



Restructuring of medium sized cities

lessons from the Baltic Sea Region

Boje Groth, Niels; Lang, Thilo; Johansson, Mats; Kanninen, Vesa; Anderberg, Stefan; Cornett, Andreas P.

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Restructuring of Medium Sized Cities

– Lessons from the Baltic Sea Region

Niels B. Groth, Thilo Lang, Mats Johansson, Vesa Kanninen, Stefan Anderberg and Andreas P. Cornett (eds.)



Title

Restructuring of Medium Sized Cities – Lessons from the Baltic Sea Region

A report on the Interreg IIIB project Medium Sized Cities in Dialogue around the Baltic Sea (MECIBS) carried out by cities and researchers from the Baltic Sea Region.

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Randers city

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Preface

Restructuring of Medium Sized Cities is about economic, functional, social and spatial transformation of medium sized cities in the Baltic Sea Region. The findings are products of presentations of development problems and best practices in the partner cities at 6 conferences hosted by city partners, case-studies and thematic studies undertaken by researchers and commented by city representatives.

The conferences, meetings and studies were organised within the framework of the Interreg IIIB project Medium Sized Cities in Dialogue around the Baltic Sea (MECIBS) and was financed by the partners and the Interreg IIIB Baltic Sea Programme. The project was approved in May 2002 and lasted for three years and three months. The application was supported by several non-EU partners. They were supposed to join the project via additional PHARE and TACIS funding. Unfortunately, the applications for PHARE and TACIS were not successful. However, the participation of several associated partners was greatly facilitated by funding from the Danish Ministry of Foreign Affairs (Baltic Sea Project Facility Programme) and the Danish Organisation for International Co-operation. Lead partner of the project was Danish Centre for Forest, Landscape and Planning, KVL. A steering group was set up. Members of the steering group were work-package coordinators, two city representatives and the project coordinator.

In order to promote dissemination of the project findings, a variety of publications have been produced to facilitate brief and quick overviews as well as deeper studies. The entire dissemination programme includes: the present project report, a booklet portraying the 18 MECIBS cities, 9 folders summarising the case-studies, one folder summarising a thematic study on economic and demographic development, a leaflet showing the policy recommendations (the final chapter of the present project report) and a web-site: www.MECIBS.dk. These publications are published by the lead-partner. Besides, the research partners individually publish a number of case-study reports.

This project has been of great value for the participants who have learned from crossing national borders as well as borders between research and practice. One of the most tangible results is the formation of Baltic Sea Solution, a network of cities in the Baltic Sea Region, the aim of which is to facilitate foreign direct investments in the medium sized cities.

Hopefully, the publications and follow-up activities will bring an understanding of urban transition to other cities, national governments and the EU and encourage them to respond to the challenges meeting the medium sized cities.

August 2005

Niels Boje Groth, project coordinator
Danish Centre for Forest, Landscape and Planning, KVL, lead partner

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Project information

Project title

Medium Sized Cities in Dialogue around the Baltic Sea Region

Financing

The partners and EU (Interreg IIIB, Baltic Sea Programme). Supplementary funding obtained from the Danish Ministry of Foreign Affairs (Baltic Sea Facility) and the Danish Organisation for International Co-operation.

Aim

Within the overall objective to foster balanced spatial development by sustaining the development of medium sized cities the project aims at:

- (1) understanding urban restructuring based on comparative and concrete examples;
- (2) forming recommendations for the interplay between local and national strategies based upon a bottom up process;
- (3) forming recommendations within an integrated perspective on economic, environmental and social development;
- (4) forming a network of medium sized cities to facilitate exchange of experiences and mutual learning.

Project partners and representatives

MECIBS partners

Leibniz-Institute for Regional Development and Structural Planning (IRS)

Hans-Joachim Bürkner, Head of Department of Regeneration of Shrinking Towns and Cities

Heather Dorries, research student

Thilo Lang, researcher

Monika Sonntag, researcher

Eric Tenz, researcher

Oliver Türk, research student

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Steffen Røntorp, chief executive

Henrik S. Bernberg, planner

Hanne Lykke Thonsgaard, planner

Municipality of Nakskov

Jørn Husted Madsen, chief executive

Gunhild Utkvitne, director, Baltic Sea Solutions

Chamber of Commerce and Industry Herning-Ikast-Brande-Aaskov

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Lisbeth Greve Harbo, research student

University of Southern Denmark

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Stefan Anderberg, associate professor

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Frederic Idevall (until ult. 2004), planner

Lars Åke Svensson, chief of planning

Department of Regional Planning, Royal Institute of Technology, Stockholm

Mats Johansson, associate professor

Lisa van Well, MS Sc. PhD candidate

Municipality of Salo

Kauko Lindholm, financial director

Jarmo Heimo, city architect

Irma Nieminen, administrative manager

Terhikki Heinonen, secretary of International Affairs

Municipality of Kokkola

Jarmo Nissi, development director

Lassi Oikari, architect

Michael Hagström, head of Environmental Planning

Nina Kujala, environmental planner

Municipality of Lappeenranta

Markku Heinonen, development manager

Hannu Aikäs, EU manager

Centre for Urban and Regional Studies, Helsinki University of Technology

Rauno Sairinen, research director

Vesa Kanninen, researcher

Samuli Lehtonen, researcher

Olli Maijala, researcher

Taneli Dobrowolski, student

Nordic Centre for Spatial Development, Nordregio, Stockholm

Tomas Hanell, research fellow

Jörg Neubauer, research fellow

Arto Ruotsalainen, research fellow

Patrik Tornberg, research fellow



Participants of the 6th and final project conference in Nyköping just about to leave for a tour of the archipelago of Nyköping.

Associated partners

Municipality of Jüterbog

Maud Decker, city planner

Municipality of Norrtälje

Anders Olander, business development manager

Gunnel Löfquist, chief of planning

Christer Stighäll, chief manager, NIHAB

Municipality of Vyborg Region

Olga Kareva, chief of Department for Foreign Economic Relation

Municipality of Kronstadt

Mr Ivan Taraso

Municipality of Pskov

Mikhail Radionov, head of Municipal Services Committee

Leontieff Centre, St. Petersburg

Nina Oding, head of Research Department

Municipality of Sillamäe

Aleksandr Bogens, development specialist

Public Science Academy, Tallinn University

Rivo Noorkõiv, consultant

Municipality of Valka

Modris Mikelsons, executive director

Liiga Mieze, head of Planning and Development Department

Zintis Varts, specialist, Planning and Development Department



Participating cities and research institutions in the MECIBS project.

Municipality of Kuldiga
Edgars Zalans, mayor
Inga Berzina, deputy mayor

Municipality of Bauska
Laimonis Valevich, head of Planning and Development Department

Department of Geography, University of Latvia, Riga
Zaiga Krisjane, associate professor

Municipality of Chojnice
Jonna Gappa, council worker
Michal Karpiak, council worker

Department of Regional Development Geography, University of Gdansk
Konrad Kondratowicz, researcher

Project organisation

Lead partner
Danish Centre for Forest, Landscape and Planning, KVL

Project co-ordination
Niels Boje Groth, Søren Smidt-Jensen and Lise Huusom, Danish Centre for Forest, Landscape and Planning, KVL

Work-package coordinators
WP1: CITIES IN TRANSFORMATION
Thilo Lang, Leibniz-Institute for Regional Development and Structural Planning (IRS) and Mats Johansson, Department of Regional Planning, Royal Institute of Technology

WP2: REVITALISATION
Vesa Kanninen, Centre for Urban and Regional Studies, Helsinki University of Technology

WP3: SOCIAL AND ENVIRONMENTAL RESTRUCTURING
Stefan Anderberg, Department of Geography, University of Copenhagen

WP4: URBAN NETWORKING
Andreas P. Cornett, Department of Marketing, University of Southern Denmark

WP5: POLICY OPTIONS AND RECOMMENDATIONS
Niels Boje Groth, Danish Centre for Forest, Landscape and Planning, KVL

Steering group
Niels Boje Groth, project coordinator, Danish Centre for Forest, Landscape and Planning, KVL

Steffen Røntorp, Municipality of Randers

Olga Kareva, Municipality of Vyborg Region

Thilo Lang, Leibniz-Institute for Regional Development and Structural Planning (IRS)

Mats Johansson, Department of Regional Planning, Royal Institute of Technology

Vesa Kanninen, Centre for Urban and Regional Studies, Helsinki University of Technology

Stefan Anderberg, Department of Geography, University of Copenhagen

Andreas P. Cornett, University of Southern Denmark

Outcome

Conferences

1st conference: Kick-off, February 2003, Lappeenranta and Vyborg

2nd conference: Urban biographies and case-studies, June 2003, Sillamäe

3rd conference: Urban change and strategies in medium sized cities, January 2004, Randers

BSPF seminar: Strategies on sustainable development of Vyborg, May 2004, Vyborg

4th conference: Environment and sustainable development, June 2004, Chojnice

5th conference: Local responsiveness to social and economic change, January 2005, Kokkola

6th conference: Final conference: Policy recommendations, June 2005, Nyköping

Conference presentations by city representatives

Most presentations are available at www.mecibs.dk.

Jüterbog

Maud Decker: Changing urban strategies for military brownfields

Cornelia Lehmann-Mews, Unemployment Association: Including long-term unemployment – activities and activation-projects in Jüterbog

Dörthe Andree, ARGEREZ: Presenting ArgeRez

Herning-Ikast-Brande-Aaskov Business Council

Peter Weiglin: How local business responded upon outsourcing from the Danish textile cluster in Herning-Ikast-Brande

Randers

Steffen Røntorp: Randers – a city localised in an expanding regional labour and housing market

Steffen Røntorp: What did we learn from the case-studies?

Mads Gammelmark: Universities for +55

Hanne Thonsgaard: Branding Randers

Bjarne Haubo Christensen, Randers Business & Development Council: Clusters in the Randers area

Nakskov

Jørgen Husted Madsen: Presenting Nakskov

Jørgen Husted Madsen: Strategies to include the excluded citizens

Gunnhild Utkvitne: From shipyard industry to cluster of green industries

Gunnhild Utkvitne: Sustainable business networking and Green profiling

Gunnhild Utkvitne, Baltic Sea Solutions: Baltic Sea Solutions – a facilitator of in- and outsourcing in the Baltic Sea Region

Gunnhild Utkvitne, Baltic Sea Solutions: Baltic Sea Solution. State of the art – plans for the future

Nyköping

Ulf Dahlqvist: City branding in Nyköping

Fredrik Idevall: What happened during 20 years of de-industrialisation and outsourcing in Nyköping?

Lars-Åke Svensson: Housing market and local development – the case of Nyköping

Göran Forssberg: Challenges, risks and commitments of local strategies

Norrtälje

Anders Olander: Presenting Norrtälje

Anders Olander: From »the-world-around-you-analysis« to development strategies

Gunnel Löfqvist: Waterfronts – an asset for urban revitalisation

Kokkola

Erno Hyvönen, Council of Central Ostrobothnia: The structural change of the labour market during this decade - the case of Kokkola

Lassi Oikari: Kokkola - Capital of Central Ostrobothnia

Michael Hagström: Practical results of LA21 in Kokkola: sustainable consumption

Jarmo Nissi: University centre and urban revitalisation in Kokkola

Jarmo Nissi: Kokkola in transition

Jarmo Nissi: What did we learn from the case-studies?

Margita Lukkarinen, Kokkola Coop Consult: Fostering the local and the social economy: Local co-operative channelling local products

Salo

Kauko Lindholm: Presenting Salo

Kauko Lindholm: How to handle demographic change and economic growth – the case of Salo

Mika Ilomäki: eSalon – Environmental database, area profiles and environmental platform in Salo

Irma Nieminen: The attractive city – urban quality and social responsibility in Salo

Jarmo Heimo: Public participation in land use planning in the city of Salo

Lappeenranta

Hannu Aikäs: New goals and new ways of co-operation on urban development

Markku Heinonen: Presenting Lappeenranta

Markku Heinonen: St. Petersburg corridor – the heart of the northern dimension

Markku Heinonen: Local strategies of internationalization and outsourcing

Veli-Pekka Kärnä: Co-operatives as an alternative in the local economy – integration of Russian immigrants

Turo Numminen, Young Enterprise Finland: Bringing fun to economics: young entrepreneurs, hope for the local economy?

Vyborg

Olga Kareva: From barriers to opportunities

Olga Kareva: In-sourcing and re-location of companies

Olga Kareva: Urban profiles: a step stone for comparative learning

Valeryi Remeniuk, Helkama Forste Viipuri: Overcoming bottlenecks of foreign investments

Pskov

Michal Radionov: Investment Capacity of Pskov

Sillamäe

Alexander Bogens: Local labour markets and large-scale industries – the case of Sillamäe

Maria Pogodina, Sillamäe Business Incubator: Fostering the local economy – promoting entrepreneurialism in Sillamäe

Valka

Zintis Varts: Image of Valka today, yesterday, tomorrow

Liiga Mieze: Planning and city-cooperation in Valka-Valga after transition

Kuldīga

Aldis Ornis: Actions and plans for sustainable development

Inga Berzina: Presenting Kuldīga

Inga Berzina: Experiences from organising »Little businessman competition Latvia«

Edgars Zalans: Development in the shadow of big cities – the case of Kuldīga

Chojnice

Arseniusz Finster: Presenting Chojnice

Michal Karpiak: Chojnice in transition

Joanna Gappa: Sustainable governance in Chojnice

Publications

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Restructuring of Medium Sized Cities. Lessons from the Baltic Sea Region, By- og landsplanserien nr. 26-2005. Danish Centre for Forest, Landscape and Planning, KVL, Frederiksberg. 288 p. Ill. ISBN: 87-7903-181-1.

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Urban Planning for Transformation. Lessons from medium sized cities in the Baltic Sea Region, A brief presentation of a case-study of the Interreg IIIB project Medium Sized Cities in Dialogue around the Baltic Sea, Danish Centre for Forest, Landscape and Planning, KVL, Frederiksberg. 6 p. Ill. ISBN: 87-7903-224-9.

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gion, A brief presentation of a case-study of the Interreg IIIB project Medium Sized Cities in Dialogue around the Baltic Sea, Danish Centre for Forest, Landscape and Planning, KVL, Frederiksberg. 6 p. Ill. ISBN: 87-7903-226-5.

Sonntag M. and Tenz E. (2005):

Cultural Policy and Urban Development. Lessons from medium sized cities in the Baltic Sea Region, A brief presentation of a case-study of the Interreg IIIB project Medium Sized Cities in Dialogue around the Baltic Sea, Danish Centre for Forest, Landscape and Planning, KVL, Frederiksberg. 6 p. Ill. ISBN: 87-7903-227-3.

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Puplic Participation in Urban Planning and Strategies. Lessons from medium sized cities in the Baltic Sea Region, A brief presentation of a case-study of the Interreg IIIB project Medium Sized Cities in Dialogue around the Baltic Sea, Danish Centre for Forest, Landscape and Planning, KVL, Frederiksberg. 6 p. Ill. ISBN: 87-7903-231-1.

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Regional Impacts of Economic Integration – The Case of In- and Outsourcing. Lessons from medium sized cities in the Baltic Sea Region, A brief presentation of a case-study of the Interreg IIIB project Medium Sized Cities in Dialogue around the Baltic Sea, Danish Centre for Forest, Landscape and Planning, KVL, Frederiksberg. 6 p. Ill. ISBN: 87-7903-231-1.

Hanell T., Neubauer J. and Tornberg P. (2005):

Cities of the Baltic Sea Region at a Glance, A brief presentation of a thematic study of the Interreg IIIB project Medium Sized Cities in Dialogue around the Baltic Sea, Danish Centre for Forest, Landscape and Planning, KVL, Frederiksberg. 6 p. Ill. ISBN: 87-7903-233-8.

Reports of case-studies and thematic studies

For a full update consult www.MECIBS.dk

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Johansson, M. (2005):

Functional local labour markets and regional enlargement – a way out of the »population crisis«? KTH (Royal Institute of Technology), Stockholm (forthcoming).

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Homepage

www.mecibs.dk

Introduction

Niels Boje Groth

A key message of this project is that medium sized cities possess hidden capacities to cope with the challenges of urban transformation. Urban transformation is about the economic base of the cities, key functions, social well-being and even the identity of the cities. The actions taken by the cities cannot be placed into a single formula. Although the problems are similar, the medium sized cities respond with a variety of self-reliant actions suited to the problems and adapted to the local opportunities. The initiatives taken by the cities pose the question of, whether a new paradigm of local policy-making is taking form.

This new paradigm seems to be part of the restructuring of the welfare state. While the welfare-state was constructed by strong national leaderships carrying out nation-wide development programmes, it seems as if the current re-construction of the welfare state is driven by market forces, i.e. by the new international division of labour or »globalisation« and that the attitude of public intervention is evolving from an offensive development attitude to a defensive project attitude.

