7,74	1,49	1,85
Copenhagen County	26,02	29,03	35,53
Fredriksborg	4,04	11,68	9,43
Roskilde	4,39	3,67	2,83
Western Zealand	0,52	0,77	1,00
Storstroem	0,72	0,62	0,74
Bornholm	0,01	0,11	0,05
Funen	4,59	4,70	3,77
Southern Jutland	0,05	1,28	1,31
Ribe	0,71	0,69	0,56
Vejle	5,19	5,72	4,50
Ringkoebing	1,75	1,49	1,86
Aarhus	13,37	13,08	13,55
Viborg	0,31	0,77	0,83
Northern Jutland	8,27	6,01	5,78
Denmark	100,00	100,00	100,00
The CMA	64,49	64,75	6606

Regional Shares of NACE 720000 ICT Consultancy source: Danmarks Statistik

First EU Directive on Strategic Environmental Assessment Adopted

A new EU directive relating to the environment and sustainable development plans has recently come into force - the Strategic Environmental Assessment (SEA) Directive.

By Tuija Hilding-Rydevik

The first draft of this directive was already debated as early as the late 1980s. On 31 May 2001 the European Parliament, and on 5 June 2001 the Council, formally adopted the Directive 2001/42/EC, "On the assessment of the effects of certain plans and programmes on the environment":

The objective of the SEA-Directive is to contribute to the integration of environmental considerations into such plans and programmes as part of the EU's sustainable development efforts. The Directive's expected contribution to integration is the demand that environmental impacts are identified and assessed during preparation and before adoption of certain plans and programmes.

SEA is not a new concept for the Nordic countries. Since the mid-1990s all of the Nordic countries have adopted some kind of SEA legislation. The type of plans and programmes that are included in each country's legislation does however vary markedly.

The overall picture shows that SEA is relatively well developed in relation to land use planning on different levels. In Denmark the regional level in particular has been developed as has the local level. In Sweden and Norway the local level has provided the main focus of attention.

Whilst Finland has undertaken a number of **SEA** projects with regard to national sector plans, such as for example in the forestry sector. In Denmark, SEA is performed on bills such as for example, national budget proposals and the national land

use plan. In general, the development of SEA, particularly in relation to land use planning and the development of national sectoral transportation plans for example, has been the focus of Nordic cooperation for quite some time.

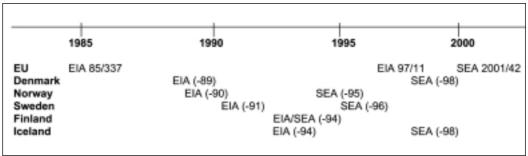
EU member countries now have three years to implement the Directive on a national basis. This directive also concerns non-EU members such as Iceland and Norway, through the provisions of the EEA agreement.

Implementing the SEA directive does however pose a number of challenges. One major issue for example centres on questions over precisely which plans and programmes will be included in the national implementation process. Whether the Swedish growth agreements will be included, remains for example an open question at this time. The SEA directive explicitly excludes plans and programmes such as the EU's own structural funds, financial budget plans and programmes, and those plans the sole purpose of which is to serve the national defence or those related to issues of civil emergency. Moreover the impact of implementing reasonable alternatives to the plan or programme shall be described in relation to the plan or programme's objectives and scope. Outlining alternatives to the various plans and programmes in question is of course an important improvement on previous practice, though it can be a futile exercise if not done with great care.

The directive also implies that significant environmental effects of the implementation of plans and programmes shall be monitored. It has to be said however that monitoring, in relation to the implementation phase of the Environmental Impact Assessment process has been the weakest part of the whole process. Serious consideration therefore needs to be undertaken over how to implement the monitoring demand in the context of plans and programmes often seen as having a weak link between plan and implementation.

Guidance will be given in order to help smooth the process of national implementation of the directive. The contents of such guidance proposals will be worked out by a working group composed of representatives from both member countries themselves and the EU commission. A larger reference group of member countries will aid in this process. The guidance proposals are expected to be finalised about eighteen months time.

The text of the directive was published in Official Journal L197 of 21 July 2001, page 30.



Date of adoption of the first EIA and SEA legislative measures in the Nordic countries (not revisions) and of EU Directives (number indicated in the figure) up to 1998. All of the Nordic countries had environmental protection laws before the introduction of EIA and SEA laws. These are however not included here. It should also be noted that EIA provisions in Sweden were included in the Swedish Road Act as early as 1987. The date referred to here concerns the adoption of the EIA paragraphs in the Natural Resources Act.

Interreg North Sea IIIB Programme to Be Approved in November

The Interreg North Sea IIIB Programme which arranged its first partner search in Aalborg in June, is still awaiting final approval by the European Commission. The Interreg secretariat in Viborg expects a positive decision to be reached in November, stating that minor details have delayed the process of approval. The main priorities remain unchanged as does the geography of the programme. The priorities of the North Sea IIIB Programme are closely linked to those of the previous North Sea IIC Programme, the priorities being:

- Urban and rural systems
- · Transport Systems and IT
- Environment, Natural Resources and Cultural Heritage
- Water Management

Interreg Launch for Baltic Sea Region

The Interreg Baltic Sea Region IIIB and PHARE CBC programmes are jointly arranging an information day and a first partner search forum in Riga on October 25. The forum will be organized together with the 9th BSSSC conference "The Baltic Sea Region Becoming a Model region for Europe". The next partner search for the Interreg BSR IIIB programme is expected to be held in early spring 2002. The priorities of the BSR IIIB programme are:

- Spatial development strategies and activities
- Territorial structures supporting sustainable BSR development
- Institution building and the strengthening of transnational spatial development

European Journal of Spatial Development

NORDREGIO has decided to pursue the issuing of an electronic, academic journal entitled European Journal of Spatial Development. The aim of the journal is to provide a scientific forum on spatial and environmental analyses, physical planning and regional development. The journal will be edited by Nordregio staff members in co-operation with an editorial board, composed of distinguished members of the international academic community. All contributions will be subject to referees of recognised integrity. Publication activity will be continuous, thus individual contributions need not be connected to thematic issues, as each article will be published immediately after passing the standard academic editorial review process. In order to guide readers over time, thematic code words will provide entries to topics of interest covered by the jour-

Why does Nordregio need to undertake such an endeavour? Most studies carried out within the institute represent that branch of knowledge, which is often called "applied research", where topics emerge from

practical needs and not from theoretical interest. Incidentally, applied research can of course result in studies of great interest for academic research, though normally this is rarely the case. Researchers need, however, to affiliate with academic communities as intellectual points of departure and to confidently engage in ongoing theoretical discussions across the general field of study as well.