During the formation of the welfare state, the local authorities mediated national programmes in areas such as housing and public services. During the reconstruction of the welfare state, national development programmes are now being replaced by frameworks for local action and there is no need for unified local mediation of national programmes. Rather, concrete action is needed in the territories where concrete changes take place, i.e. in the cities, municipalities and regions. The MECIBS cities have shown an entrepreneurial spirit and capacity to organise actions to match the challenges. In a common phraseology, the construction of the welfare state was a top-down project, whereas the re-construction of the welfare state calls for strong bottom-up initiatives.

In the new emerging paradigm of local policy-making, the local authorities play a role as initiators rather than mediators of development. As mediators of development, they were led by rules, standards and programmes. As initiators of development, they act in fields without trodden paths, without rules and standards. They take on wholly new risks. They set up their own strategies and invent new tactics. Rather than carrying out national programmes, they set up their own projects and start lobbying national governments and institutions to persuade them to support local ideas.

The project has shown that there is a need to understand this new paradigm and to facilitate the processes leading to it. Thus, the local authorities need more room to manoeuvre and to develop partnership-based relationships.

Many initiatives have been taken by national governments and international bodies to deal with the background for urban restructuring, i.e. globalisation, the new technology and new international division of labour. Much knowledge has been provided about these phenomena and new policy paradigms have been introduced, such as the change in regional policies from subsidising companies to organising framework conditions for new economic development. This turn of regional policies in the 1980s is widely acknowledged. The basic reason for the shift was that regional subsidies from national governments could not compete with the low-labour costs of other countries. At the same time, it was acknowledged that knowledge and uniqueness rather than price of standard products were key driving forces behind economic development. Therefore, regional policies shifted from sustaining existing manual production towards development of new knowledge-oriented production based upon local or regional specialisation. This new policy requested a whole new way of communication and transfer between the national centre and the periphery. National allocation of resources from the centre to the periphery was substituted by nationally established framework conditions for regional and local development initiatives suited for introduction of knowledge based production in areas of local competencies. This shift in regional policies has become quite generally accepted. But also it has deeply influenced the organisation, administrative decision procedures, values and norms of regional policies, the sum of which Oddbjørn Bukve (2004) calls a policy regime. He suggests that a shift of policy regime has taken place from the former distributional regime to the current development regime of regional policies.

Within the new development regime local and regional authorities have changed attitude and role from mere passive recipients of national assistance to active and entrepreneurial development agents. Cities and municipalities taking part in the MECIBS project only seldomly refer to new policy regimes in regional policy. But most of them are aware that the challenges of urban restructuring have enforced them to behave in a more active and self-confident manner. Thus the cities take note of globalisation, outsourcing, the need to sustain knowledge-intensive production and the options for taking part in new economies such as the event-economy. They learn about these phenomena in a very concrete way, which enforce them to take action when large local companies close down, when new developers come to town and when new trends in commuting create new labour and housing markets.

While globalisation has caused a widely acknowledged transformation of the basic principles of regional policy, it seems as if the new active role of the municipalities has not yet been acknowledged and may call for a shift of "local action regimes". Thus, the MECIBS project reveals a great need to widen the scope of local action in order to facilitate e.g. more rapid decision-making, risk-oriented decisions, new public-private partnerships and new co-operation between cities and other public agencies such as universities.

The project confirms that decision-making has changed from the formal

and hierarchical government that follows rules and programmes towards networking and partnership-based governance, in line with current mainstream theories of public decision-making. However, networking as such is not an end in itself. Rather, it seems as if networking and broadening of ownership to plans and projects is a question of pure necessity, simply because the new partnerships are developed in order to match policies and projects. Thus, the cities are looking for partners that are »the best in the market«, experienced partners with the means to carry through concrete projects and strategies. The cities are looking for more than just participatory processes, as they might have done in the 1970s when the planning reforms in many countries made public participation in spatial planning a goal in itself. Now, new partnership-based processes are utilised as the means to achieve solutions, rather than mere democratisation of the planning processes.

Networking between neighbouring cities in order to develop strong polycentric urban tissues has become a key topic of EU spatial policies, since the launching of the European Spatial Development Perspective (ESDP). Most of the MECIBS cities have formed co-operations with neighbouring cities and regional authorities. But the project has demonstrated that networking between neighbouring cities is but one option among several. As mentioned, the cities are searching for policy-matching partners. In some cases, policy matching partners are located in neighbouring cities. In others the most relevant partners are situated in cities far away. Therefore the concept of polycentricity should be seen as only one option for partnership building, rather than the most important platform for widening the arena of local policy making.

The project has revealed that »medium sized« is not a uniform category of cities. The situation of the medium sized cities varies widely depending on their geographical position and other factors. Cities situated in the national and regional core regions, in the self-sustaining regions and in the peripheral regions are all affected by relocation of industrial production, national reforms of military services, hospitals and other public agencies, regional enlargements of housing and labour markets, loss of jobs in the primary and secondary sectors and expansion of jobs in the tertiary sector. However, the impacts of these changes vary in the different kinds of regions. We shall further comment on this later. For now, we should only mention that the dialogue between national governments and medium sized cities is needed not only in the weaker peripheral regions. Urban restructuring is taking place in prosperous as well as poor regions and should be met with policies matching properly the different kinds of urban restructuring taking place in peripheral as well as in self-sustaining and metropolitan regions.

The background

During the 1990s urban development in the Baltic Sea Region showed a pronounced tendency towards concentration within the largest cities in all the countries around the Baltic Sea. This was one of the findings of an

earlier Interreg IIC project, Urban Systems and Urban Networking in the Baltic Sea Region (USUN), carried out on behalf of the Committee for Spatial Development (The VASAB committee) by some of the researchers in the present MECIBS project.

On the one hand, the examination of the urban systems in the USUN project showed that the medium sized cities were losing momentum as compared to the national and regional capitals. On the other hand, the examination of urban networking revealed examples of second-order medium sized cities that were very active in networking in areas such as university strategies and international city-cooperation.

The vulnerable position of medium sized cities and the recognition of their emerging development potential formed the background for starting up a new project in the Baltic Sea Region focusing on the medium sized cities, the challenges they meet and their ability to come up with strategic responses. A project like this had to take the cities as point of departure. Thus, in all the countries around the Baltic Sea cities were invited to take part in a dialogue on urban transition and urban strategies. The initiative was taken, however, not by the governmental representatives of the VASAB committee but by the researchers from the USUN project.

Most of the cities invited responded positively. Cities from the EU member states around the Baltic Sea as well as cities from accession countries and Russia signed letters of commitment. City and research partners from the EU countries (EU-2002) formed the project group, whereas partners from Russia, Estonia, Latvia and Poland together with Norrtälje and Jüterbog became associated partners.

The first intention was to focus on cities outside the metropolitan regions. However, we soon realised that metropolitan regions are expanding. Thus, cities such as Nyköping, Norrtälje and Randers are to be characterised as cities within the regions of national and regional capitals. The inclusion of cities from different kinds of regions, i.e. the metropolitan, the self-sustaining and the peripheral regions turned out to be very beneficial for a comprehensive understanding of urban restructuring. Contrary to our prejudices as revealed by the project description, it did not make much sense to divide the cities into categories such as »cities in crises«, »revitalising cities« and »revitalised cities«. We found that even the peripheral cities – most likely to be characterised as »cities in crises« – showed themselves to be very active in revitalisation processes. As an example, the city of Nakskov showed itself to be a showcase of entrepreneurial spirit, efficiency and committed decision-making and Nakskov hosted the most important follow-up action of the project, the Baltic Sea Solutions. Thus, it became obvious that each city has had its moments of crises and of revitalisation.

The project was organised in 5 work-packages covering (1) cities in transformation, (2) urban regeneration, (3) social and environmental aspects of urban transformation, (4) urban and regional networking and (5) policy options and recommendations. Related to these work packages nine case-studies

and one thematic study were carried out. The case-studies dealt with policies in the MECIBS cities and were carried out in co-operation with the cities during study visits to the cities and at the project conferences. The topics of the cases-studies were:

- Socio-economic regeneration;
- Regional enlargement;
- Urban planning for transformation;
- Business and development strategies;
- City branding;
- Cultural policy and urban development;
- Public participation in urban planning and strategies;
- Sustainable development;
- Regional impacts of economic integration – the case of in- and outsourcing.

The case-studies are briefly documented in separate folders as well as in separate reports and they form the background for the contribution to the present report. Besides the case-studies, a comparative statistical study on demographic and economic development of cities with more than 10,000 inhabitants has been carried out. This study, published by Nordregio, provides a solid statistical basis and offers several comparative analyses on urban and regional demographic and economic trends in the entire Baltic Sea Region. The study is a valuable contribution to our understanding of the development of the Baltic Sea Region. It provides for the MECIBS cities and other cities as well an opportunity for comparison with other cities and general development trends.

All partners met at six project conferences hosted by different MECIBS cities and thematically focused on the five working packages. The hosting cities were Lappeenranta in co-operation with Vyborg, Sillamäe, Randers, Chojnice, Kokkola and Nyköping.

Cities in transformation

The first section of this final report, Cities in transformation, presents various aspects of urban transformation. The report does not attempt to present a comprehensive theory; rather, it focuses on aspects shown to be crucial for our understanding of what happened in the MECIBS cities.

As seen from the inside, the Baltic Sea Region shows pronounced economic and demographic dichotomies and a variety of national urban systems. Thus, based upon the evidence provided in *Demographic and economic trends* by Tomas Hanell and Jörg Neubauer one could ask whether the Baltic Sea Region is a functional and economic region at all? In the former USUN project, Andreas P. Cornett (Groth 2001) posed the same question, based upon statistics of international trade. In line with Hanell and Neubauer he

showed that the gulf between the east and west BSR separates the region. However, Cornett also demonstrated that integrative trade between the eastern and western BSR has increased steadily during the period 1989 – 1999, albeit from a very low level. It still leaves open the possibility for further integration of the region. The BSR remains profoundly affected by turbulent demographic, economic and political phenomena in the aftermath of the dismantling of the planned economies and during the oncoming integration into the EU.

Hanell and Neubauer observes that seen from a European perspective, the BSR is constituted by countries with relatively small economies, hence, not able to compete on a par with the major European economies, let alone on a global scale. Therefore, they suggest, that the concentration of efforts into a few selected urban centres seems rational. Within a European perspective however, the BSR is vulnerable to further concentration, since the BSR hosts many of the wealthiest EU regions as well as most of the poorest ones. Thus, territorial cohesion – given a high priority by the European Union – is a difficult political goal in the BSR. Achieving this cohesion will become even more difficult in the years to come due to the pronounced trends of economic and functional concentration in the region. Small and medium sized cities seem to become the victims of this pattern of dichotomies, heterogeneities and economic concentration.

In his chapter, *Changing labour market conditions*, Mats Johansson discusses the impact of the regional position of medium sized cities further. In the regional settings cities are influenced by a strong general trend of enlargement of regions in their functional meaning. Facilitated by increasing commuting, labour markets are growing, as are the housing markets. Formerly, it made sense to define a city vis-à-vis a countryside situated in the hinterland of the city. Cities were centres of local labour markets and coincided geographically with housing markets: you lived in the same area where you worked. Today, labour markets and housing markets have not only become larger. They have also separated from each other, meaning that often you work in one area and live in another. As an example, the number of commuting areas in Denmark decreased in eight years from 46 in 1992 to only 34 in 2000 (The Danish Ministry of the Environment, 2003). The impact of such a decrease was that 12 former centres once having their own labour markets became subordinated to other larger labour market centres.

The enlargement and separation of labour and housing markets is a precondition to which cities must adopt but it is also an opportunity. Thus, Nyköping situated about 100 kilometers south of Stockholm and Randers, situated about 60 kilometers west of the Danish regional capital Århus have started housing campaigns appealing to families to combine the attractive jobs in large cities with low housing prices and attractive living environments of the small town.

In regions more distant from large metropolitan centres, out-migration to the metropolitan labour markets has become the alternative solution to daily commuting. Distance to the metropolitan labour markets need not be a pro-

blem. It is only when the local and regional economy is characterised by weak diversification that the region may become functionally and economically isolated. However, in regions endowed with polycentric urban systems, regional enlargement may facilitate diversification of the labour markets and co-operation of urban functions.

Cities situated in peripheral regions are characterised by out-migration, ageing population and often a low-skilled labour force. Usually, the economic structure is not diversified and often dominated by one or a few large companies, depending upon some type of raw material or other place factors. Preconditions for polycentric development are often nonexistent and the possibilities concerning a self-generated endogenous growth are lacking. Thus, many of these remote cities and communities are very dependent on the official transfer system to survive. Usually, these cities experience a population decline or ageing for a long period.

Developmental trends and the scope for political initiatives differ in the three kinds of regions. However, in most medium sized cities, a common ingredient is the ageing population which results from low birth-rates and the out-migration of young people. Lappeenranta, an important regional centre, is an exception. However, even those cities in otherwise favourable positions have a problem with ageing if the in-migrants contain a large proportion of elderly people. This seems to be the case in e.g. Norrtälje.

First and foremost, urban transformation is about economic and demographic changes. However, these changes become visible in space, when e.g. former industrial areas or military bases close down and leave obsolete areas in the middle of the cities. This process is studied by Groth and Maijala in the chapter *The spatial transformation of cities*. Groth and Maijala observe that the MECIBS cities have experienced a pronounced change from spatial expansion to spatial restructuring. A new agenda has been set for urban planning. However, the agenda changes from one city to another. This is illustrated by three examples: Herning, Randers and Jüterbog. Urban transformation in Herning has taken place smoothly leaving no obsolete areas in the city, whereas Jüterbog on the other hand has experienced an extreme case of change when the huge military base housing about 60,000 soldiers was closed down. In a situation between that of Jüterbog and Herning, Randers shows several examples of smooth urban regeneration and a few examples of larger areas that need thorough commitment and planning. An important reason for the smooth spatial transformation in Herning was that the former industrial premises were not tailored to specialised production. It was easy to move the sewing machines from the textile industry leaving buildings – usually small or modest in size – for conversion to other uses. In the case of Randers, 31 examples of urban conversion revealed a shift from industrial land use to land use for housing, retail and event functions. Thus, the land use conversions seemed to reveal the overall transformation of Randers from an industrial town to a metropolitan suburb and event-centre.

The economic forces behind restructuring are discussed by Andreas Corneet in his *Changing patterns of economic activity in a global world as reasons for*

transformation. Participation in the international division of labour is a source of regional economic growth. A special situation occurs in the Baltic Sea Region, since dominant foreign trade partners for the smaller economies are situated within the region. Thus, the process of internationalisation is favouring regional integration within the Baltic Sea Region. This is also stressed by the fact that much out-sourcing from Nordic countries is targeted to countries in the Eastern part of the BSR.

As a link to the studies on local responses in the second section, Thilo Lang discusses *Economic transformation globalisation and local influence.* Lang focuses on the impacts of globalisation on economic transformation, highlighting the paradoxes between the influence that the MECIBS cities are supposed to have upon urban transformation and the actions actually taken by the cities.

The paradox of globalisation is that on the one hand local influence is often seen as very limited because globalisation is externally driven. At a very concrete level, this was emphasised during the interviews by the mayor of Nyköping, Göran Forrsberg, and by Per Nørret, chairman of the Randers Business and Development Council in their observations that decision-making in several local companies is now carried out in the capital or even in other countries. Formerly, decisions were taken by managers or company owners situated in the city. Thus, the city representatives state that they are increasingly dependent upon managers and organisations that they cannot directly influence. The problem arises because company managers are no longer committed to the cities and this creates an atmosphere of uncertainty and instability. On the other hand, the MECIBS project has shown that rapid and radical economic and social transformation caused by remote decisions have served as starting points for new modes of organisation and creativity organised by the cities, with pronounced effects on urban restructuring. However, cities are looking for new global investments. Lang questions this attitude since new global investments may still be characterised as unstable. Therefore, Lang suggests that more emphasis should be placed on locally-based solutions.

In his study Lang focuses upon cities outside the metropolitan centres. These cities are the most vulnerable cities. Different kinds of development overlap such as post-socialist transformations in the eastern BSR, globalisation and the general trends of tertiarisation of the economy. These developmental trends affect the cities in different ways depending upon whether the local economic base is diversified or mono-industrial. Urban transformation and responses are discussed in five cities, Nakskov, Lappeenranta, Sillamäe, Kuldiga and Jüterbog.

Urban regeneration

In the second section, Regeneration, six articles show how MECIBS cities are responding to urban transition. As argued in section 1, medium sized cities in the Baltic Sea Region are challenged by forces that leave cities,

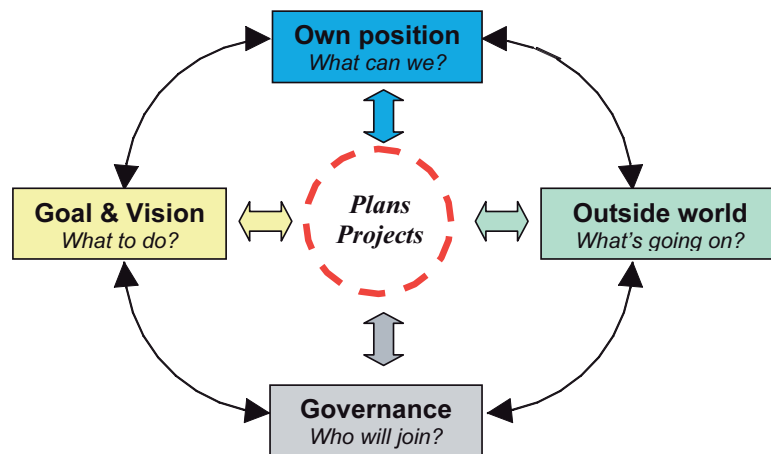


Figure 1. Elements of strategic conduct.

especially those outside the metropolitan areas, with few opportunities. However, this is not acknowledged by the cities. They seem to ignore the lack of influence and instead initiate strategies and project attempting to widen the conventional scope of action.

Figure 1 from the final section shows the key elements of strategic conduct. Cities are not making their strategies according to fixed prescriptions. Rather, the new elements of strategic action are incorporated differently and individually by the cities. Several cities are stressing that they have started to reassess their relations with the outside world: We have started to conduct »outside-world-analysis« (Norrtälje). In Nyköping, the focus is on the regional level in the form of making a new housing strategy vis-à-vis Stockholm, while Nakskov has chosen to focus on the mesoregional level when organising the network Baltic Sea Solution. Herning has shown to concentrate on a strategy for dealing with globalisation by preparing for the next wave of outsourcing in the furniture sector.

Regional enlargement and transformed urban and regional economies mean that cities are changing their role and regional position. For some cities, these changes mean that the cities have started to reconsider their urban identity and have launched campaigns for branding new urban identities, as is the case in Randers and Nyköping.

When cities consider what direction they should take, they set up goals to deal with specific problems. But they also formulate coherent visions, especially when opportunities and problems are combined by with visions of a new development project or strategy. These visions are often triggered off by sudden events or certain new developments, as when Kuldiga formulated the idea of becoming a world heritage site, when Salo set up the visionary Green Valley project including the development of the new garden city Viitannummi, when Kokkola decided to set up an all-weather terminal to further develop the synergic industrial area and to organise the KETEK technology centre and when Nyköping decided to become a logistic hub. Numerous additional examples could be mentioned.

Finally, the MECIBS cities have organised several new partnerships and networks in order to strengthen the powers of local action. The traditional role of the municipality is not suited for the new kinds of actions needed. Cities have to co-operate with »the best in the market« (Göran Forrsberg, mayor of Nyköping) rather than just paying heed to the local interests of companies and organisations. »We are no longer an interest organisation. We changed the Randers Business and Development Council to a competence organisation« (Per Nørret, chairman of Randers development and business council).

These are four crucial elements in the strategic activities of the MECIBS cities: (1) outside-world analysis, (2) reorientation of the role and identity of the city, (3) visions and (4) governance. In some instances these activities are followed by concrete plans and projects. In other instances, cities act the other way round as is the case, when sudden events and new opportunities are enforcing cities to start up concrete projects and strategic thinking.

Strategic conduct usually calls for effective new organisation and management. The experiences from the MECIBS cities show that no single principle of the organising of effective local agency is crucial. Some cities are led by a strong mayor, one by an innovative troika, some by entrepreneurial staff backed-up by a unified city council and some by a local network. Some cities have set up new special shareholder companies, some have formed development departments and other cities have decentralised the city-administration into effective decision-making »companies«.

According to Groth, Kanninen and Smidt-Jensen, *Business and development strategies* show pronounced differences in cities located respectively in metropolitan regions, self-sustaining regions and peripheral regions. Thus, cities in metropolitan regions are tempted to give first priority to a new housing strategy and only afterwards to business and development strategies. This is due to the fact that these cities face new opportunities as »metropolitan suburbs« and event-centres. Cities located in self-sustaining regions are often tempted to focus on further specialisation or modernisation of the regional economy. However, the question of diversification is crucial. On the one hand, it has become mainstream thinking in regional politics that economic development should be founded upon local specialisation. On the other hand, the cities are concerned by the vulnerability of becoming mono-industrialised. Finally, cities located in peripheral regions are left with fewer options. Usually, they depend on a single or few large companies. The workforce is poorly educated and specialised in the local production. However, a city like Nakskov has shown that one industrial production can be replaced by another industrial production if the local tradition and workforce of manual production is turned into an asset combined with a strong commitment to satisfy investors and to organise follow-up actions.

Several kinds of projects have been carried out by the MECIBS cities. These include the formation of knowledge corridors to build platforms for local education and to meet certain needs for education of local business, centres of competencies to enhance local clusters or business functions, business parks, business incubators, industrial parks and industrial symbio-

sis. It is interesting to note that these initiatives show pronounced diversity from one country to another. In Denmark, for example, the several knowledge and competence centres are small and established at the initiative of local business companies and business organisations, while several of the Finnish competence centres are constituted in harmony with large industrial clusters and facilitated by the national centres of the expertise programme. The concept knowledge corridor is formulated by the MECIBS project to grasp the phenomenon that while medium sized cities may have given up the idea of establishing their own university, they have not renounced the idea of providing a university-based education. Co-operation with universities was elaborated most effectively in the two Swedish cities. The national differences are of special interest, since they enable us to see differing solutions to similar problems. In this project, we have managed to see the similarities, but not yet fully spelled out the differences. Therefore, more thorough comparisons are recommended.

Complementary to the business and development strategies are the strategies focused on the labour force and other local assets rather than general strategies to attract direct investments. These strategies are the focus of Lang in his discussion of *Local strategies and socio-economic regeneration* in MECIBS cities outside the metropolitan areas. The problem is that of social exclusion due to economic transformation, e.g. when people are excluded from the labour market after local companies close down or rationalise production and no job alternatives are in sight. This problem is especially acute in small and medium sized towns outside the large urban agglomerations, which may be suddenly left with few job alternatives. They cannot compete with the advantages of big cities. As shown by Hanell and Neubauer (above) the cities outside the large urban agglomerations are the victims of the ongoing economic concentration now taking place in the entire Baltic Sea Region. Lang suggests that these cities »have to find their own path of economic and urban development and utilise their specific potentials«. He suggests that socio-economic regeneration should be established as a complementary policy area along with other policies of urban regeneration. Socio-economic regeneration is rooted in local economic and social structures rather than e.g. external investments. This regeneration aims to foster social stability and reduce social and economic disparities.

The arena of socio-economic regeneration is the Social Economy and other forms of locally rooted economic development. Social Economy initiatives embrace municipal as well as independent initiatives such as Social Enterprises. Social Enterprises operate independently from local authorities and are not purely profit-oriented. They provide services and goods for the market, but their objectives are primarily social, aiming for job creation, local services and building skills within the local community.

Social Economy is not an engine of growth or of job generation. It meets social needs but cannot replace the formal welfare system or the formal economy. When it comes to formal economic strategies and the promotion of local entrepreneurship a close connection to individual and specific local assets is crucial for sustainable economic growth. Especially in the small and

medium sized cities with only few job alternatives, strategies fostering the social and the locally rooted economy should be considered more explicitly. Lang shows how five MECIBS cities have dealt with social exclusion, the Social Economy and local entrepreneurship. The examples are taken from Jüterbog, Kuldiga, Sillamäe, Nakskov and Lappeenranta. One of the lessons from the study is that initiatives within the social economy are almost wholly dependent upon the commitment and entrepreneurial spirit of individual persons.

Urban transformation has turned spatial planning upside down. Much of the urban planning tradition was formed during the formation of the welfare state. Spatial planning dealt with urban functions in expanding cities. New suburbs and garden cities were planned and a variety of spatial designs and planning processes for building new social communities were tested. Urban transformation at that time was driven by growth and increased car ownership; and retail stores and services paved the way toward large-scale urban renewal. Thus, spatial planning responded to demands for urban expansion. This situation changed completely during restructuring of the urban economies. The demand for urban expansion came to an end. Cities were left without their former growth drivers. Thus new drivers were needed. The new driver proved to be the concept. When planners and developers realised that the empty industrial areas were often situated in attractive locations close to the city centre and waterfronts they began to conceptualise development project tailored for the specific area. New waterfronts, shopping arcades and city dwellings were developed and people liked the new concepts. Thus, supply of urban concepts rather than demands for urban functions became the motor of urban planning. In line with this change in the nature of urban planning, urban territories were now seen as unique symbolic, historical and spectacular values rather than as mere spaces for functional expansion. The conceptual turn in planning was most pronounced in those cities searching for new identities, i.e. the cities in the metropolitan regions. However, the idea of emphasising the uniqueness of the city plays an important role in the planning of most MECIBS cities.

In *Urban planning for transformation* Groth and Maijala describe these new trends of urban planning. A key emphasis, however, is dedicated to the planning of new kinds of urban functions, such as inner city projects, new housing projects, event centres, knowledge functions, business parks and industrial parks. Several examples of these new urban functions are shown as are examples of new tools used in the planning processes.

One such tool is public participation, which is the subject for Lehtonen in his *Public participation in urban planning and strategies*. Special tribute is paid to the planning process of the new garden city of Viitannummi in Salo, an interesting and much appreciated example of integrating coming residents in the planning process. Based upon the Viitannummi example and theoretical literature, Lehtonen discusses how motivation for public participation is influenced by the composition of the participants in the process and the levels of abstraction in the topics of discussion and he examines how to improve the interplay between civil society and public administration.

The turn in planning and policies towards intangible values and assets is revealed in other policy fields besides urban planning, such as branding and cultural projects. Two case-studies are devoted to these policy fields.

In *Branding medium-sized cities in transition* Smidt-Jensen examines the new phenomenon of city-branding. Public promotion and advertisements of tourist resorts and cities are well-known. For years cities and tourist resorts have tried to attract visitors, companies and tourists by advertising urban and natural assets. This is place marketing. City branding is something else. It has to do with launching a new identity of the city. The very logic of urban transformation is that not only does urban economy and urban functions change. Urban identity changes as well. New urban identities do not just appear. Rather, urban identities erode along with the erosion of the urban economy. Far-sighted city councils do not just wait for a new identity to appear. They see the construction of an urban identity as an integral part of forming a strategy for urban transformation. If the city council does not search for a new urban identity, they often carry on city marketing.

Smidt-Jensen emphasises the distinction between city marketing and city branding. »City marketing is about selling a city on measurable and tangible qualities, [while city] branding is about the promotion of the intangible qualities of a city«. Further, it is an important aspect of city branding that the question of identity is as relevant in profiling the city to the outside world as it is to the citizens. Thus, when city councils get involved in city branding to replace an eroded identity by a new one, the aspect is not just to sell the city but also to provide new aspirations, self-confidence and trust among the citizens. This aspect was the focus of the branding campaign in Randers, whereas the forming of a new identity to the outside world – the »Ryan world« and the greater Stockholm region – was in focus in Nyköping. Both campaigns are among the four examples described and commented by Smidt-Jensen.

In *The role of culture for urban development in small and medium-sized cities* Sonntag and Tenz also emphasise the duality between the external and internal orientation of projects and policies aimed at improving the reputation of a city. Cultural policies as a means of urban and regional development have developed over a long period of time. During this period the emphasis and meaning of cultural policy has changed. In the 1970s cultural policies became less oriented toward the elite and more participatory, pursuing social goals. In the 1980s when deindustrialisation was becoming more and more on the urban agenda, cultural policies were seen as tools to diversify the local economic base and as a means of compensation for jobs lost in traditional sectors. Later, large cultural events came in focus, now more generally to profile the cities towards larger regional hinterlands. Finally, Sonntag and Tenz argue that cultural policies are seen as means for fostering and attracting creative people, currently seen as drivers of the new knowledge-based economy. Rather than describing an evolutionary pattern each of the meanings of cultural policy mentioned are forming elements that are relevant today. This is perhaps true especially when the focus is turned from the large cities, usually seen as the main developers of urban cultural policies, to the me-

dium sized cities, where the needs and options for integration of cultural policies as measures for urban development may vary considerably.

Four case-studies conducted by Sonntag and Tenz reveal an interesting divergence between, on the one hand, two cities marked by the absence of significant economic and demographic development (Jüterbog and Kuldiga) and, on the other hand, two cities situated in more favourable economic positions (Randers and Lappeenranta). Thus, in Jüterbog and Kuldiga, both towns endowed with attractive historical heritage in the city centres, cultural projects are seen as options for further enhancing these assets as development potentials for the cities, whereas Randers and Lappeenranta focus upon the large cultural events as means for emphasising the cities as culturalevent centres. Somehow, Jüterbog and Kuldiga are dealing with place-marketing, since the cities are promoting assets that exists in the cities and which are part of their historical identity. The cultural strategies of Randers and Lappeenranta seem rather to be part of identity project and hence, closer to the ideas of city branding. Further analysis is conducted by Sonntag and Tenz as to the other aspects of cultural projects. One such aspect is the stakeholder aspect, revealing a more pronounced dependency upon external means in the less prosperous cities. Thus, the cultural projects of Jüterbog and Kuldiga depend upon external financial and symbolic relations, whereas the projects of Randers and Lappeenranta are largely carried out through local initiatives.

Social and environmental aspects of urban transformation

From the very beginning of the project it was decided to pay special attention to the environment and the concern for sustainable development. This was due to the fact that urban restructuring leaves obsolete functions and urban areas behind and the fact that strategies for restructuring may seem challenging. While environmental issues formed the background, sustainable policies have broadened into at least three aspects: economic, social and environmental. It is within this broad conceptual framework that case-studies were undertaken in the MECIBS cities.

The idea of sustainable development was created by international organisations. However, they operated on the backdrop of a widespread public concern for environmental issues. In International programmes and national strategies for sustainable urban development, Anderberg, Ruotsalainen and van Well provide a comprehensive overview of the most important contribution by international organisations. It all started with the UN but the ideas of sustainability were later followed up by the European Union, as the most influential organisation when it comes to operational measures due to the combination with concrete support programmes.

Based upon examination of national policies in the BSR, the authors find that most countries are concerned with sectorial issues within service, forestry, agriculture, energy and transport and cross-sectorial topics such as cli-

Economic	Social	Environmental
Municipal deficits	Aging population	Brownfields
Loss of industry	Greater needs in child and elderly care	Poor water/waste provision
Unemployment	Homelessness	Industrial pollution
Low income levels	Excluded citizens	Eutrophication of water resources
	Crime and narcotic problems	

Figure 2. Typical problems in the MECIBS cities.

mate change, environmental health and the quality of urban planning. Territorial issues related to balancing social and economic disparities are dealt with, but small and medium sized cities are not specifically mentioned as priority targets.

The challenges of sustainability are three-fold, concerning economic, social and environmental issues. The two last named issues are addressed in the chapter *Social and environmental challenges in the MECIBS cities*.

Population development is perhaps the single most important factor for regional economic development. A young and increasing population is crucial. However, in all BSR countries there is an increasing divergence between the metropolitan regions and other parts of the countries in terms of in-migration versus out-migration and the proportions of young and elderly people. These issues are also dealt with in detail by Hanell and Neubauer as mentioned above. In most MECIBS cities local environmental problems are not perceived as a very pressing issue. The most common problem concern contaminated soils, especially when former industrial or military areas are converted into other usage. Other frequently-mentioned problems are water and traffic.

The plans and activities in the MECIBS cities are numerous. Initiated by external legal requests are the Local Agenda 21s. These plans often play an important role in spite of being externally driven, such as governmental and international requests for establishing Local Agenda 21s. However, the most interesting sustainability plans are those initiated by the cities themselves. In *Sustainable development plans and activities in MECIBS cities* an overview of the local initiatives and involvements is given and attention is drawn to the fact that the issues of sustainability are often backed-up by local NGOs, which is a special feature of this policy field.

At the initiative of the mayor, Salo initiated an EU co-funded project with the aim of fostering a sustainable information society covering 10 municipalities of the Salo region. The project deals with aspects such as the operational mode and culture of the public sector, concrete planning examples (including the aforementioned planning of the garden city Viitannummi), awareness of the cultural landscape, knowledge transfer of environmental technologies and an environmental database for the region. Kokkola has formed a special administrative unit for environmental auditing and has

given attention to environmental employment. As a result of the Agenda 21 process the city has prepared an action plan for sustainable development. On the special issue of land-conversion, Jüterbog and Nakskov have dealt with important projects. Nakskov successfully converted the former shipyard area into a modern industry and environment park and Jüterbog is struggling with the conversion of the huge former military area.