European Journal of Spatial Development will provide a forum for scrutinising policy-relevant concepts in the context of established academic disciplines, theoretical reflection and empirical testing. It will also critically comment on theoretical matters in the light of new empirical evidence. The multi-disciplinary nature of Nordregio itself will be reflected in the new journal. We expect to produce a journal that will set the stage for an international discussion, a small, though significant part of which consists of our own contributions. We therefore cordially invite scholars from across the globe to proffer their contributions. Let science have relevance!

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The Institutional Challenges to the New Strategies for Sustainable Development

Ahead of the Rio +10 conference in Johannesburg in september 2002, a number of countries and international organisations have worked out comprehensive strategies for sustainable development. Do these strategies rise to the challenges made?

By Audun Sandberg

Senior Research Fellow Nordregio

During the past nine years since the Rio World Conference on Environment and Development, the dominating mode of implementing the strategies for sustainable development within both the Nordic area and the European Union has been based on the principle of sector integration. Following the basic idea of the EU's "Cardiff-process", all major sectors in society shall strive towards integrating the objectives of sustainable development strategies into their operations. The first generation of such strategies therefore centred on plans for the transport, agricultural, forestry, industry, energy, and fisheries sectors.

The new generation of sustainable development strategies from the Nordic Council of Ministers, from the OECD and from the European Union seems, however, eager to depart from the sector integration principle. Although the Cardiff process has not yet been concluded, there now seems to be a push towards the inclusion of "crossovers", i.e. more complex development problems within the sustainability strategies. Examples include such challenging tasks as "Climatic change and clean energy", "Public health and food safety", "Managing natural resources" (EU 517, 2001), or "Responding to Climatic Change", and "Managing Natural Resources" (OECD 2001). The Nordic Sustainable Development strategy: New Bearings for the Nordic Countries, has retained the most sector-integrative approach, but even here cross-cutting issues have become more prominent: i.e. "Biological diversity, Genetic Resources - Natural and Cultural Environments", "The Sea", "Chemicals", "Food safety" (Nord 2001:3). These are also linked to the increased use of sustainability indicators enabling the measurement of progress towards certain environmentally defined goals.

These types of sustainability challenge cannot easily be met by means of the sector-integration approach;



Audun Sandberg

on is therefore whether the time has come to debate openly the limited scope of sector integration in achieving a measure of sustainable

the questi-

development. One point to observe here is that should this approach continue to be the main instrument of attacking some of the more complex sustainability issues, it would require an increasing level of consultation and co-ordination between state agencies and their experts. With the ambitions of the new strategies for sustainable development in mind, this would incur transaction costs that are however incompatible with the political goals of renewal and the slimming of the public sector.

As far as one of the crosscutting sustainability issues, namely "Management of natural resources" is concerned; a number of institutional challenges to Common Property Resources in the Nordic countries can be related to the troubled relationship between the state and the local communities themselves. For centuries, the state and local levels have quarrelled over who shall control the riches of the Nordic mountains, forests, coasts and seas. One way of solving the sector-integration dilemma is thus for the state to adopt the strategy of devolution propounded by representatives of the regional and municipal levels, hoping that a decentralisation and delegation of resource management to lower levels would secure a policy that is both ecologically and socially more sustainable. Such a bold experiment is currently taking place in predator-plagued Norway, which would not only increase the ability to attack complex sustainability problems in a more efficient way, but which would also add a

"spill-over" bonus of increased levels of democratisation, transparency and legitimacy to a policy area that badly needs it.

Due to increased understanding by both the general public and the media of the real complexity of ecosystems, other Nordic countries will probably, over the course of the next decade, also attempt to delegate more of the policy-making duties related to natural resource management to elected political bodies at the regional and municipal levels. There is also pressure from coastal and rural communities for them to assume a greater role in the management of coastal fish resources, coastal localities for aquaculture, forest resources, pasture resources, game resources, river and lake fish resources and indeed biodiversity resources in general. If the right planning instruments are developed, a further devolution of this kind of management can solve some of the overload problems currently plaguing the Nordic states, and can thus contribute to the "Ecological Modernisation" of the Nordic countries in the sense that greater sustainability can be achieved through technical and procedural innovation.

But there are also dangers involved in this way of meeting the institutional challenges posed by the complex management field of natural resources. Crucial risks are attached to the increasing levels of globalisation that make the resource users more mobile and less committed, from rural depopulation and the concomitant decay of local associations, to the erosion of local social capital, and the plethora of unsettled property rights disputes between the state, local communities, and indigenous groups.

This suggests that how we organise the management of natural resources in the future is not only a question of implementing a strategy for sustainable development, but also a wider institutional question of how we organise the relationship between the state and its citizens.

Jan Jan

The Minister and His Critics – This Issue: Finland

One of the trademarks of Finnish regional policy in recent years has been its emphasis on expertise and competence development. Innovation policy is however a far cry from the needs and aspirations of the regions and localities in the Finnish peripheries more concerned with service provision and out-migration. How then do we balance the inevitable trends of concentration and out-migration with acutely felt welfare needs? Is expertise in IT sufficient to carry the national economy and to allow for regional balance? How do we promote the network of urban centres and how do we attempt to meet the needs of the rural areas in a country with 448 municipalities? These are some of the questions that the Finnish Minister for Regional and Municipal Affairs Martti Korhonen is faced with.



Martti Korhonen:

- The "Oulu Model" Cannot be the "Finnish Model"

By Kaisa Lähteenmäki-Smith

- There are 448 municipalities in Finland today. For a population of 5 million that is quite a large amount some would say too many?
- It is undoubtedly true that the municipal level is too fragmented. The difference between the largest and the smallest municipality is 2000-fold, which makes it difficult to respond to future challenges in this framework. Of course we could maintain the status quo by pouring more money into the system, but this will not deal with the problems of service provision that need to be addressed at some point.
- How can municipal mergers be encouraged?
- We certainly cannot pursue this goal solely via incentive structures: we have to allow for the maturing of attitudes, as the initiative must come from the municipalities themselves. This is largely a question of mental readiness that can only be achieved through focusing on the individual strengths that the municipalities have. I would argue that the field of regional development in Finland is currently reasonably well catered for in terms of financial

resources. The question is, how can these resources be utilised more effectively to create jobs and encourage the growth of "vitality" across the regions?

- The concentration of population and out-migration are problems faced by many regions in Finland as elsewhere in the Nordic countries. Would you agree that current migration patterns may not only be a reflection of the belated post-industrialisation of Finland, but may also be taken as an indication of the success of previous approaches to regional policy? Could it be that what is happening now is simply Finland catching up with long-term international trends?
- First of all, a nation of five million people simply cannot afford to have an impregnable divide between rural and urban areas: both are needed for the development of strong regions. Secondly, there have been important successes in regional policy terms over the years, such as the whole expertise based regional policy initiative, bringing with it the dramatic improvements in expertise and education levels, as well as the establishment of the decentralised university structure. These have contributed to maintaining the whole country as "populated", and to maintaining a network of vital regional cen-

tres in all parts of the national territory. We should also bear in mind that "maintaining the whole country populated" also entails changes in living conditions and more diversity in housing and service patterns. Out of the population of 5 million people, there are a million Finns living permanently in the countryside, and another 1,7 million live there "part-time" through the extensive network of holiday homes. This makes an important contribution, particularly in economic terms - FIM 8,5 bill, when for example compared to the FIM10 bill generated by the timber trade. There are moreover important resources that still remain to be utilised in this area.