Sustainability projects often deal not just with overt environmental and structural problems. Many cities have used sustainability as an image parameter. Examples of this are Nakskov and Salo. In the final chapter *Opportunities and challenges in regional sustainable development*, van Well, Ruotsalainen and Anderberg highlight the most successful activities in the urban revitalisation processes. Using concrete examples, the chapter brings out the broad issues of sustainable development.

Concerning the first issue – ecosystems thinking with a social dimension – Nakskov and Kokkola are mentioned as being responsible for activities based upon the idea that everything in the community is a resource: people, land and even waste. Nakskov established a project to reintegrate unemployed people using projects related to recycling of waste. Six hundred people have completed the programme and about 100 have found regular employments. Kokkola, under the auspices of the Kokkotyö programme, established ten different workshops and a nature school.

Cooperation and partnership is the second mentioned dimension of most successful activity. One interesting example mentioned is the initiative taken by Nakskov to form a network of peripheral cities in the Baltic Sea Region to join efforts to enhance investments outside the metropolitan areas.

Policy integration between sectors and levels of administration is a classic request of rational planning and is now being emphasised in connection with sustainability. Concrete examples are given from Nyköping and Latvia. Today it has now become increasingly recognised that local action depends not just on tools, techniques and goals but also on the local capacity to conduct planning processes. Local actions are conducted by people, knowledge, networks and entrepreneurial resources. In a diversity of settings the MECIBS cities have shown pronounced capacities for change. Examples are highlighted from Kuldīga and Nakskov and also discussed by Lang (above). Most impressive and striking is the presence of entrepreneurial individuals with a high level of personal commitment.

Urban and regional networking

One of the early lessons of globalisation was that the meaning of place as well as the nature of flows were changing. On the one hand, the uniqueness of place became the fortress against the global price competition while, on the other hand, new opportunities in the global division of labour facilitated new and wider flows of all kinds of relations. Within these two facilitators of networking, proximity of place and linkages of flows, Cornett examines

the development and potentials of networking in the MECIBS cities in the chapter entitled Networking as a tool for economic development. Four different situations occur in the interplay between proximity and linkages, when applied upon solutions as well as problems. Thus, when solutions to local problems of unemployment are sought by enhancing local entrepreneurship rather than external investments, proximity is the guiding principle in facing the problems as well as in the search for solutions. These kinds of situations were described by Lang in his contribution to section 2.

At the opposite extreme is the problems and solutions caused by and organised within the context of new linkages. This situation occurred with the Danish textile companies when they responded to the new access to East European labour markets after the fall of the Iron Curtain. Several textile companies interviewed by Cornett explained how they adjusted to the new situation by outsourcing or subcontracting manual production to e.g. Lithuania and Poland while keeping the managing functions in Denmark.

Between these two extremes, in which problems as well as solutions are characterised by proximity or by linkages, respectively, Cornett identify situations where problems and solutions are characterised by combinations of proximity and linkages. Thus, when the Danish textile industry accommodated to new international linkages caused by opening up access to low-cost labour markets, the textile industry also responded actively to the local problems of declining traditional industry by upgrading local competencies in management, design and marketing. In this way, the local business agency responded to the local problems by organising solutions related to the new linkages of production.

Finally, the Baltic Sea-based cooperation on outsourcing and development of peripheral cities, Baltic Sea Solutions, initiated by the municipality of Nakskov, is an example of solutions based upon proximity (i.e. organised by neighbouring cities in the BSR sharing the same interests) as a response to new international linkages stimulating outsourcing in the region.

The overall trends of *Economic integration and economic linkages in the BSR* are examined by figures of trade and foreign direct investments. Trade figures show that the Baltic Sea Region is the dominant trade partner for the smaller economies, indicating that these economies are most likely to develop economic ties within the BSR. The same pattern is true for foreign direct investments, taken as an indicator for development of new linkages within the international system of production. The FDI figures reveal that Estonia has been most effective in building strong international linkages. The Nordic countries and Germany are the most important sources of investments to Poland and the three Baltic States, which Cornett sees as an indication of increased participation in the BSR system of production.

A conceptual classification is needed in order to fully understand what regional development and regional integration is all about. In *Concepts of regional change and development* Cornett points to four key features of spatial integration: (1) regional specialised systems of production or clusters, (2) regio-

nal urban networks, (3) regional infrastructure and (4) the extent to which internal regional flows are stronger than outside flows.

In *Local impacts of outsourcing – preliminary results from a Danish Survey* the preliminary findings of a Danish study on the likelihood of outsourcing from local communities are described. The point of departure was the interest shown by several MECIBS cities in handling the risks of outsourcing. As risk indicators the labour-capital ratio and the ratio of low-skilled labour were used. Further, it was assumed that industries producing investment goods rather than consumer goods and locally-based companies are less exposed to outsourcing. The study provides concrete measures for the three Danish MECIBS cities. A detailed analysis is undertaken by Cornett concerning the development of textile production and the effect of outsourcing from the Herning-Ikast-Brandeburg region. In his *Summary and perspectives*, Cornett draws attention to the different perspectives of in- and outsourcing regions. Cornett concludes that large potential exists for further co-operation and integration of small and medium sized cities and their hinterlands within the Baltic Sea Region.

Policy options and recommendations

In the final section, *Policy options and recommendations* the findings of the case-studies and the working-packages are summarised. Most of the recommendations are about best practices and are oriented towards medium sized cities. Some general recommendations also highlight the overall finding that the very active responsibilities taken by most medium sized cities to properly match the challenges of urban transformation need to be more generally considered by national and international bodies in order to facilitate the new role of medium sized cities as initiators rather than just mediators of local change and development.

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TRANSFORMATION



Introduction

Thilo Lang and Mats Johansson (eds.)

Cities in transformation

The general development of small and medium-sized cities to a large extent depends on their demographic and economic situation and the regional context they belong to. As demographic, social and structural trends, production possibilities and urban financial situation, image, attractiveness and living conditions – in a wider sense – relate to the development of the urban economy, it is crucial to be aware of these processes and their underlying causes.

The purpose of section 1 – »Transformation« – is to analyse the development that has resulted in the situation of today. There are two sub-sections, the first describing analytical trends and the second underlying causes of transformation; both with reference to study-results in MECIBS-cities. It must be kept in mind that the MECIBS-cities differ a lot with regard to demographic development as well as economic and social development. The same is valid for the preconditions with respect to revitalising the cities and get a way out of real or potential crises – crises with regard to the demographic, social and economic situations.

Trends of urban development in the BSR and some underlying causes

Population is a prerequisite for economic and social development. It is, however, not only the size of population that is of importance – the population structure is perhaps even more important. Cities with a high share of people in active ages will have quite another impact on the preconditions for a »positive« development than cities with a low share. Demographic and social structures are thus of utmost importance for development, transformation and revitalisation of cities and regions in order to avoid vicious circles and stimulate virtuous ones. To identify these prerequisites and processes are one of the most central objectives in the study.

Economic diversity is often pronounced as preconditions for economic and social revitalisation. Cities and regions with a skewed economic structure and dependent on one or two big companies are more vulnerable with regard to economic fluctuations than cities and regions with a more diversified and flexible economic structure. This has effects on social life and labour market conditions and the risk for long-term unemployment is much more a reality than in cities and regions with flexible economic structure.

Especially in a globalising world the potential for local influence is often seen as very limited. In the context of globalisation, urban development appears to be externally driven. Thus, local actors bemoan their incapacity to respond to the global economy and to the continuing internationalisation-process of investment. In particular, processes of rapid and radical economic and social transformation and spatial polarisation are seen as possible starting points for new modes of organisation and creativity within urban development. Thus, transformation can also be seen as a chance for new modes of urban development (cf. Lang in this section).

Conceptualising urban transformation

Transformation in general is a term with plenty of senses. It is used in nearly all fields of sciences (e.g. biology, physics, mathematics, wealth, medicine, earth sciences) in a sense of e.g. »change«, »evolution«, »transition«, »transmutation« or »conversion«. Transformation is, however, at least implicitly, more associated with discontinuous breaks than continuous changes and often refers to qualitatively different stages in a development process. In connection to urban development and in the sense of this project, however, transformation describes a far reaching change of functional, political, institutional, social, cultural, environmental and economic structures and relations. When talking about urban transformation it is mainly referred to the consequences rather than the underlying causes of transformation. In this section we want to draw on both, trends of urban development as impacts but also self-reinforcing processes and on some basic causes leading to urban transformation.

Urban Transformation refers to

- 1) factors that cause impacts on the local economy, urban demographics as well as institutional structures and relations;
- 2) the actual trends, structures, assets and problems that are the product of those pressures in a given city.

The *urban transformation process* describes the general multi-faceted processes of urban development in its economic, social, environmental and institutional spheres, which cause feedback processes, strengthening positive and negative trends of urban development.

Furthermore the enlargement of the European Union and the transformation from a socialist planned to a free market economic system as well as the political, institutional and societal changes connected to the end of the communist system affect urban development especially in the Baltic Sea Region. There is new competition for all Western European States and an accelerated internationalisation of urban life especially in the Eastern Countries.

Every town and city is affected by processes of transformation, e.g. by a changing structure of the local population or economy. Connected to these changes is often a new moulding of local needs, a shifting image or a re-definition of urban functions. It is a challenge to all cities to anticipate these impacts – in particular when impacts are seen as negative. All these proces-

ses and tendencies are constant challenges to urban governance and urban planning. They lead to a more or less rapid urban transformation with both, positive and negative impacts on economic, institutional, social and environmental spheres of urban development.

Due to the geographic location as well as internal and external factors, some cities and some regions benefit from these tendencies, while others experience an imbalance of urban development. It seems that in the Baltic Sea Region especially outside the metropolitan regions and outside big city agglomerations, social and economic disparities are increasing (cf. Hanell/Neubauer in this section).

Transformation and decline

In some cities transformation initiates more or less deep crises due to its variegated impact on all aspects of urban development (cf. Lang/ Tenz 2003). Especially structural economic change and transformation can lead to economic decline or jobless growth. Many social problems (e.g. increasing social disparities, decreasing average wage levels, social conflicts, diminishing social standards etc.) are directly caused by economic factors.

The term »decline« in the context of urban development is used to describe undesirable changes, such as job losses accompanied by growing unemployment, social exclusion, physical decay and worsening living conditions (Medhurst, Lewis 1969: 2). There is a strong connection between the understanding of decline and industrial restructuring, change, de-industrialisation or – more generally – the process from an industrial society to the post-industrial society.

Most writings about decline link the problems of decline to the structural problems of (old-) industrial regions or cities. In the last decades there are a lot of examples where structural change has led to economic slowdown and job losses not only in metropolitan regions and big cities but also in several small and medium-sized towns in Europe – especially linked to »old« labour intensive industries – mainly in the fields of textiles, steel, mining or shipbuilding. From the 1960s many European towns and cities were facing long-term decline that was »characterised particularly by population and employment loss with a net out-migration of population, firms and activities. Linked to these two major factors has been physical and social decline« (Noon et al 2000: 63).

Decline can not only be seen as a quantitative process. Urban decline is a social problem, intensely related to normative considerations of the desirable and the undesirable within the general attitude towards cities. Beauregard (1993: 36f) notes that »just because a city has fewer residents and fewer jobs does not mean that it is experiencing decline; the issue is the composition of those changes, their pace and the resultant distribution of costs and benefits«. This, however, is more a theoretical construct. Beauregard mentions at the same time (1993: 37) that he could not name cities in the

US »that have lost population and employment yet have avoided the myriad of problems associated with decline«. Hence, »the description of urban decline as a loss of population and employment is historically specific. It is a view [...] built on empiricism that ran rampant from the 1960s through the 1980s«, at least in the US.

Causes of transformation and decline

There is no single cause for all urban problems. Forces of a different nature influence urban development. Most studies of urban change, decay or decline concentrate on the consequences of urban transformation rather than their underlying causes: »the end result is that most theories of urban change provide only a partial insight into what is a complex process« (Roberts 2000: 21). A lot of research stresses negative demographic and social trends as well as the dominant role of economic factors as reasons for transformation and decline (Robson 1988: 58ff, Roberts 2000: 23ff, EC 1986: 11):

- negative demographic and social trends and among other impacts resulting brain drain as well as evolving bad city-images and changed demands on aspects of quality of life;
- physical obsolescence, decay of the urban fabric, environmental quality and new requirements of the society;
- political decisions on different levels or professional misjudgement of local governance;
- the problems of adapting to new demands of economic activities and factor constraints (including the availability of land and buildings);
- globalisation and economic concentration as forces for economic structural change;
- (international) industrial restructuring in pursuit of maximising returns.

The analysis of processes and possible impacts on the main fields of urban development (Lang, Tenz 2003) shows the importance of both demographic development (in terms of population development) and economic development (in terms of the provision of jobs, reasonable unemployment-figures and local businesses). The understanding of decline consequently also includes these indicators.

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Demographic and economic trends

Tomas Hanell & Jörg Neubauer

The BSR – unity versus diversity

The Baltic Sea Region (BSR) covers a vast area. As with any other large meso-region of Europe, the BSR's urban system is not an integrated whole, but is rather a peculiar mix of eleven national systems where to varying degrees transnationally interlinked relationships act as linkages between the various subsystems.

The obvious expression of its heterogeneity is the dichotomy between its densely populated southern parts on the one hand, and the northerly peripheral areas on the other (Figure 1). This aspect separates the BSR from all other meso-regions in Europe, given the vast spectrum of the divide. The density of the most densely populated municipality in the BSR (Frederiksberg in central Copenhagen) is nearly 50 000 times higher than that in its most sparsely populated one (Savukoski in Finnish Lapland).

A second obvious dichotomy is its east-west divide, although this division is now slowly being eroded, or at least blurred. Nonetheless, the economic divide splitting the region remains one of the sharpest in continental Europe.

A third expression of the diversity of the BSR's urban system is the varying polycentricity of its subsystems. Poland in particular (but also e.g. Lithuania) is one of the most territorially balanced countries in Europe, whereas Estonia, Latvia and Fennoscandia are all dominated by a handful of large urban centres.

Fourth, the region is also characterised by the fact that not all countries bordering it (or the Baltic Sea) are necessarily economically or culturally oriented towards it. Much of Germany, Poland or (axiomatically) Russia is functionally oriented elsewhere. It is indicative that the BSR parts of Germany account for a mere 15% of the total German economy, and that a meagre 11% of German exports in 2003 was directed to the BSR (including the whole of Russia). Similarly, only a quarter of Russian exports are sent to the BSR (including the whole of Germany), while the three Polish voivodships (Zachodniopomorskie, Pomorskie and Warminsko-Mazurskie) that have a Baltic coastline account for only 13% of the Polish economy. In addition, Norway – possessing no Baltic coastline – is more often than not functionally directed towards the North Sea, although its Nordic connections remain very strong.

Finally, differences in the physical urban structures across the BSR are also

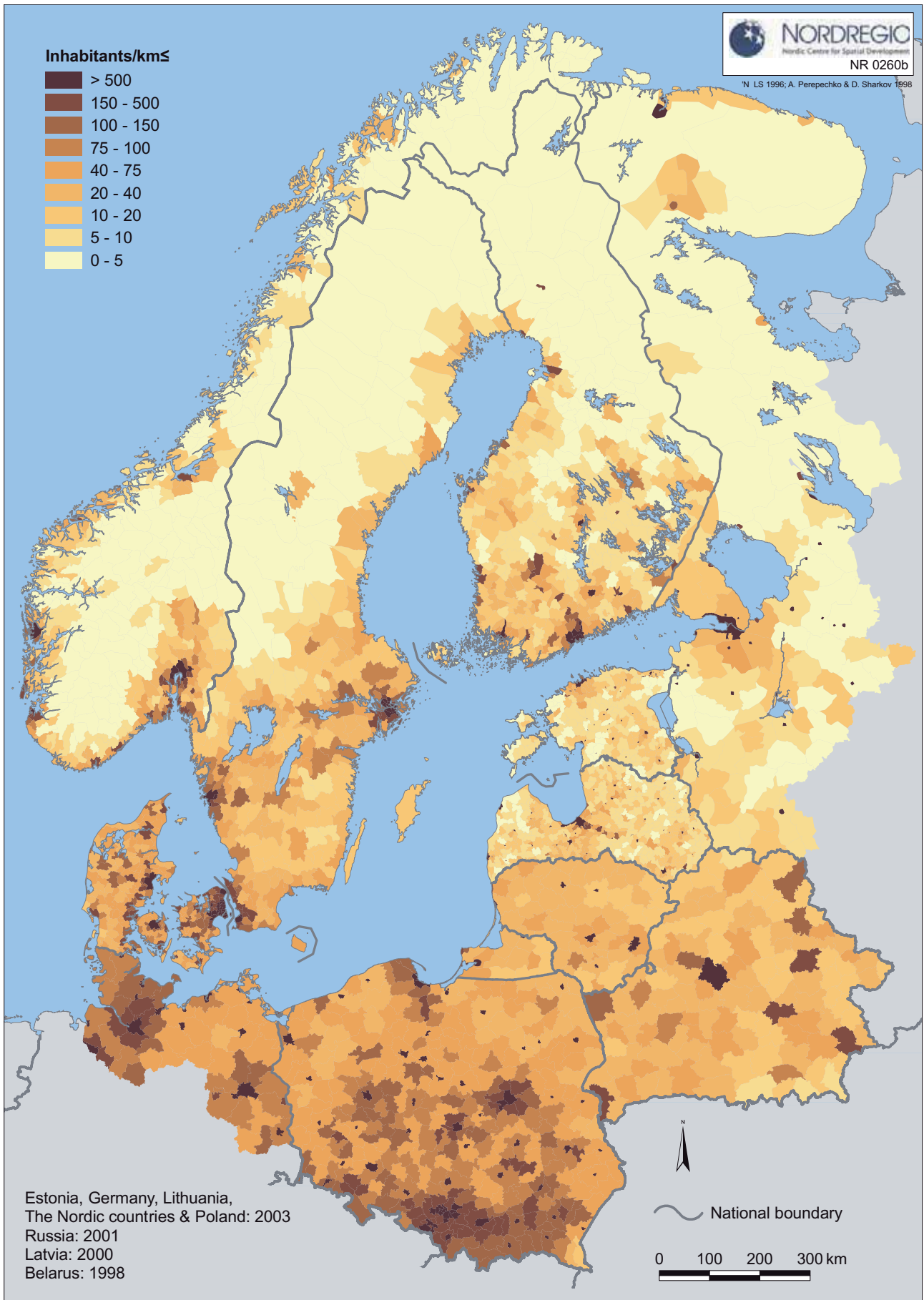


Figure 1. Population density in the BSR on the local level 2003.

striking. Figure 2 presents the extent of urban areas as a share of the total land area for all BSR regions. (The capital regions of Denmark, Norway and Latvia have here been merged for comparability reasons.) The data are based on satellite imagery¹ and measured to an accuracy of 1×1 km. This fairly crude measurement implies that the figures are not fully comparable with more accurate national measurements² but does nonetheless provide an interesting view of the regional differences as regards some aspects of land use in the BSR.