A new era for regional co-operation?

- The Regional Centre Development Programme is the latest Finnish regional policy instrument. What would you say to the critics of the initiative who claim that not enough financial resources are involved, and that this is another policy initiative in a myriad of initiatives that is based more on rhetoric than actual increases in financial resources? (FIM 25 mill or 4,2 mill euros in 2001, annual allocation of FIM 40 mill subsequently).
 - It is too easy to get distracted by

concentrating on money rather than policy content. The process by which the programmes were prepared in the regions and then selected has been an immensely positive one and has great significance for the further development of regional co-operation. Previously the problem has been that each locality has attempted to do it alone, which has led to a lot of counter-productive competition between the regions and localities. It does however seem that a new era of increased co-operation, with improved commitment and goal-orientation may have dawned for the Finnish regions and localities. All successful regions in Finland are themselves illustrative of the results of co-operation between municipalities, and this is also where the opportunity lies for the future.

- Regardless of how we view the adequacy of the Regional Centre Development Programme, in reality it is only one of many financial instruments are we too keen to concentrate on money?
- We are too used to seeing public funding as an answer to everything, and sometimes it seems much too arduous to actually use our own judgement and initiative instead. Other important financial resources naturally exist. Within the period of the next 5 years a total of 50 000 million FIM will be allocated through the Structural Funds, in addition to the national resources amounting to tens of millions on an annual basis. It is therefore of the utmost importance to prioritise the allocation of these funds correctly.
- Two thirds of Finnish municipalities were involved in the preparatory process, one way or another - what about those that were not?
- The fact that not all municipalities were mobilised in the process is an indication of differentiated development cycles and it may be that not all municipalities had reached a point of maturity in this regard. Nobody is to be left out in the cold however. It needs to be remembered that this is only one policy instrument amongst many, and other policy measures are to be undertaken at the same time, for instance a whole range of rural development measures where FIM 16 billion is available for development measures between 2000 and 2006. Co-ordination of these measures across different sectors is allimportant.
- What forms could this co-ordination take?
- Inter-ministerial co-ordination is very important. Though responsibility

- for regional development and municipal issues lies with the Ministry of the Interior, a large share of the policy instruments are held by other ministries. Progress has indeed been made in improving co-ordination as a whole and sector ministries have shown clear signs of improved commitment to regional development issues. TEKES (The National Technology Agency), SITRA (Finnish National Fund for Research and Development) and FINNVERA (established in 1999 by merging Kera Corporation and the Finnish Guarantee Board) are key players in this regard.
- The key to understanding the Regional Centre Development Programme focuses on the idea of promoting co-operation between urban centres and their respective surrounding rural areas. As ever, the logic is based on differentiation and tapping the differential strengths of the individual regions. Is it in fact realistic to expect regions to carry the whole burden of differentiation just by encouraging them to be creative, or is the Regional Centre Development Programme the tool by which differentiation can finally be achieved?
- First it must be noted that despite the many sceptical voices co-operation with new content has indeed been initiated and those acting within the localities themselves have responded positively to this initiative. The main concern should be with the content of different policy measures and forms of co-operation and this is often overlooked in over-simplistic discussions of the issue. The ways and means of promoting regional development in the local context are necessarily diverse and simply following the example set by other regions is not necessarily the answer.
- What other tools for differentiation are available?

One of the resources that needs to be further utilised is that of the educational system. Universities and other educational institutions should not be seen as the property of the region where they are located, rather they should be harnessed to support development across the country as a whole. In terms of education and competence development it should also be remembered that universities and polytechnics are not the only institutions available. Attempts should also be made to make secondary education attractive.

- What about the capital region which was itself left outside the Regional Centre Development Programme: separate policy measures are no doubt in the pipeline?

- Yes. The process of identifying the specific needs and problems of the capital region as a "metropolis" is currently ongoing. Helsinki region is unique within Finland and the construction of a development model taking account of this specificity is required. This also requires seeing the regional needs in a wider context, where landuse planning, traffic and transport infrastructure for instance are re-considered across the whole capital region, including the surrounding municipalities.
- Here the need to co-operate once again emerges, as co-operation within the capital region has at times been rather difficult. What is to be done here?
- The fact that you are big should not blind you from seeing the wider perspective. If we seriously want to influence the cost of living in the capital region for instance, solutions must be found in infrastructure and land-use planning, and approached from a wider perspective. It is obvious that decisions on land-use planning have direct consequences for the cost of living, which then has consequences for the location of businesses and the creation of new jobs. The availability of sufficient amounts of planned areas for construction purposes needs to be ensured. It seems however that the time may not yet be ripe for drastic decisions on the part of the decision-makers. Whilst criticising small municipalities for not merging, perhaps the big municipalities themselves should also seriously consider closer forms of co-operation.
- Finnish urban policy was a subject high on the political agenda throughout the mid-1990s, though it seems to have vanished now. Has the regional centre "ideology" replaced urban policy, or have these two been merged to form the new heart of Finnish regional policy?
- Urban policy cannot be a separate policy area: it is one of the issue areas addressed in the Regional Centre Development Programme. The whole idea behind the programme and regional centres lies in acknowledging that regions need strong centres to address their specific problems. Strong regions require strong urban centres and strong centres require strong surrounding regions: they should therefore not be placed in opposition to each other in this "either-or" manner.

The Finns as great innovators?

 Regional innovation policy has been the subject of much debate, indeed before the regional centres, Finnish regional policy had the Centres of Expertise as its "flagship" policy. What then is the relationship going to be between the Centres of Expertise and the Regional Centres?

- It is quite interesting that the Centres of Expertise programme has indeed become a "flagship" with annual funding of FIM 30 mill, though now the Regional Centre Development Programme is criticised for not providing enough funding with its annual budget of FIM 40 mill! So obviously things cannot by assessed in financial terms alone. It is true that the Centres of Expertise programme has been very successful and has launched development thinking based on differentiation and the utilisation of specific regional resources that in essence the Regional Centre Development Programme is also largely based on. As was argued earlier, universities and regional institutions of higher education are a central asset in any regional development activity and therefore it is only natural also that Centres of Expertise and Regional Centres will be developed side by side.
- Co-operation between the individual Centres of Expertise beyond the region has not always been very successful however. How can this be further encouraged?
- The regional centres can help in this, in order to improve the absorption capacity of the regions involved. Co-ordination is required, as we really are too small a nation to waste resources through unnecessary duplication. One of the problems is that whilst the public sector aims at decentralisation, the private sector is often quite concentrated and simply adds to concentration through its investment strategies. These types of problems can be alleviated to some extent by diffusing the financial input of TEKES and, for instance, by extending the network of technology advisers. This requires an improvement in regional absorption capacity levels so that better use of the available financial resources can be made across all regions.
- Regional innovation policy, clustering etc. have become "mantras" in regional policy circles. How far does this faith in the power of "new technology" carry?
- Whilst new technologies are not the answer to all our problems, they have helped to create jobs that traditional industries could not have provided. Not everything can be "high tech", though this has been an important growth area in the recent years. What has worked for Oulu does not necessarily work elsewhere: that is to say, the

- "Oulu model" cannot be the "Finnish model". There is a lot of expertise in traditional industries that still remains partly untapped, such as for instance within the chemical industry, the wood industry, the metal industry, as well as in the service sector. Sometimes there seems to be a paradox here, as the public sector seeks to encourage investments on a wider array of fields and to maintain the whole country populated, whilst the large industrial units follow their own agenda that is often quite centralising in its implications. One would expect consumers to question the centralising trends of food production for instance, as sustainability is increasingly seen as involving the utilisation of local products.
- What about the regions that are unable to make the most of such innovation and expertise -oriented development activities? There are peripheral regions for instance that have called for special measures to alleviate their specific problems. You have yourself mentioned the possibility of utilising a deceased level of payroll tax for employers, whilst the northernmost regions have had, for some time, high hopes with regard to the implementation of some of the other measures included in the "action zone" of Nord-Troms and Finnmark in Norway. What is your comment on such hopes?
- Peripheral regions need their own policy measures. 17 000 new jobs have been created so far, with 30 000 as the total aim for instance through the polis network based on regional expertise. In my view we really should have enough courage to test new measures such as exemptions from payroll tax for employers. When it comes to the "Norwegian model" as a whole however, we should not be so eager to plagiarise other countries' models, many of which do not often travel well due to differences in administrative and funding systems. For instance the financial support system for students in Finland and Norway differs greatly and when we argue for the implementation of waiver of repayment of study loans in some regions, we tend to forget that students in Finland get a larger amount of financial support that is non-repayable. The Finnish system works quite well for the students and should be considered as a whole rather than following the latest trend from other countries with different systems. Calls to implement the Norwegian model have become somewhat of a "mantra" in recent years, though few people in Finland actually calling for its implementation even know what exactly it entails.

- EU enlargement will entail a major change in Structural Fund support in most current member states. What has Finland done to ensure that regions are not left "out in the cold" if this source of funding seizes?
- Work is ongoing to ensure that the national measures and support systems are as efficient as possible before the next Structural Funds period starts. It remains a fact that the problems besetting the Finnish Objective 1 regions are not going away, and therefore support to them should continue during the next Structural Funds period. The unemployment problems of the Objective 2 regions also persist, and they too need to be taken into account.
- Which strategic alliances should Finland rely on in order to make sure that Finnish interests continue to be taken into account?
- There are not necessarily any specific strategic alliances in this regard, though Nordic countries do share many of the similar conditions and problems. It seems likely that this is where the most natural co-operation partners are to be found.
- With the strong autonomy of the municipal level and with municipal and regional issues both belonging to the ambit of the same minister, regional development in Finland can hardly be discussed without discussing municipal economy. You, as the minister for regional and municipal affairs have in fact referred to the latest budget proposal as the best budget for the municipalities in 10 years and - perhaps even more interestingly - also the Association of Finnish Local Authorities has expressed satisfaction with the budget. Everything is rosy then in the garden of local level finance?

Taken as a whole, the outlook for municipal level finance certainly seems better than it has done in the past, though differentiation continues to cause problems for some municipalities. This is what we aim to address through the public policy instruments available, not all of which are financial. Additional financial support is not the answer, rather the programmebased construction of the municipal futures - and here key instruments include the Regional Centre Development Programme and other locally initiated projects. Only the correct combination of policy initiatives with both sufficient financing and efficient policy content can be the answer in this regard.

Eero Holstila:

The Needs of the Metropolis Will Emerge with More Vigour

Finnish regional policy has been faced with many special challenges, not the least posed by the current trend of polarisation and concentration of population in the biggest population centres. Whilst previously it may have been the case that regional policy was that which is implemented in the "regions", i.e. outside the urban centres, in the current circumstances the role of the capital region has become increasingly central, both as an important asset in improving Finnish competitiveness and as the area faced with biggest growth pressures and the political and planning challenges that this may entails. Eero Holstila, currently the managing director of *Culminatum Ltd, is* in charge of implementing and co-ordinating the Helsinki Region Centre of Expertise Programme. He has for years had a first-row seat on the development of Helsinki, as well as Finnish urban policy in general.



Eero Holstila

By Kaisa Lähteenmäki-Smith

- -"Searching for Finnish urban policy" was the title of a publication edited by you some years ago. It could be argued that Finnish urban policy was not so much found as constructed, and that you were one of the central figures in this construction work. There is seldom agreement on the content of the concept however. What does "urban policy" mean for you?
- Urban policy is all too often discussed as if it entailed all public policy with implications for urban development. In my view urban policy entails those national level measures that enable urban centres to deal with the challenges they face, thus making the urban centres the subject of policy measures, rather than merely the objects. Urban centres (kaupunki, by, stad) have for some time been a concept essentially lacking in clarity in Finland, as the current legislation allows for any municipality to call itself 'kaupunki' for instance. Yet the recent study by Janne Antikainen (The Finnish Urban Network Study, see article page 20 in this issue) shows that there are approximately 35 urban centres, which are identified according to economic geography indica-
- You must have answered this question quite a few times over the past few years, but still: why does Finland need an urban policy?
- For Finnish urban policy this implies addressing the challenges of integration and social inclusion; maintaining and further developing

- expertise and innovation policy; and addressing the challenges brought about by the current stage in urbanisation and the growth of urban centres.
- The concentration of population in the urban centres and especially concentration in only a handful of them such as Helsinki region, Tampere, Turku, Jyväskylä and Oulu is a challenge with repercussions beyond regional policy. Is this perhaps what could be characterised as a "natural" part of the current stage of urbanisation and of the post-industrialisation process?
- The polarisation you refer to has accentuated the role of urban centres in regional development, though they have in fact always been important due to the Finnish political structure, where there is no politically accountable regional level. These centralising trends therefore naturally pose specific challenges to the urban centres. Whilst in Sweden 85% of population lives in urban centres and in Central Europe these figures range from 80 to 95, the equivalent proportion in Finland is only 65%. Partially we can see this as a vindication of the history of Finnish regional policy: as such, the aim of keeping the whole country populated has been achieved and maintained.
- So the current polarisation is inevitable?
- In my view the current concentration and urbanisation process cannot be stopped and it will continue, perhaps for up to 20–30 years. Finland has also been very successful in addressing the new challenges of

globalisation as a whole. For instance against all the assumptions of liberal economic theory, Finland emerged as one of the leaders in the IT-led information economy, even though "informed opinion" would have condemned them to being one of the last bastions of socialism with an over-sized public sector and welfare state. "Making it" in globalisation terms led to some imbalances as success in international markets precipitated the growth of larger urban centres in a way that has not been beneficial to smaller centres and rural areas.