The land use with regard to urban fabric is much more heavily concentrated in the eastern parts of the BSR than in the west. Thus, even though population density in the eastern BSR (including the whole of Berlin and the New Länder) is nearly twice as high as that of the western BSR, the share that is occupied by urban fabric is one third lower in the east than in the west.

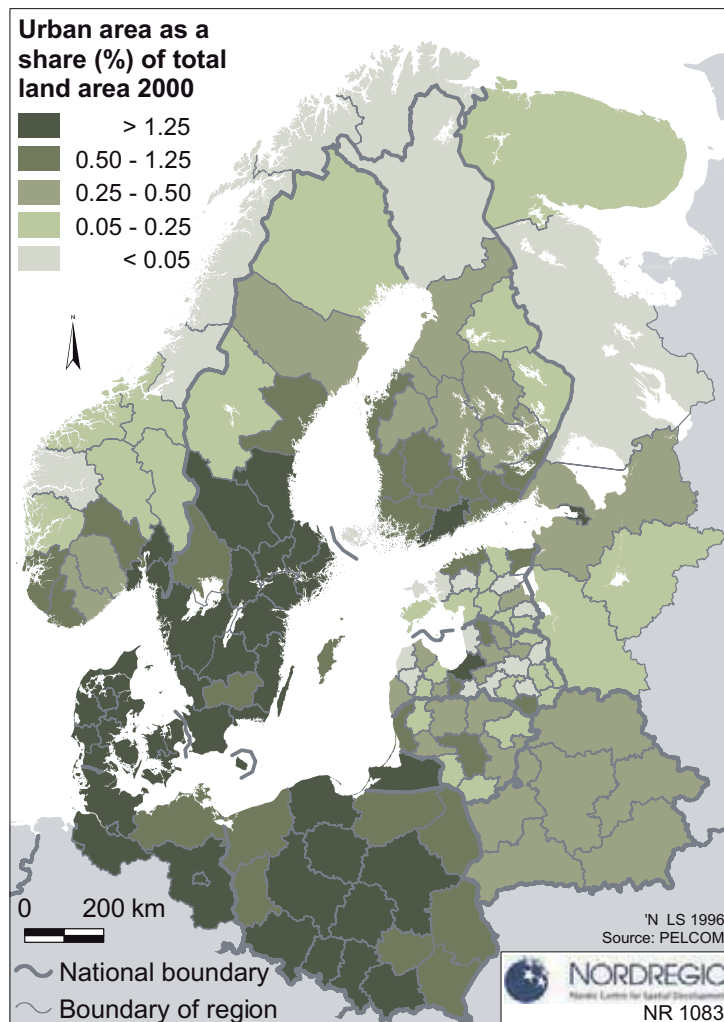


Figure 2. Share of urban area.

¹ PELCOM - Pan-European Land Use and Land Cover Monitoring. <http://www.geoinformatie.nl/projects/pelcom/>

² For example, compared to the more precise national measurements of the land cover the data presented herein covers only a third of the »actual« urban areas in Norway and less than a fifth of those in Finland.

Moreover, by further excluding densely built-up Poland from the eastern part, the share of urban fabric in the east would be more than 60% lower than in the west.

This difference is partly the historical legacy of the previously more stringent planning traditions of the eastern BSR, where in planning terms the division of urban and rural areas was much more distinct than in the west. Land speculation and urban sprawl were largely unknown phenomena in the east until the mid-1990s, but recent developments indicate that the distinction is likely to become rather less clear in the future as eastern BSR settlements are rapidly expanding. Growing car usage combined with changing life style patterns, the desire for more spacious living conditions, and emerging land speculation brings about a dispersed settlement pattern particularly around larger cities.

Furthermore, differences in the land use of the cities of the BSR are even today still partly the result of an earlier urbanisation of the eastern and southern parts of the region. Old cities are more economic in terms of land use, they are more densely built, the streets are narrower and parking spaces are fewer.

Notwithstanding this litany of profound differences and indeed the dichotomous nature of the region as a whole, most of these cities and areas were historically connected through the Hanseatic League and more importantly, again today express the political will to unify the region into one of the main economic and cultural engines of Europe.

The BSR urban system in Europe

Although lying largely outside the European Pentagon, the Baltic Sea Region nonetheless constitutes a part of the European urban system acting as the main transport gateway between continental Europe and northern Eurasia. The BSR contains a substantial proportion of all European cities, mainly due to the dense network of cities in Poland. Even so, the density of cities is nearly three times higher in the EU than in the BSR. The entire population of the BSR is less than a quarter that of the EU25, although its area corresponds to more than 60% of the equivalent EU one.

Taken as a single economic meso-region the BSR is neither large nor prosperous in comparison to the European core. The size of the BSR's economy amounts to a mere 17% of the corresponding EU25 one. The total Gross Domestic Product per capita in the BSR (excluding Belarus) when adjusted for differences in purchasing power amounts to an estimated 28% below the EU25 average in 2002. The inclusion of Belarus would only further lower that ratio.

Despite their (partially) relative remoteness, BSR metropolises are however fairly visible in the European urban network. The left side map of Figure 3 presents the location of all of the HQ's of the 500 largest European

enterprises (the FT-500 list) that are situated in the BSR. As this list³ still includes only eight east-European enterprises in total (and only two in the BSR), an addition of the headquarters of the 100 largest firms in Eastern Europe is also presented, although the market value between the two groups of companies is not truly comparable. However, the general structure is here of more interest than absolute comparability and hence the addition seems plausible.

In the BSR, large cities dominate as locations for economic decision-making. Looking merely at the 500 largest European enterprises, the Nordic capitals are in the strongest position. Stockholm emerges as the principal BSR location for large European multinationals with as many as 21 HQ's, well over a third of the BSR total (which is 57 out of 500) and more than in e.g. the whole of the Netherlands. Sweden is a country where large enterprises have been the norm for nearly a century, and Sweden was also (like its continental counterpart Switzerland) early on focussed on export driven manufacturing thus retaining even today a position unrivalled in the BSR. In addition, Copenhagen/Øresund and Helsinki have, relatively speaking, a large representation of multinational HQ's, while Oslo, Berlin, Hamburg and Gothenburg each have between two and four. Warsaw, with two HQ's, is the only eastern European city in the BSR on the list.

Turning our attention specifically to the eastern BSR, we see that the spatial structure is generally similar to that in the West, as capitals and large economic centres dominate company HQ location. One difference is however that the relative position of the eastern BSR in the general east-European context is much stronger than in the west, as 40% of the 100 largest east-European enterprises have their headquarters in the BSR, compared to a mere 11% (of the 500 largest) in the western BSR. Not surprisingly, Warsaw with 17 headquarters comes out as the main attraction, Poland being the largest BSR country in economic terms and accounting for a quarter of the region's entire production value. Other Polish cities such as Kraków, Wrocław and Gdynia and to a lesser extent the smaller towns of Grudziadz and Œwiecie (both outside Bydgoszcz) are also well represented. In the Baltic States the capitals Tallinn, Riga and Vilnius dominate almost completely, with the exception of large petrochemical enterprises in Ventspils (LV) and Mazeikiai (LT). Three large Russian enterprises have their HQ's in St Petersburg, which is not that many in comparison with Moscow, which has 14.

Comparable patterns are also discernible in other reviews of large enterprises, though small variations exist in the measurement of the size of the companies concerned. In a corresponding investigation by the Financial Times, the unit of measurement was the total revenue of enterprises. Notwithstanding this however the pattern remains fairly consistent. Stockholm once again is the prime location in the BSR, followed by Helsinki and the other Nordic capitals, plus Hamburg and Berlin. Stavanger in Norway and the Swedish city of Gothenburg constitute the only non-metropolitan locations in the BSR.

³ www.ft.com/FT500/ 16.5.2004

On a solely Nordic basis a similar concentration is also evident in a survey conducted among the 102 largest global enterprises⁴. Of these, 65 enterprises had a joint Scandinavian or Nordic HQ in 2004, serving all three, four or even five (Iceland is at times included in the Nordic organisations) countries as a group. In this context however the dominance of Stockholm is challenged by the Øresund region (Copenhagen and Malmö), where some 40% of the regional HQ's are located. Nonetheless, Stockholm has a similar amount of enterprises. The main difference between the two competing locations is the rate of change as Øresund has clearly acted as a magnet attracting investment in recent years. In 1997 the number of such organisations in Øresund amounted to a mere 12, and this number has thus been tripled in only seven years. Gothenburg is also favoured by many enterprises as the location of their Nordic/Scandinavian regional HQs, but these decisions are to a certain extent based on such locational factors as the historic position of an enterprise at the time of buy-out. Oslo and Helsinki are in this respect clearly hampered by their physical location, the first lying outside the main Nordic air traffic axis Copenhagen-Stockholm and the second, in addition to this factor, also laden with the linguistic burden. On the other hand Finland (and therefore Helsinki as a location) is in several cases (supposedly for these same linguistic reasons) not included in the joint Nordic organisation of these companies, but is being served by a separate organisation.

A rather different conclusion emerging from this survey is that the Nordic region is still not seen even today (in organisational terms, at least) by nearly 40% of these multinationals as a natural arena for action, albeit arrangements of this type are increasing rapidly. In these »mergers« of national marketing organisations into regional ones competition among cities is thus even more crucial as the number of such arrangements are expected to increase in the future. In many cases the locational factors in this game are (apart from the ever-present issue of connectivity) more often of a »softer« type, including factors such as cultural and leisure amenities, attractive housing, a safer environment, or pure city »image«, as opposed to often cited »hard« locational factors such as company legislation, the taxation level, EMU membership or the educational level or linguistic skill of the workforce.

Summing up then, in the examples outlined above it thus appears that the international or even global business centres in the BSR are, with few exceptions, primarily metropolitan areas, the exceptions being mainly cities where the economy is based on raw material refinement or historical factory locations. A completely different view of globalisation is presented in the map on the right of Figure 3 where the regional offices of the three most globalised accountancy firms in the World have been mapped. These firms (KPMG, Ernst & Young, and PricewaterhouseCoopers) have been selected from the GaWC list (see above) of global service firms due to their strong regional representativeness. All enterprises operating in the global arena do not necessarily need other international market services (e.g. advertising,

⁴ Svenska Dagbladet, 21 April 2004 and Borsen, 21 April 2004.

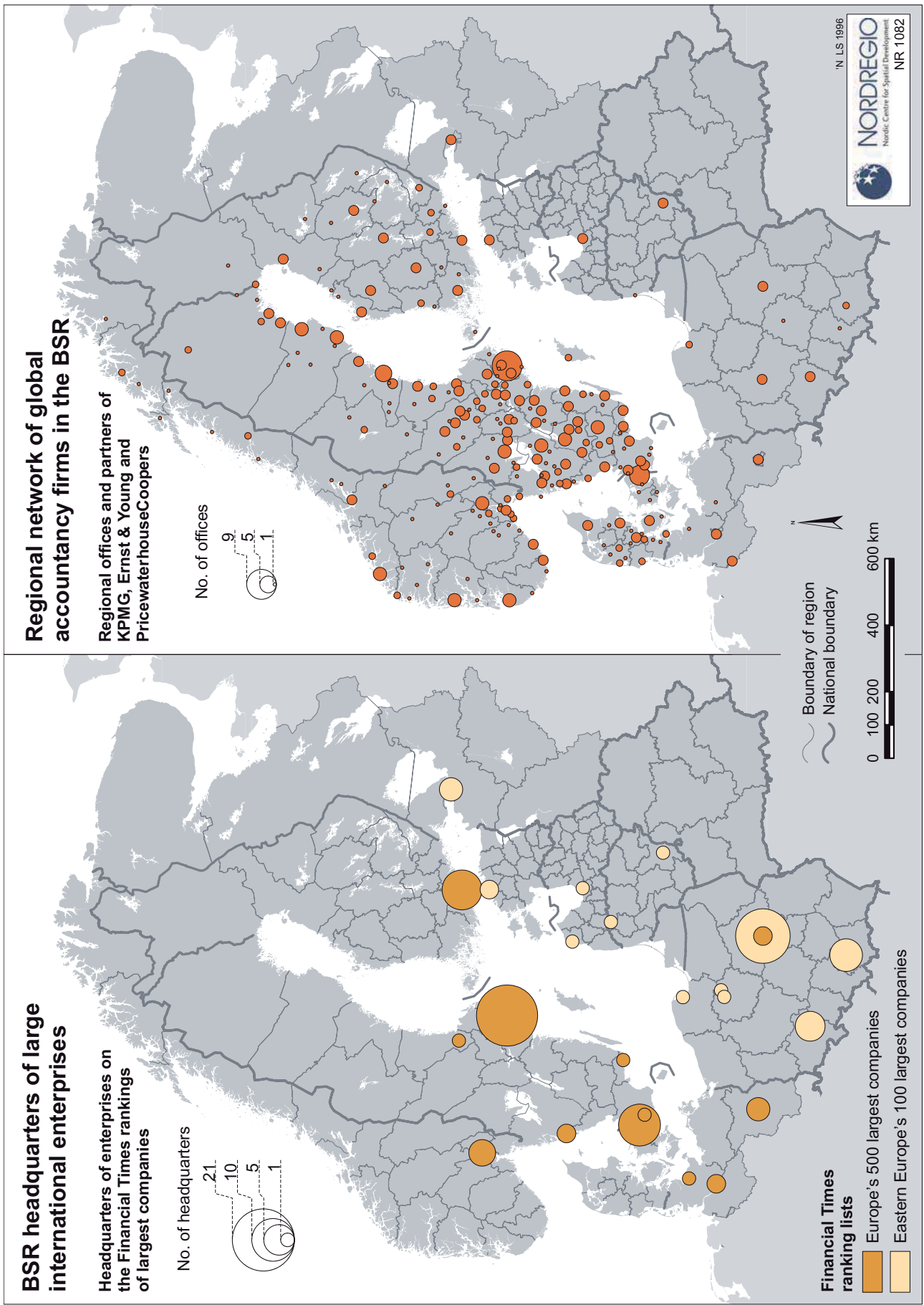


Figure 3. Two aspects of globalisation – BSR economic giants (left) and global actors in the BSR (right).

banking & finance or law) on a regional basis as these functions are much more concentrated to a few global centres, whereas accounting services are usually demanded in physically close proximity to one's own activities. Furthermore, global business strategies in accounting are often based on buy-outs, mergers and partnership agreements between multinationals and small or medium-sized privately owned enterprises. Therefore an examination of this specific industry provides a good picture of how global business services are currently penetrating even the most provincial locations of the BSR.