European urban policy

- Finnish urban policy emerged side by side with the European one, as the whole urban policy issue emerged with Finnish EU membership. At that point it seemed at least from an external observers viewpoint that urban policy was very much an academic exercise for a limited policy elite. Was this really the case?
- Finnish urban policy is still in search of its essence and thus is also quite research-driven, as the actual financial resources channelled through public policy measures are still very limited. When we entered the European Union, there were high expectations that a "European" urban policy would emerge. As it turned out, the EU did not have a mandate over this issue, which perhaps led to certain loss of momentum. The role of urban centres as creators of work and welfare became more pronounced with the industrial and social restructuring processes following the economic downturn of the 1990s, when Finland was faced

with many of the post-industrialisation questions that the other European states had faced as much as ten years earlier.

- With the emergence of the current regional centres "ideology", it seems that regional policy and urban policy may now have been simply merged into one?

Whilst there has not been a merging of regional and urban policy strictly speaking, a degree of integration has certainly already taken place with the emergence of the Centres of Expertise Programme in 1994, which was launched as part of the wider re-articulation of regional policy. Therefore the shift towards a programme-based and expertise and innovation-oriented policy can be seen to have been initiated by the Aho government of the early 1990s. The Centres of Expertise Programme, and regional innovation policy are thus the focal points at which urban and regional policy meet, and have in fact now become largely integrated.

Functional regions at the forefront

- The move towards functionally differentiated urban regions is an ongoing trend across all Nordic countries. The need to differentiate emerges time and time again. How does this look from the perspective of Helsinki is there enough potential for differentiation in the Finnish urban network?
- All regions certainly cannot specialise in the same fields and the same model does not work for all. The challenge for the urban centres is to hold a realistic view of their own possibilities and to find their own "niche" by specialising in a narrow sector where they have access to sufficient expertise resources. It should also be remembered that not all urban centres can specialise in "high tech" - there is obvious potential in the area of creating attractive living environments and functioning service sectors to attract pensioners for instance. It may be that expertise policy has perhaps even become too central, as not every urban centre can become a "high tech" centre.
- Which areas do you see as having particular potential for clustering outside the IT-sector?

- When it comes to limiting outmigration for instance one should pay more attention to identifying clustering based on "quality of life" issues and experiences as keys to local attractiveness. As elsewhere in Europe, migration is only partially determined by labour market conditions, as the largest group migrating is that between 18 and 26 often motivated simply by a "change of scenery". People move because they want to see and experience new things, they do not solely follow employment. There is great un-tapped potential in addressing such needs.

Policy for the capital region

- Due to the late occurrence of urbanisation in Finland we could have learnt lessons from others. You have argued for more attention to be made of integration policy, drawing for instance, on Swedish experience in this regard, as well as for a proper "policy for the capital region". Is this in sight?
- The needs of the metropolis will undoubtedly emerge with more vigour. By leaving the capital regions outside the Regional Centre Development Programme the government created a need for such a policy. We have much to learn from other European countries such as Sweden or France who have experienced urbanisation earlier and who have addressed the problems of integration and segregation at an earlier stage. The European Union's Urban Audit also concluded that the greatest urban challenges lie in the internal differentiation and segregation of the European cities, where the longterm goal of fostering "social inclusion" is under increasing pressure. In terms of the potential urban problems of segregation, Finnish problems are still however relatively small, though there is no room for complacency either.
- Is it already too late for Finland to address such problems?
- I would say that we still have 10–15 years to address the problems of segregation and integration. In addition to integration and social inclusion, Helsinki shares many of the main national challenges, having to do with the peripheral position of Finland for instance. This implies the need for internationalisation, including the development of an interna-

tional university, with teachers and students being recruited from all over the world.

When the policy for the capital regions is discussed, it may be necessary to clarify further the unit of analysis: where in fact are the borders of Helsinki region as a functional entity?

- Essentially it entails the capital region and its surroundings as a local labour market area, determined by simple quantitative indicators. If we however take a more long-term perspective, there is a certain risk of "americanisation" in the development of the Finnish urban structure. Finns tend to prefer living in their own house, out of sight of their neighbours, which would seem to lead to expansion of housing far into the rural areas surrounding Helsinki in ways that may not necessarily be the most sustainable. I would argue for similar solutions as Sir Peter Hall has talked about, i.e. paying more attention to promoting creative cities with good rail-traffic connections, as well as paying attention to the role of the surrounding network of small cities (such as Porvoo, Lohja, Tammisaari, Hyvinkää), who need to be incorporated into the functional regions thus reaping all the benefits and advantages that small cities have as living environments.

Helsinki's role in Finland

- As the Finnish spatial structure is so dependent on municipalities, co-operation between them is of utmost importance, how would you rate the quality of inter-municipal co-operation in the capital region?
- There remain problems that are based on the extended autonomy of the municipalities. As municipalities necessarily compete for tax-income in attracting both new people and new businesses, their willingness to co-operate can at times be difficult to see. In terms of urban policy challenges, the strengthening of expertise and the development of regional and local innovation systems are the areas where common interests are easiest to identify. Culminatum is in fact a positive example of promoting such partnership-based co-operation, as it is owned by Uusimaa Regional Council, and the cities of Helsinki, Espoo and Vantaa, as well as the universities, polytechnics, research institutes and business community of Helsinki region.

- What types of co-operation does Culminatum promote?
- Our aim has been to improve the expertise capacity of the capital region as a whole. We have for instance developed a strategy for land-use in the area of expertise development in the capital region, whereby the universities and innovation clusters in their entirety could be better connected to form a more integrated innovation system. This includes both larger-scale infrastructure projects (such as the extension of the underground line to Otaniemi in Espoo) and smaller-scale networking with perhaps more symbolic relevance, such as the creation of a bus-connection or a "science route" between the various innovation clusters in different parts of Helsinki region (ranging from Meilahti to Kumpula, Arabia and Viikki).
- What kind of role do you see for the Centres of Expertise beyond the innovation system, i.e. in regional development more generally, and what are the main challenges for this type of co-operation?
- *Culminatum* has become a key actor in the on-going work preparing the urban strategy for the capital region as a whole. Co-operation is however much harder to find in questions connected to social segre-

gation and social inclusion. Some municipalities may be tempted to "specialise" in attracting "good taxpayers" and to develop housing policy on these bases. As always, local organisational structures are always somewhat confused, and we have to look for what Leo van den Berg has referred to as "metropolitan organising capacity": partnerships need to be created from within the structure with formal re-organisation schemes not being the answer here. Whilst this is not in itself an unproblematic process, urban policy can in fact be the process by which these partnerships are forged.