The network of offices and/or partners of these three enterprises is at its densest in Sweden, basically covering the entire country. Stockholm is the obvious hub, not only in respect of Sweden but also of the entire BSR. Moreover these multinationals are also present in the other Nordic countries, in all major cities and nearly all regions. The contrast here to those areas constituting the southern and eastern BSR is striking. In the Baltic States and in the Russian BSR only the metropolitan areas are covered. With a few exceptions this holds true for the BSR regions of Germany as well. The picture for Poland is more balanced, but the network of offices or partner firms is still rather thin in comparison to that existing in Scandinavia.

Strict accounting legislation is one obvious explanation for the Nordic overrepresentation here as the demand for such services is widespread. Other explanations include the relatively small size of the Nordic domestic markets, combined with a recent opening up of these markets to external competition, facilitating inward investments and forging enterprise networks. In the particular case of Sweden, the country's early economic internationalisation significantly affected the pattern. Germany on the other hand has a large domestic market and international competitors thus have greater difficulties in penetrating German home markets. Domestic competition may be stronger and the rationale for an extensive network weaker. Economic development in the Baltic States again remains however – with the exception of the metropolitan areas – on such a level that international competition here remains weak.

These few – but carefully selected – examples indicate that the BSR has already been opened up to global competition, but at different levels depending on the country, region or city at hand. A rough grouping of the position of cities and regions in the BSR would lead us to identifying »actors« and »reactors«, where the economy of the former is actively shaping the international and global business, whereas that of the latter is, for the most part, reduced to reacting to its consequences. From this particular perspective the reality of globalisation is that cities and regions – within countries – often become competitors in this game. Whatever their short term impact however it is most likely that these trends will not be reversed in the foreseeable future. Rather it is more likely that they will further intensify, especially in those parts and sectors of the region that remain today, for various reasons, sheltered from their effects. On the other hand these examples also illustrate the wider economic power of the Baltic Sea region in the European arena. If this position is to be maintained or even developed, the increasing inte-

gration of the metropolitan areas of the BSR seems inevitable. A majority of the BSR countries are relatively small in economic terms and thus an increased level of networking is one way to address the problem of size. On a European scale the vast »urban« resources in Poland and St Petersburg in particular need to be harnessed for the good of the BSR as a whole. In this context, cities as economic engines do have a prominent role to play.

Cities as engines of development

Cities and urban areas are without doubt the main engines of economic development in the BSR. The concentration of economic activity, corporate decision-making, labour, foreign direct investment, knowledge and innovation to the metropolitan areas in the BSR is substantial. For example, the nine capital regions of the BSR (plus Hamburg and St Petersburg) account for more than a third of the region's entire production value, although they contain only a fifth of its population on a mere 3% of its land area. In 2002 the GDP per capita in these metropolitan regions was 1.6 times higher than in the rest of the BSR and this gap is steadily widening.

The demographic magnetism of larger cities in general and metropolitan areas in particular is also strong. The migration surplus to the twelve metropolitan cities during the period 1995-2001 was on average 0.2% each year. However, suburbanisation and increased commuting entails that the absolute winners among the cities of the BSR (when taken as a group) are smaller settlements in close proximity to metropolitan cities, for which the corresponding figure was 0.5% per year on average.

A further indication of the role of the capital cities is the relative level of housing prices vis-à-vis other cities in the country. The European Council of Real Estate Professions (CEPI) recently measured the average sale prices for apartments sold in 20 European capitals and »second cities« in 2004⁵. The rightmost column of Table 1 presents the prices in the capitals in relation to corresponding average prices in the second city of each country. Belarus, Estonia and Russia were not included in the survey.

Riga in particular stands in a league of its own, as housing prices there are more than three times those in Daugavpils. In Finland, Sweden and Lithuania however average prices in the metropolitan cities were also 1.5 or more times higher than in their countries' respective second largest urban centres. Only in BSR Germany was the relationship an inverse one, as apartments sold in Hamburg were, on average, some 25% more expensive than those in Berlin.

The economic structure of metropolitan cities as well as of most other large cities is dominated by the service sector. In the western BSR, services account for the lion's share of both employment and production. In many large cities in the eastern parts of the region manufacturing constitutes the

⁵ CEPI Annual Report 2004.

Table 1. Sales prices for apartments sold in eight BSR capitals and second cities in 2004.
Source: CEPI Annual Report 2004

Country	Capital		Second city		Ration of price Capital/second city
	City	EUR/m ²	City	EUR/m ²	
Latvia	Riga	800	Daugavpils	250	3.2
Finland	Helsinki	2 600	Tampere	1 600	1.7
Lithuania	Vilnius	600	Kaunas	400	1.5
Sweden	Stockholm	3 700	Gothenburg	2 400	1.5
Poland	Warsaw	1 000	Poznan*	800	1.3
Norway	Oslo	3 000	Bergen	2 500	1.2
Denmark	Copenhagen	2 700	Århus	2 400	1.1
BSR Germany	Berlin	1 500	Hamburg	1 900	0.8

main source of economic activity, the most extreme case being Belarus, where in the 24 main urban centres of the country more than two thirds of the workforce is employed in manufacturing. However, cities such as Tampere and Lahti in Finland or Bremen in Germany demonstrate that this is not exclusively an eastern affair. The question however remains whether these cities will in the long run maintain this structure, or whether the economy will be transformed in favour of non-material production. Current trends in most eastern BSR countries indicate that the latter seems to be the case.

The metropolitan cities are also centres for most traffic. An estimated two thirds of all passenger air traffic in the BSR is channelled through the metropolitan areas alone. Moreover, rail and road transport networks in most cases also converge in metropolitan areas. In respect of sea transport however the situation is not as polarised, as many BSR metropolises are either landlocked or do not have significant port functions.

Depending on the varying historical processes when it comes to the founding and location of universities and other academic research institutions, the picture differs slightly from one BSR country to the next. In general however, the larger BSR centres dominate academic research. Thus, when it comes to the level of education, larger cities are generally in a stronger position than smaller ones, let alone rural areas. In the BSR as in the EU as a whole the share of population that has attained a tertiary level education is in general substantially higher in densely populated areas than in sparsely populated ones. For instance in Lithuania the ratio is 1:2 in favour of densely populated areas. Corporate R&D is also concentrated primarily to metropolitan areas, although cities such as Oulu demonstrate that this is not exclusively the case.

Data collected within the Urban Audit Programme⁶ indicate a similar concentration, although here the focus is on large or medium-sized cities alone.

⁶ The Urban Audit programme within Eurostat collects information on the living conditions in 258 large and medium-sized cities within the European Union and the candidate countries (EU27). The present programme builds upon the Audit Pilot Project (1997-2000) and currently (May 2005) contains data for 189 cities in EU15. Data for the 69 cities in the 12 remaining countries will be published in 2005. For more information, see: <http://www.urbanaudit.org/>.

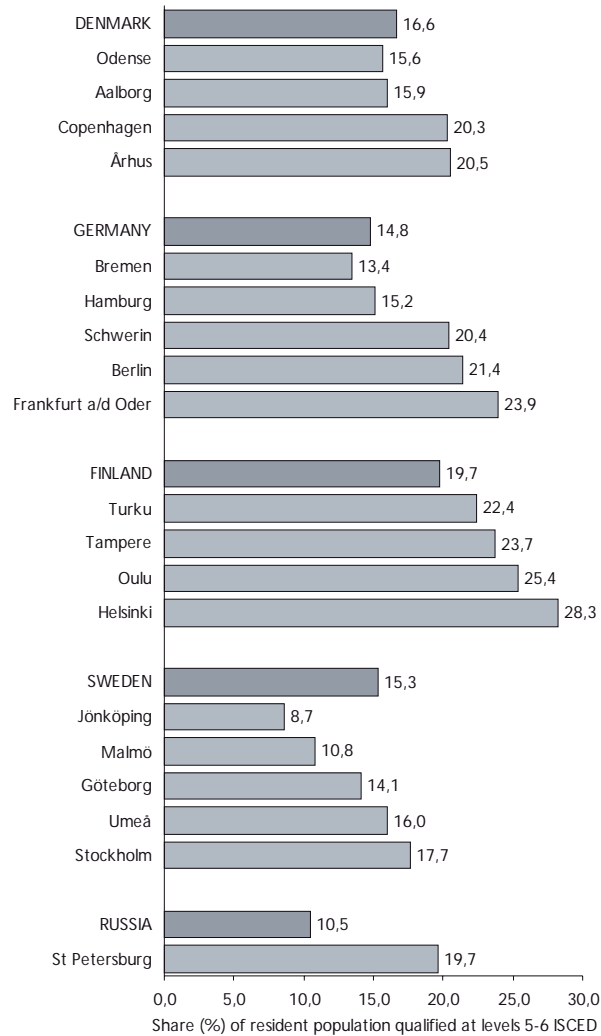


Figure 4. Share of population with a high education 2001, selected BSR countries and cities. Source: Urban Audit database, May 2005. www.urbanaudit.org, Russia: own estimations based on data from Statistics Finland.

Figure 4 presents the share of population that have attained a higher educational degree (ISCED classes 5-6) in all 18 BSR cities included in the database. Information for St Petersburg has also been added.

The average percentage of the population that has attained tertiary education in all 189 cities currently included in the Urban Audit was less than 13. In this sense most included BSR cities perform well, only two Swedish cities were below this rate: Jönköping and Malmö; the former being in Swedish terms a pronounced industrial city and the latter in addition to that also hosting a substantial amount of foreign immigrants.

In relative terms in the BSR St Petersburg is in an extraordinary position *vis-à-vis* the overall Russian average, as the rate of highly educated persons is nearly double that of the country average as a whole. Also in relation to the other Russian BSR regions (taken as a group) this ratio is close to 50 percent higher. St Petersburg, with over 12% of all PhD holders in the Russian Federation and nearly 11% of its research staff (as opposed to a mere 3.9% of the population), constitutes the single largest concentration of scientists

in the BSR. Although steadily declining throughout the 1990s they still numbered nearly 100 000 persons in 2002, which is over twice as many as in e.g. the whole of Sweden. Much of the research currently carried out in St Petersburg is however not market-driven.

Economic polarisation

Although the most tumultuous times in the recent history of the Baltic Sea Region are probably now over, the region is still showing signs of turbulence at the turn of the Millennium, while globalisation and structural change have taken a firm grip of both its eastern and western areas alike.

Despite the varying points of departure, economic growth has been exceptionally good across all of the BSR. During the ten-year period 1995-2004 almost all BSR economies saw a faster economic growth rate than the European Union on average, with the BSR parts of Germany and Russia being the only significant exceptions. Not taking into account the last three years, developments in Denmark have been similar to those of the EU as a whole

The key driver in the economic development of the BSR varies from country to country, but some common patterns and trends are discernible. The relative prosperity of the BSR stems primarily from a high level of labour utilisation, i.e. substantial proportions of the working age population are actually employed and work comparatively long hours. The eastern parts of the region have correspondingly high rates in comparison with other CEE countries, especially when considering the hours worked per employee. Contrary to popular belief, labour productivity in the BSR is not particularly high. Only Norway and Finland have a higher Gross Domestic Product per employed person than the average rate for the old EU15 Member States. This gap may not however exist for long as labour productivity in the eastern countries of the BSR is rising, whereas it is, in relative terms at least, decreasing in all western BSR countries save for Denmark.

Spatial polarisation however remains strong as the BSR hosts many of the wealthiest EU regions as well as most of the poorest ones. Among those one hundred (NUTS3) regions in the EU with the lowest GDP per capita in 2002 no less than 56 were within the BSR. Additionally all seven Russian BSR regions qualify in the same category as in all likelihood would those from Belarus – were comparable data to be available. The relative disparity between the regions of a country is clearly largest in BSR Germany, as the east-west distinction remains sharp. Overall regional polarisation is also substantial in Latvia, Estonia and BSR Russia, while it is marginal in Sweden and Denmark and also small in Norway. Even more alarming however are the most recent development trends. Comparing the total regional disparities between 1995 and 2002 (Norway and the Russian BSR 1995-00) they have increased in all countries save for the Russian parts of the region.

Similar concentration patterns are also discernible with regard to employment although in traditional Polish manufacturing cities in particular the

decline in the number of jobs has been colossal. Disregarding the obvious national differences, city size then remains an important factor in explaining new job creation (Figure 5). In general, the larger the city, the more favourable has been the development of its employment, the Silesian conurbation(s) constituting the major BSR exception. The only main exceptions to this »size-of-city« pattern in the BSR are a number of smaller cities surrounding metropolitan areas, but even here development is highly selective, dividing these commuting cities into winners and losers alike.

In the BSR as a whole, rural areas have in general performed slightly worse than the cities they surround with regard to new job creation. This holds true for most areas of the BSR indicating that the process of concentration of employment opportunities to urban areas continues unabated.

Connecting employment change to overall economic development divides the region into two distinct groups. Figure 6 presents the relationship between economic change (x-axis) on the one hand and employment ditto (y-axis) on the other. For the most part data covers the period 1995-2001 and is expressed as annual average change.

On average in the eastern BSR increases in productivity are so huge that an annual economic growth rate of 7% would be needed in order for employment to remain constant. In the western parts of the BSR an average economic growth rate of 1.5% per year is sufficient to maintain the balance. Developments in Russian BSR are similar to those in western BSR.

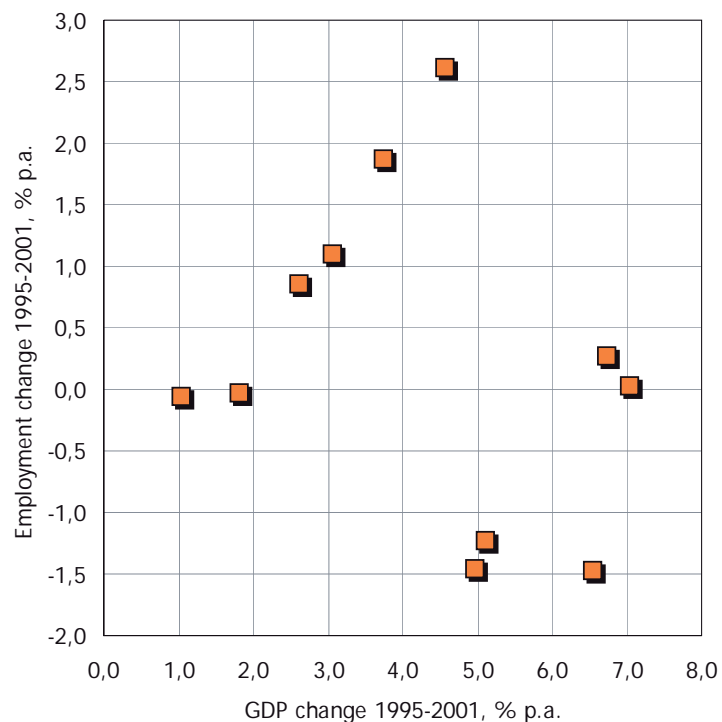


Figure 6. Economic growth and employment change 1995-2001.

¹ Employment change 1996-01, ² Employment change 1997-01. Source: National Statistical Institutes

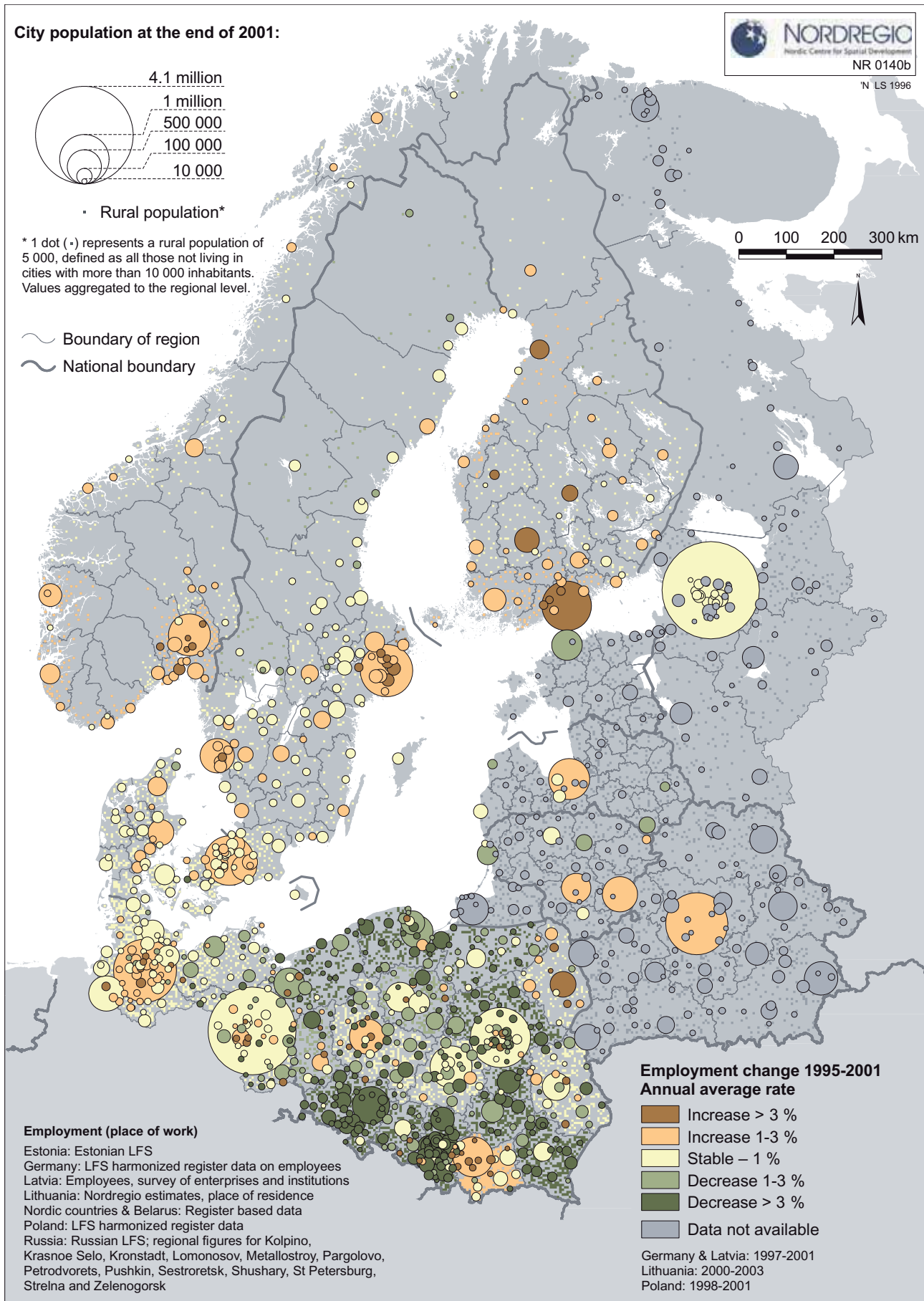


Figure 5. Employment change in BSR cities and rural areas.

Branch-wise data on employment change provides further insight as to the current transition process in the BSR. Although the area is diverse some common traits can be observed. Primary production is by and large now being dismantled in the region, while manufacturing is also on the decline. The main source of new employment, measured in absolute terms, comes from the rising number of jobs in the service sector. Although little comparable data exists to corroborate the fact, much of the increase in the service industries probably stems from increases in private services rather than in public ones. Capital and other large city regions have, in general, seen the most rapid employment growth. The twelve metropolitan regions alone account for approximately one third of the total BSR increase in service sector employment.

There thus seems to be an ongoing process of labour reorganisation in the BSR where agricultural jobs lost in peripheral regions and manufacturing ones in industrial regions are being replaced by service sector jobs in metropolitan areas and other large cities. This transition process cannot but help to reinforce the ongoing shifts in the settlement structure of the region. Moreover, in countries – such as Poland or Belarus – that have both a large rural population and a relatively underdeveloped service sector, the likelihood of increased future rural-urban migration seems greater.

In respect of unemployment, national differences are in general mirrored at the city level although unemployment is by and large lower in the larger cities than in their respective countries on the whole. Somewhat unexpectedly the differences between countryside and city are rather small. Distinct urban-rural differences with regard to unemployment now exist only in some parts of Poland.

As regards employment the only BSR countries to currently lie above the Lisbon target of an employment rate of 70% are Denmark, Norway and Sweden. At the other end of the scale however we have Poland, where only 51% of the population aged 15-64 years are employed. The other countries fall in between these extremes, but all eastern BSR countries remain below the EU25 average. On the city level, national rates are once again mirrored (Figure 7). Nevertheless, the metropolitan cities remain, for the most part, in a far better position with regard to employment frequency than most other major cities in their respective countries. However, for the second and third tier of large and medium-sized cities in particular, the pattern is different in virtually every country of the region.

Demographic shifts within the BSR urban system

Since the early 1990s the population structure of the BSR has undergone a number of significant changes. A major decline occurred in the eastern BSR population in the years directly following the dismantling of the planning economies, with the new Millennium continuing to witness changes in the

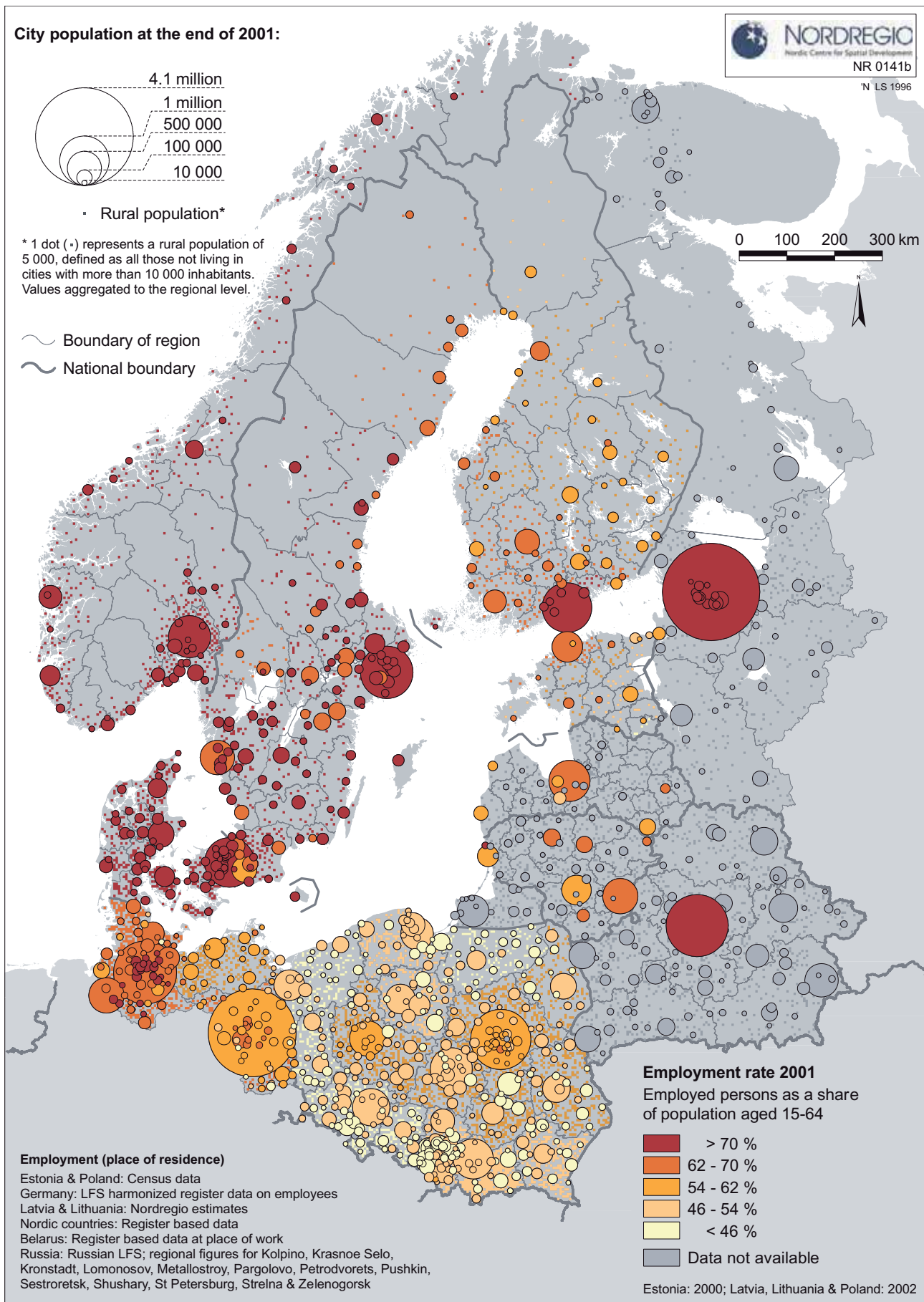


Figure 7. Employment rate in BSR cities and rural areas.

east that are still negative but not as dramatic as those that have occurred previously.

In the Nordic countries the opposite situation prevails, as Finland, Norway and Sweden have witnessed a constant population increase throughout the post-war era. With a brief exception period in the early 1980s, this also holds true for Denmark.

Due to high birth rates overriding substantial emigration the population of Poland has also increased steadily throughout the post-war era up to the turn of the Millennium, when for the first time the Polish population began to show a tendency towards decline.

The Baltic States and the BSR parts of Russia display an overall population decline in urban and rural areas alike. Apart from Lithuania, the decline has been faster in towns than in the countryside.

In Norway and Denmark again the opposite situation prevails as both urban and rural areas exhibit rapid growth rates. In Norway, which contrary to Denmark is still in its urbanisation phase, growth has been substantially faster in cities than in rural areas, whereas Denmark shows a more balanced growth.

Finland and Sweden, and to a lesser extent Belarus, display the textbook urbanisation pattern with rapid urban growth and equally rapid rural decline (Figure 8). In Belarus the rural »exodus« is admittedly substantial, but it is completely overshadowed by the highly negative natural population balance in these areas. In some rural areas of eastern Belarus this decline has exceeded the rate of 2 % on average every year. Finally, in Poland and in the German parts of the BSR, the contrary situation prevails – as rural areas are gaining and urban areas are losing population. In the German parts of the BSR, natural population change is negative in all rural areas apart from Lüneburg.

The Nordic countries and Belarus display a further »classic« development clearly tied to the city size, i.e. the larger the city, the better, on average, the performance with regard to population growth.

Amongst all 521 BSR cities where the population has declined between 1995 and 2001, nearly 80%, or 406 cities, are in the eastern BSR. This is a substantially higher share than the share of eastern BSR cities from the BSR as a whole.

The leading role played by migration is evident for the cities of the Baltic Sea Region, where migration accounts for approximately two thirds of all urban population change in the region. However, low nativity and/or high mortality provide the primary engine behind the course of demographic changes in the cities of BSR Russia and to a lesser extent Latvia.

The single largest absolute decline in BSR urban population has taken place

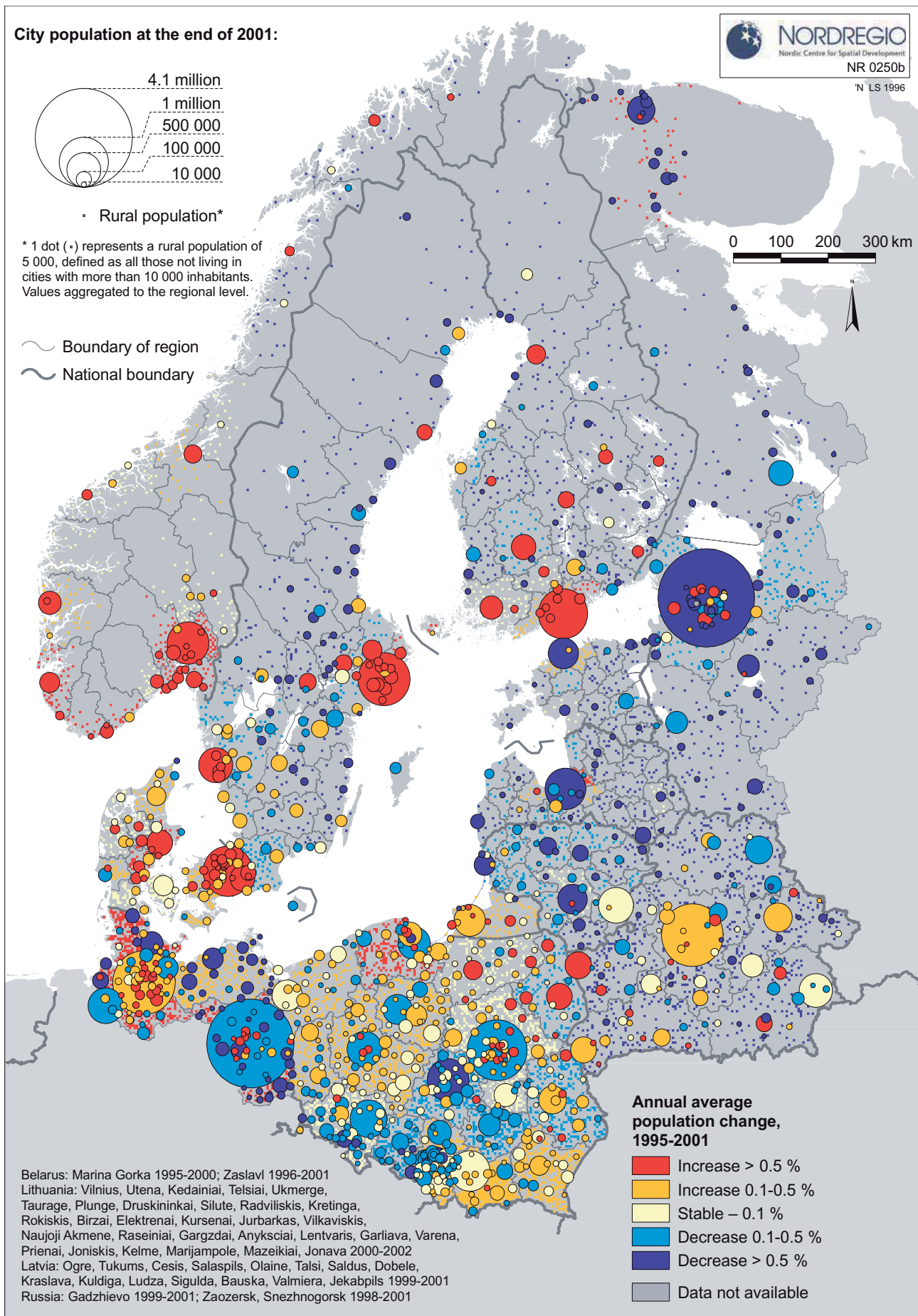


Figure 8. Population change in BSR cities and rural areas.

in St Petersburg, as the city's population decreased by approximately 140 000 persons over the period in question, solely due to an excess of deaths over births. Increased mortality combined with declining birth rates is the primary cause.

Smaller cities in commuting distance from large metropolises are the largest winners in the BSR. This holds true for all BSR metropolitan areas apart from those in the Baltic States and Belarus.

The pattern for the non-urban areas of the BSR varies. The region's rural areas are divided by a hypothetical loop encircling the three northernmost counties of Norway, covering Sweden, Finland and BSR Russia, through the Baltic States and ending in Belarus. In these countries – apart from Stockholm county, the urbanised triangle in southern Finland, Murmansk oblast and St Petersburg, the capital regions of Estonia and Latvia as well as a handful of other regions in the Baltic States – rural inhabitants are decreasing at a, for the most part, alarming rate. The situation is similar albeit not as critical, for the rural population in three other Norwegian counties, the Danish Sønderjylland and five Polish voivodships.

The changes in the urban population of the BSR depicted above assume very different forms when looked at from the viewpoint of selected age groups. For example, the population aged 30-39 years diminishes rapidly across virtually all eastern BSR cities and rural areas alike. Of the 468 cities in the Baltic States and Poland for which data is available, this age group decreased rapidly in all but 21 cities (a majority of these few cities being satellite towns for large Polish cities).

In the Nordic countries in particular the corresponding increase in persons aged 50-59 years is overwhelming, increasing at a very fast rate in all rural areas and in all but five Nordic cities. Similarly, all but four Polish cities (in Upper Silesia) have experienced dramatic increases in terms the numbers of these soon-to-be pensioners.

The current pattern concerning the balance between different age groups remains polarised. A relatively high number of young persons can generally be found in smaller settlements surrounding the large metropolises of the BSR. The reason for this is obvious: families with children of this age have chosen to settle in the surrounding areas of the metropolises because they have children, hence generally obtaining more spacious housing at a lower cost than would have been the case had they settled in the cities themselves. The gulf between the core metropolitan city and its' surroundings is, with regard to the young population, evident in virtually all of the metropolitan and large city areas and particularly wide around the largest cities of Poland. Moving beyond the metropolitan areas, the pattern in the BSR is almost exclusively such that the smaller the city, the higher the share of children. Adding further momentum to the disparity, the highest young age dependency rates are in rural areas.

When it comes to the share of elderly persons the distribution with regard

to the urban structure is not as clear-cut as is the case with the younger age groups. Rather, in this case each country displays its own structure. Some common patterns are nevertheless apparent. In half of the BSR countries, large cities have disproportionately higher shares of elderly population in comparison with the rest of their countries. However, the remaining metropolitan cities are either somewhat on a par with their respective countries or have remarkably lower rates. Most satellite towns around the large cities have lower shares of elderly population. One commonality that most BSR countries share is having substantially lower rates of older persons in rural areas and very small towns.

The male female distribution of the working age population is first and foremost guided by national differences. The low share of males in the eastern BSR is in this respect remarkable even on a global scale. Of all 210 countries covered by the United Nations statistical system, Latvia and Estonia have the lowest shares of males of all countries. In addition, Lithuania and Belarus rank among the ten lowest countries for male populations in the world, as is the case for the Russian Federation as a whole. Furthermore, in this ranking, Poland occupies the 36th position.