National and international challenges

- How important is international co-operation for the future of urban policy, and what are the lessons to be learned here?
- The European perspective has been most useful in identifying the problems and instruments of urban policy, though it has to be said that when it comes to identifying policy instruments, Nordic co-operation is the most natural axis for co-operation. Nordic countries may best offer us a glimpse into the social inclusion and integration policy to come. Also in terms of democracy and citizens' participation we may

learn from our Nordic neighbours, as the Finnish approach to problem solving is traditionally more technocratic by nature.

- How do you view Helsinki region's future within the regional structure of Finland as a whole?
- In terms of development within the Helsinki region, hopefully we will remain amongst the top 5 innovative cities in Europe, with positive economic growth and socially balanced development. In terms of regional development in Finland as a whole, I see that Helsinki region has an important role to play. Perhaps we have thus far been too focused on Europe, to the possible detriment of the rest of Finland's regions. We have become an active participant in the European urban policy networks (for instance in Eurocities, and the Union of Capitals of the Union of Europe) and now we need to utilise these contacts in our national role by creating more co-operation with other Finnish regions. There are already a number of examples where university units from the Helsinki region have forged co-operative projects with educational institutions in other regions (e.g. in the social and health sector) and this needs to be further developed.



Heikki Eskelinen

Heikki Eskelinen:

Ministry Humour

Professor Heikki Eskelinen has been one of the most active academic thinkers on regional policy in Finland. As the Jean Monnet Professor in European Spatial Policy and Development at University of Joensuu he also has geographically interesting angles on Finland and where it is going.

By Kaisa Lähteenmäki-Smith

You once referred to the seed financing budgeted for the Regional Centre Development Programme as "ministry humour". How would you defend your criticism?

 Money – or lack thereof – is only a minor detail in the critical discussion on Regional Centre
 Development Programme, though it certainly is an indication of level of commitment. When compared to for instance the 2002 budgetary allocations targeting infrastructure development in the Helsinki region, the limitedness of seed financing for the Regional Centre Development Programme gives a clear message: most resources to the capital region, symbolic support to the urban centres and the rest can encage in cooperative schemes on a voluntary basis if they so wish.

Regional Centre Development Programme aims at promoting cooperation between urban areas and their surrounding rural environments by promoting differentiation. Is this programme a suitable instrument in this respect?

 I agree on the need to have size and characteristics determining the accurate form of regional development activities. Regional Centre Development Programme is however problematic in this respect: there should have been functional and institutional solutions offered also to the regions that are left outside the programme. Secondly it is unrealistic to expect this many centres becoming growth centres in the same sense as the current (very few) growth centres.

Urban policy was much discussed some years back, though now it seems to have been largely forgotten. Has urban policy been merged with regional policy or rather has regional policy been replaced by urban policy, especially through the emergence of the Regional Centre Development Programme and the urban networks it promotes?

- There has hardly been what you may term an independent policy entity that could be referred to as "urban policy", so I would not worry about its demise either. Digging defensive trenches around regional policy is counter-productive, no matter what it may entail (urban - rural, growth centres - others).

Regional innovation has simply become another regional policy mantra, especially since the Finnish innovation policy was so successful in easing us out of recession. Does Finland as a whole have enough innovators to make this policy a success on a country-wide basis?

- Simply having been the country where Nokia was born hardly suffices as an indication of particular innovation capability. We should also be careful not to conflate innovation and new technology, as many innovations entail new working methods rather than new technology per se. The need for such innovation has been acknowledged in most localities today. The problems of peripheral regions are seldom to do with technical innovation: if there are insufficient human resources to provide good quality basic services to people, answers lie elsewhere.

People and growth is increasingly concentrated into few growth centres. Is it in fact possible to avoid segregation and the division of the country into winners or losers? The default argument from the Finnish

politicians usually is that a nation of 5 million simply cannot afford to be divided ...

– I fail to see why population size has anything to do with whether we can afford segregation or not. The pro blem with the current form of *regional* segregation is that it leads to more social segregation. This problem certainly cannot be dealt with by further accelerating out-migration from the regions which are already losing out.

How can regions with special needs" best be catered for, in particular when we look at peripheral regions? The northernmost regions have been hoping for tax relief or other similar policy tools as implemented in the northernmost parts of Norway. Should such initiatives also be tested in Finland, as for instance Minister Korhonen suggested (i.e. lowering of payroll tax for employers)?

– It is an unfortunate Finnish trait that regions with special needs, suffering from out-migration and peripheral position are found in all parts of the country. Such a problem is difficult to address through tax exemptions and similar targeted measures. If tax exemptions were implemented, they should be targeted at certain professional groups to ensure availability of education and welfare service.

Are there already existing endogenous Finnish "best practices" that other Finnish regions can learn from? For instance the "Oulu model" is often referred to in this context.

"The problems faced by Oulu were not unique and therefore lessons can be learnt also elsewhere. The lessons learnt from Oulu have to do with building a bridge from the traditions of "old" regional policy to the "new", and with the ways in which branch-plants and decentralised agencies can grow strong roots and thus benefit the local economy more effectively.

What about the capital region as a region with "special needs".

Concentration has led to great pressure on spatial planning, building and housing policies in the Helsinki region. Does Finland need a "metropolis" policy?

- Helsinki region seems to be in the process of breaking away from the rest of Finland in many respects, and thus there is call for such a policy. The municipalities in the capital region have the necessary resources to pursue such a policy. So far their competitive position has allowed them to go it alone and it seems that even in the future the rest of Finland will not be able to provide enough competition to provide incentives for closer co-operation.

In your recent publication "Regional policy in an iron cage" you alluded to the fact that regional policy has risen on the national policy agenda in reaction to fluctuations in the Helsinki housing market. Does this then imply that regional policy has, or is supposed to have, an impact on restricting migration flows? Does the political will exist to achieve this policy goal?

 Economic trends and interest in regional policy certainly go hand in hand. The key question here is how "political will" in this context will develop. Different regional development projects – even the smallest local initiatives – play a potentially important role here.

In the same publication you also elaborated on the influence of globalisation on regional policy, arguing that regional policy is in fact part of the iron cage, as adjusting to the social and regional inequality is a price we have to pay in order to gain access to that machine, which grinds the seeds of technical evolution and increased average welfare. On the one hand endogenous and "bottomup" development is aspired to, but on the other hand regional development is an intrinsic part of the technocratic machinery. Is there a perceivable exit from this iron cage?

– The expectations and commitments of the actors are important elements of both economy and regional policy. Though the role of the state may be declining, governments are neither helpless nor indifferent in the face of globalisation. To say the least, it is not self-evident that the concentration of regional structures contributes to the improvement of Finland's competitive position.

Functional Regions of the Future -

The Finnish Urban Network Study 2001



Introduction

The aim of the Urban Network Study 2001 has been to identify and to analyse Finland's functionally significant urban regions at the end of the 1990s. Using statistical criteria, this is accomplished by grading their significance at the national level and by studying their functional specialisation. Their preconditions for development are also analysed and compared with the general characteristics of regional development. The Urban

Network Study 2001 is an update of an earlier study entitled the Urban Network Study 1998

Urban network studies have been used, firstly, to define the targets of urban policy, i.e. the significant functional urban regions in Finland, and, secondly, as a descriptive tool for urban development. Before any national urban policy can be efficiently implemented, the characteristics of urban regions must be explicitly analysed and their requirements mapped.

The main goal of the **Urban Network Study** 1998 was to identify regions that had a wider functional significance in the national urban system, and to identify the definition of functional urban regions. In the 2001 version the main emphasis is on the changes that have occurred in the urban network and in functional regions in the intervening period between the two reports.

The Urban Network Studies and the renewed regional policy of Finland are closely connected historically as well as in current context of regional policy. When the Urban



Janne Antikainen

parliamentary election, followed by the presidential elections of spring 2000, and the municipal elections in

Network

Study 1998

was publis-

hed, one of

the main

observati-

ons was

that there

were 35

functional-

cant urban

regions in

Finland. In

the 1999

ly signifi-

the autumn of 2000, regional development was one of the most widely discussed topics, and almost all parties noted in their campaign literature that somewhere between 30-40 vital centres should be allocated the necessary resource base upon which to thrive in the years to come. This number was based on the findings of the Urban Network Study of 1998, though few were familiar with the basis of the study itself.

After the elections, the time came to redeem these promises. As a result, the regional development programme was launched and a goal formulated that designated approximately 30 vital functional urban

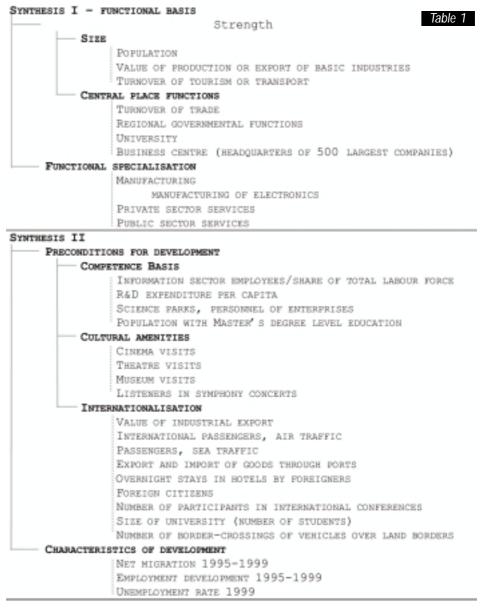


Table 1:The structure and basic variables of the Urban Network Study 2001.

regions. These regional centres are

being confirmed in the autumn of 2001. The findings of the Urban Network Study 2001 were utilized as support material in the selection process of the programme.

The main guidelines for Finnish urban and regional centre policy are, firstly, that the policy is primarily implemented in the functional urban regions, and, secondly, that attention is also paid to the medium and smaller-sized urban regions. Impetus for this study comes from the ongoing changes being made in Finnish regional policy: where there have been clear signals made - as well as pressure applied to underline the role of urban regions in regional development, thus reflecting the assertion that urban regions are the locomotives of socio-economic development.

Urban Network Study 2001 - method and results

The basic framework for the Urban Network study 2001 was developed in two previous studies, namely in the Method of description for the urban network in Finland (Vartiainen 1995) and in the Urban Network Study 1998. As mentioned above, in terms of empirical content, the 2001 version exists fundamentally as an update to the 1998 version.

The year of analysis for the new study was 1999, and the territorial level on which it was based was that of the NUTS-4 regions (seutukunnat). In the 1998 Study the year analysed was 1995, and though the territorial delimitations were the same, minor changes to these NUTS-4 regions were made in 1997.

The variables measured are however the same, though some technical

modificati-

Table 2 Strength,
diversity,
preconditions for
development and
current
characteristics of
development

Measured variables of size and central place functions, see Table 1

Value for strength: min = 0, max = 28

Value for diversity:

min = 0, max = 7

Preconditions for development:

= excellent

 Δ = good

adequate

= poor

Characteristics of development

++ = excellent

+ = good

= adequate

-- = poor

ons have been made. The goal has been one of achieving as high a "comparability" level as was possible in order to

detect relevant trends in urban development. The interpretation of the data is explicit and policy-oriented, encompassing the requirements and the delineation of a renewed urban and regional centre policy.

In the following Table, the structure and variables of the Urban Network Study 2001 are introduced (Table 1). For this research, measuring the functional significance of urban regions was done by checking

ID (see Map 1)		Size and central place functions (0- 28)	Diversity (0-7)	Competence basis	Cultural amenities	inter- nationalisation	Preconditions for development	characteristic of development 1995-99
1	Helsinki	28	7					++
2	Porvoo	5	4	Δ				+
3	Lohja	3	2					++
4	Riihimäki	0	0		_			
-5	Тапреге	20	7			Δ		+
6	Turku	18	7	ā				+
7	Oulu	17	7		Δ	ā		+
8	Jyväskylä	13	7	۵			Δ	+
9	Kuopio	12	7	Δ	Δ		_	-
10	Vaasa	11	7	Δ	Δ	Δ	Δ	+
11	Joensuu	9	6		Δ			-
12	Lahti	12	6		Δ	_	_	-
13	Pori	9	6				_	
14	Kouvola	7	6		_	_		
15	Kotka	8	6		_	-	_	
16	Lappeenranta	6	5		Δ	_	_	
17	Hämeenlinna	5	5					-
18	Mikkeli	6	4		-			
19	Seinäjoki	5	4		Δ	-	_	+
20	Rovaniemi	7	4		Δ	-	_	
21	Kajaani	5	4	_				
22	Maarianhamina	6	3	-	-	-		+
23	Salo	4	2	Δ	-	-	-	+
25	Savonlinna	2	2		-			
26	Tisalmi Rauma	5	4		-			
27	Kemi-Tornio	3	2		-			
28	Kokkola	2	2		-			
29	Inatra	3	2					
30	Jämsä	2	1		-	-		
31	Pietarsaari	1	1					_
32	Varkaus	1	1					
33	Raahe	1	1					
34	Valkeakoski	1	1					
35	Äänekoski	1	1	۵				
36	Uusikaupunki	1	1					-
37	Tammisaari	0	0					-

the variables in the strength column. The value for a particular urban region had to exceed a certain value (at least 1 per cent), based on national-level values: for example, if the population of Finland is 5.1 million inhabitants, the value required to fulfil the criterion of being a significant urban region, in terms of population, was 51 000 inhabitants. The criteria for measuring regional governance and university status do not follow this "one-per-cent-rule", but rather one focusing on more qualita-

tive procedures of analysis

The main results are presented in Table 2, whilst the identification of urban regions and functional specialisations are presented in Map 1. Of all the 85 districts in Finland, 37 fulfilled the criteria of being a significant urban region in terms of size and central place functions.

Functional specialisation was measured by counting the location quotient for manufacturing, private sector services and public sector services. If the location quotient value is at least 1.2, the particular region was considered to be specialised in that sector. If the value for all sectors remained under 1.2, the urban region was classified as being diversified. In this study, the location quotient was derived using the size of the labour force working in a region as a point of departure. Moreover, a one-digit analysis was adopted to map functional specialisation more precisely. The results are presented in Map 1.

The preconditions for development were analysed and compared to the current characteristics of development. In general, urban regions with good Typolog preconditions have benefited from the positive trend in terms of development and vice versa. However, the number of prospering regions is small, and all of them are fairly large university cities and/or the foci of electronic design or manufacturing.

The urban regions were classified according to the volume and versatility of size and central place functions as well as with regard to functional specialisation (Table 3). The purpose of this classification was not to model a hierarchical system, but rather to describe the unique characteristics of urban regions and, thus, to provide options for urban policy targeting. This process yielded the result that urban policies should be

	Typology	CLASSIF	Urban regions			
А.	Helsinki	Aa. Helsinki	region	Helsinki		
	region &		Lohja			
near-by Ab. Near-by region			egions	Riihimäki		
	regions			Porvoo		
	Many-		Tampere			
в.		Ba. Technolog	Turku			
	sided	-	Oulu			
	university regions		Jyväskylä			
		Bb. other man	Kuopio Vaasa			
		regions	Joensuu			
				Lahti		
		Ca. Industria	Pori			
		04, 11144001114	-	Kouvola		
				Kotka		
				Lappeenranta		
		Cb. Many-side	d	Hämeenlinna		
c.	Regional centres	-	Mikkeli			
			Seinäjoki			
		Cc. Public se	Rovaniemi			
		regions		Kajaani		
			Cda. Growth	Maarianhamina		
		Cd. Special	regions	Salo		
		cases	Cdb. others	Savonlinna		
				Iisalmi		
	Industrial			Rauma		
			Kemi-Tornio Kokkola			
			Imatra			
			Jämsä			
D.		centres	Pietarsaari			
		Centres	Varkaus			
			Raahe			
			Valkeakoski			
			Äänekoski			
				Uusikaupunki		
Та	ble 3	Tammisaari				

Typology of the Finnish urban regions.

differentiated according to the role and characteristics of urban regions.

In absolute terms the Helsinki region is growing rapidly, it is at the same time the centre of national decision making and private sector services as well as the strongest industrial centre. In relative terms most rapid growth takes place in the Oulu region. Electonics, R&D and manufacturing however had a strong general influence on the regions: e.g. the Tampere region grew strongly, whilst another centre equlivant in size and importance (but crucially without Nokia), namely Turku, underwent a much more moderate pace of development in the latter half of the 1990s.

The development logic of urban

regions has changed in the 1990s. For example, the urban regions strongly specialising in public sector services have declined, whereas those specialising in the design or manufacture of information technologies are prospering. In the current climate, information and "know-how" play a crucial role, with learning now being paramount in the process of production.

Consequently, those regions exhibiting the poorest pace of development can be identified, firstly, as one-sided and often small-sized industrialised urban regions, and, secondly, regional centres based around public sector services.

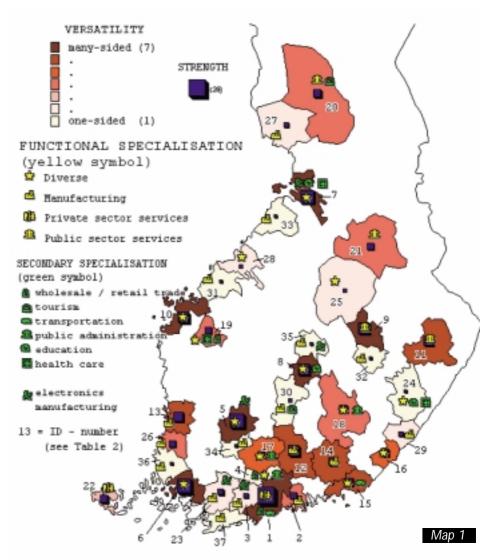
Conclusions

The structure of the urban network in Finland is based on the urban system constructed in the 1960s and 1970s. Furthermore, the principles of planning from that era are, perhaps surprisingly, still present amongst the planners of today. This can be seen for example in the selection process of regional centres, where many such prospective centres thought that the endowment of such a status from central government would guarantee their position in planning documents and in future decision- making structures. However, this is not the case.

The changes in the urban network in the 1990s are not dramatic, though the direction of such changes is obvious and perhaps also potentially alarming if the aim is to achieve a more balanced settlement structure

at the national level. These changes in the urban network are however now increasingly indicative of the changes that will take place after 2006, when the EU's structural funds are redirected towards the new member states. The buffer between global economic fluctuations and regional development will thus become even thinner. By that time, national urban networks must have been trimmed to a state where the competitiveness of urban regions is based on their own expertise, and regional actors are committed to ongoing development of their regions.

The success of Finland in the 1990s was based on the success of one sector. Although the basic industries, i.e. paper and metal have also been doing well, it was really only the IT-sector that created new jobs. Opportunities offered by the large labour markets of the growth centres in the private sector particularly attracted people under the age of 30



from the smaller urban regions and from rural areas. The most important resource of new knowledge based economy - a young educated labour force - is thus however moving increasingly beyond the competitive reach of many smaller urban regions.

In the 1990s, regional growth has been strongest in the regions where Nokia was located. Now that the "IT-bubble" can be said to have burst - will this be the era of a new kind of regional development in Finland? Thus far however we have had few, if any, indications of the likely emergence of another sector willing and able to take the place of IT. A recession on the scale of that of the early 1990s is unlikely to sweep over Finland again, yet a great amount of uncertainty remains over future development. For the future however it is sure that a key issue will be the support specialisation of urban regions, even though not all of the fields of expertise that these urban regions are focused on are profitable at the moment. However their value potential will show in the following decades, and one can certainly hope that they will become the arenas of growth in a newly emergent production mode.

In fact, each urban region has the potential to be a winner in the future, with all of the urban regions being globally oriented. These global links are based on the design and manufacture of the highly specialised products of those industries located in the regions. It is thus very important to support the strengthening of specialisation, and thus also the policy of the differentiation of urban development measures. However, the situation must be evaluated realistically, as in reality not all of the urban regions can become growth centres.

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