Examining structural patterns more closely, large cities have, in general, a substantial female surplus vis-à-vis the other cities of their respective countries. When descending the urban hierarchy however, the relative surplus of females gradually shifts to a corresponding surplus of males. On the whole however, in both relative (to their respective countries) and in absolute terms, there are few females in rural areas. Of all BSR regions for which data is available, the share of females of working age in rural areas exceeds 50% in only six regions.

Changing labour market conditions¹

Mats Johansson

Many of the cities that are participating in the MECIBS project have demographic as well as labour market problems. Low birth rates and out-migration – especially of younger people – have in many cases resulted in a population decrease and a lop-sided age structure. Unemployment differs between the cities but is despite this a common problem as many low educated persons have problems to get a foothold on the labour market. Some of the cities are located close to each other, while others are more isolated. Some of the cities are also more or less integrated in larger local labour markets – often metropolitan ones – while the opposite is valid with regard to small cities far away from larger population agglomerations. This also has implications with regard to development and transformation of the involved cities especially then with respect to investments, employment opportunities and settlement patterns.

From cities and municipalities to local labour markets

It is, however, obvious that the concepts of functional regions and local labour markets are becoming more frequent and relevant with respect to the discussion of regional development and that the dualism regarding urban and rural is becoming increasingly insignificant in many aspects (cf. e.g. ESPON 1.1.2, Final Report). Instead these dividing lines are from a labour market point of view in many cases reminiscences from the industrial society but of course still valid between differing regions where distance is of great importance. As the local labour markets are expanding the rural parts within a local labour market will be gradually more dependent of and interconnected with the development and transformation in the urban areas.

This has also been accentuated during the last decades as a consequence of deindustrialisation and renewal in some old factory towns. The losers are old factory towns in the European periphery. Less attractive old industrial districts have little to offer in the new situation, and location shifts have been one of the results – even with respect to manufacturing industry and then both concerning labour-intensive and knowledge-based ones even if the motives are different. This has also resulted in a situation where the urbanisation has slowed down in the northern part of Europe (Wegener 1995). This changed urban hierarchy has also had effects on the rural areas in Europe, including the MECIBS-countries, where rural areas in the neigh-

¹ The text is based on interviews with mayors, politicians, officials, entrepreneurs, social workers and researchers from Jüterbog, Kuldiga, Lappeenranta, Norrtälje, Nyköping, Randers, Salo and Sillamäe.

bourhood of expansive metropolitan areas have grown. These counterurbanisation tendencies have also been obvious even in many other parts of Europe (Champion, 1989, 1998; Cross, 1990; Kontuly, 1998; Westlund 2002).

The municipality level is, however, not the best delimitation with regard to analyses of labour market development and settlement patterns. Instead, functional local labour markets – based on commuting patterns – have been created and the point of departure in the creation of these is municipalities. The regional enlargement process is thus obvious. There are, however, different gender patterns with regard to commuting and local labour markets. Men are working on larger local labour markets than women and it is also a well-known fact that highly educated people are working on larger labour markets than people with lower education.

The regional enlargement process also develops with regard to the economic fluctuations. Commuting increases during good times and stagnates during bad times. This is in much an effect of the changing labour demand and supply. If there are no jobs to commute to the motives for commuting are absent and it is then better to stay at home.

Regional enlargement and labour market adjustment

The theoretical approach with regard to the effects of regional enlargement is based on labour market segmentation where different segments on the labour market are supplied and demanded in different quantities. The labour market has, thus, become more and more segmented regarding competence levels – the labour force is not homogenous but rather heterogeneous. The labour force consists of several separate segments, each of which has its own supply and demand curves and wage levels and, thus, also their own surpluses or shortages of labour. This also implies that the supply curves for the different segments are not the same and that similar migration stimuli can have different effects on different groups. The maladjustment or the mismatch on the labour market seems also to have been accentuated during the structural transformation from an industrial to a post-industrial society. This way of thinking has also been a central ingredient in the segmented labour market theory since the early 1970s (cf. e.g. Doeringer & Piore, 1971; Vietorisz & Harrison, 1973. Myrdal talked already 1957 about »spread« and »backwash« effects with regard to regional convergence and divergence).

This also implies that mobility and investment are two processes that reinforce each other on the regional level. This will result in a divergent development and polarisation. Another consequence is that small local labour markets have fewer job opportunities than larger ones. In order to get rid of – or at least diminish – the mismatch on the labour market, regional enlargement and larger functional labour markets are possible solutions (Johansson & Person, 2000). This also is in line with the objective of polycentric urban development. It must be kept in mind that the preconditions with regard to

polycentric or monocentric development differ a lot in various parts of Europe. In the central parts of Europe (Pentagon)² the polycentric tendencies seem to dominate while in the Northern and Eastern parts the monocentric ones seem to be most pronounced (cf. e.g. ESPON 1.1.1, 1.1.2 and 1.1.4, Final Reports). This also seems to be the case with regard to the MECIBS area perhaps with the exception of Poland.

Regional enlargement implies more commuting on the one hand and »new« settlement patterns on the other. In the industrial society, closeness to jobs was of utmost importance but in the post-industrial society this connection has decreased in importance. This also means that housing amenities and good living conditions have grown in importance with consequences for the settlement patterns (Hall 1995; Massey 1995; ESPON 1.1.4, Final Report).

Another consequence is that employment opportunities within municipalities and smaller cities have lost in importance, especially within larger local labour markets. Instead, the attraction of cities or municipalities as residential areas has grown in importance and especially with regard to well-educated people with high incomes. It should be kept in mind that it is not the population size that is the most important factor with respect to development, transformation and economic well-being. Instead, it is more and more the »right« kind of people that generate an image with new prerequisites of transformation and endogenous growth as a consequence – the post-industrial investment and localisation pattern is quite different from the industrial one. It should, however, be kept in mind that preconditions for regional enlargement and endogenous growth differ as a consequence of the localisation and accessibility to larger local labour markets.

Different locations, different preconditions – a schematic typology

The small and medium-sized cities vary considerably with respect to development preconditions within the MECIBS-area as well as within the individual countries. With regard to remoteness and population density and thereby with respect to the links to the national economy and regional centres three types of cities can be distinguished – all applicable to the MECIBS territorial structure and then also to polycentric or monocentric development, cf. table 1.

The first type is cities just outside big cities but integrated in their economy and labour market. These small and medium-sized cities have often been characterised by population growth as – among other things – a consequence of in-migration and decentralisation of the settlement pattern. Especially families with children and middle-aged people have settled down in these cities – with relatively large rural surroundings but with good communications to the more dynamic centres. This can be seen as a typical consequence of the integration of small and medium-sized cities in a monocentric development.

² Pentagon is the area delimited by London, Paris, Milan, Munich and Hamburg.

Table 1. Three types of local labour markets in the MECIBS area.

Large local markets	Small local labour markets	Remote and isolated labour markets
Densely populated	Relatively sparsely populated	Sparsely populated
Good accessibility	Short-distance accessibility	Low accessibility
Out-commuting	Balanced commuting	No commuting
Balanced net-migration	Out-migration	Out-migration
Families in-movers, youngsters out-movers	Youngsters out-movers	Youngsters out-movers
»Balanced« age structure	Lopsided age structure	Lopsided age structure
Dependent on the labour market in the centre	Dependent of labour markets of surrounding cities	Dependent of its own resources / the public sector
Diversified economy	Small and medium-sized industries	Raw-material based large industries
High educational level	Low educational level	Low educational level
Housing areas	Jobs are prioritised	Jobs are prioritised
Amenities, a pull-factor	Job shortage – a push factor	Job shortage – a push factor?
Good »matching« on the labour market	Labour market »mismatch«	Labour market segmentation – even regional »mismatch«
Post-industrial migration and settlement pattern	Still industrial migration and settlement pattern	Industrial migration and settlement pattern
Results: Invulnerable to economic chocks	Results: Vulnerable to economic chocks	Results: Very vulnerable to economic chocks
Integrated in a large and diversified LLM	Integrated in a small LLM	A labour market of its own
Positive population development	Stagnating/decreasing population	Population decrease
Monocentric regions	Small polycentric regions?	Links to metropolitan regions a solution?
Regional enlargement – already a fact	Regional enlargement – a solution?	Regional enlargement – no preconditions

It should, however, be kept in mind that this decentralisation of the settlement pattern is not a suburbanisation process like the changed residence pattern of the 1970s that was characterised more by suburbanisation than expansion of »old« small and medium-sized cities in a transformation process from an industrial phase to a post-industrial one. This also means that focus is on different strategies. Today attractive housing conditions are a pull factor in itself – suburbanisation was much an effect of housing shortage that resulted in growth of small villages on the outskirts of the cities.

The second type is small and medium-sized cities with some distance –but too long for daily commuting – to big city areas but with relatively good communications to them. These cities – also with rural surroundings - are not so dependent on the economic development in the big urban centres. As a consequence of good communication links they have more and more been involved in the local labour markets of the small and medium-sized regional urban centres. These relatively densely populated communities are noticeable ingredients in the urban-rural structure in the MECIBS-area.

These small and medium-sized cities with their rural surroundings can be seen as – and included in – small polycentric structures.

Despite their polycentric characteristics most of them are, nevertheless, retarding out-migration local labour markets. It is not distance that is the big problem here – rather it is the weak diversification of the local and regional economies that hamper renewal and transformation. These cities are neither new ones – instead they have often been small regional or local centres. Many of them are still in the industrial phase and dominated by a few big companies.

The third type is remote and isolated cities in the periphery. These cities are characterised by out-migration, ageing, low-skilled labour force and – of course – long distances and weak connections to the rest of the country and the densely populated areas. The economy is of a dual character with respect to the national economy and then especially with respect to the dynamic metropolitan areas. The local labour markets are spatially large but with few inhabitants and often consist of only one municipality with a »shaky« and undiversified economic structure and are often dominated by one or two big companies where the location factor was e.g. some type of raw material or the »place factor«.

One of the consequences of the very long distances to built-up areas and small regional centres is that the preconditions for a polycentric development are almost nonexistent. The possibilities concerning a self-generated endogenous growth are also missing and many of these remote areas are very dependent on the official transfer system to survive. A polycentric community structure with regard to these cities is thus more or less lacking. These cities – with large rural surroundings – have also experienced a negative population development for a long time. The cases discussed above can be illustrated by Figure 1 where these different cases are showed in a schematic way – cases that all are relevant with regard to various MECIBS-cities.

Types of local labour markets in the MECIBS-area – some cases

Table 2 shows in a schematic way the different preconditions with regard to regional enlargement and a polycentric development. From other studies, it is known that the MECIBS-area has experienced a more monocentric than polycentric development. Before discussing the different MECIBS-cities and city regions a summing-up of the different characteristics with respect to development preconditions is done below from a functional local labour market point of view.

Four MECIBS-cities – Randers, Norrtälje, Nyköping and Jüterbog – are here investigated and included in the category large monocentric labour markets. Of these, the city of Randers is perhaps the one that is involved in some form of polycentric development despite the dominance of Aarhus –

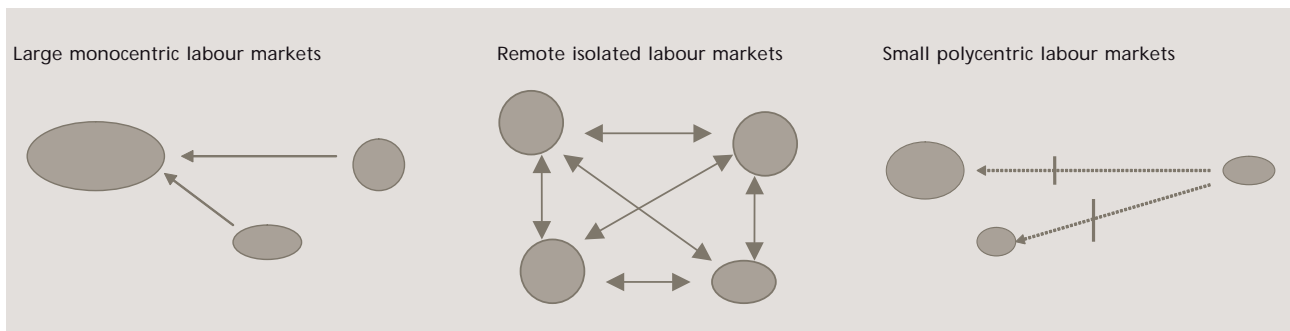


Figure 1. Regional enlargement. A preliminary typology with regard to the MECIBS area.

the second largest city in Denmark. The labour force in Randers has an educational level below the one that exists in Aarhus County. This also indicates that in-commuting is a precondition for the more knowledge-based companies – 50 percent of the engineers are living outside Randers. This also means that in-commuting is larger than out-commuting.

In order to get rid of this problem a solution is to create attractive living conditions where new housing areas is a major strategy. Randers has the image of an industrial city with a lot of blue-collar workers as inhabitants. This has also resulted in the image of Randers as a violent city – perhaps a media phenomenon – that has been a negative factor with regard to recruiting new inhabitants. This is one of the reasons behind the housing policy. One means is to retain as many as possible of the young out-movers once they have completed their studies. One effect of this will be a more attractive city for businesses and a change of the unfavourable age structure. The Town Council also wants to stop the out-migration of families and even this will also counteract the skewed age structure and change the image of the city.

Four cases of large monocentric local labour markets

The two Swedish MECIBS-cities Norrtälje and Nyköping are integrated in the metropolitan labour market of Stockholm. This labour market is more monocentric than polycentric and out-commuting from both cities is large. This is especially valid with regard to Norrtälje where 7000 persons commute every day. Both cities can thus be characterised as housing areas where good living conditions and good communications are of utmost importance. Both municipalities are located in the Archipelago at the Swedish East Coast that is an attractive location factor for families and elderly people.

Norrtälje is the largest municipality with regard to the area – Norrtälje covers one third of the area in Stockholm County. One of the consequences is that Norrtälje has large rural areas – the same is, by the way, valid with regard to Nyköping. Norrtälje also consists of three built-up areas – Norrtälje, Hallstavik and Rimbo with their own different labour markets. This is especially valid with regard to Hallstavik that is a traditional »factory town« dominated by a large paper mill with around 1000 employees. This also implies that the Northern part has a different economic structure and character than the other parts. Commuting and out-migration from Hallstavik

are also relatively low compared to the whole of Norrtälje municipality. Norrtälje »city« is the regional centre with administration and a large service sector. Rimbo is more like a dormitory suburb where many people are working at Arlanda Airport.

The spatial structure of Norrtälje means that the three built-up areas are not integrated in a common labour market. Distance is one hampering factor between these centres – instead people are commuting to Stockholm-Uppsala where the labour market is quite different from the labour market in Norrtälje.

Housing is a pull-factor with regard to in- and out-migration in Norrtälje. New housing areas are one way of hampering out-migration of young people and families. This strategy is based on a more accentuated integration with the local labour market in the Stockholm-Uppsala region. Many middle-aged and elderly people have also become permanent inhabitants in their summerhouses. The in-migration structure stimulates the population increase but accentuates the already skewed age structure. This will be an increasing problem in the future as it creates greater needs concerning both elderly and medical care.

Nyköping is a city that consequently has prioritised amenities and good housing as location factors with regard to recruitment of new inhabitants. Its coastal position 100 km south of Stockholm has resulted in a population increase and in-migration even if deaths have been larger than births – at least during the turn of the century. The age structure is skewed with a high share of elderly people as a consequence of out-migration of youngsters to the Stockholm region.

The commuting pattern is oriented towards the Stockholm region but even commuting to Norrköping-Linköping is relatively large. Train does most of this but it seems still to be too time-consuming. The commuting across the county is, however, by car. Nyköping is thus more integrated with the local labour market in the Stockholm region than with other parts of the county despite the neighbouring city of Oxelösund. The latter is included in the local labour market of Nyköping even if the capital investments in the steel work have diminished the demand for labour during the last years. Nyköping is, thus, a good illustration with regard to the post-industrial migration and settlement patterns where jobs and residences are separated with regional enlargement as one result.

Jüterbog is located close to a metropolitan local labour market. It takes approximately one hour by train from Jüterbog to Berlin but despite this Jüterbog is not really integrated in the metropolitan labour market. The commuting pattern is characterised more by short-distance commuting – e.g. to Luckenwalde – than long-distance commuting. This is partly a result of the move of the county administration to Luckenwalde in 1997 than of other labour market reasons. With respect to long-distance commuting Jüterbog has a negative balance to other regions. Many of these weekend commuters are potential out-movers and – if nothing happens – will leave

Jüterbog for labour market reasons. This is a typical symptom of an industrial migration and settlement pattern where the job opportunities have high priority with regard to the settlement choice.

Cities between two large local labour markets – two cases with different structures and preconditions

Salo is located between two large local labour markets – Helsinki and Turku – but is a labour market of its own. Salo has experienced a population increase during the recent years. The driving force in this development is the mobile telephone industry and especially then Nokia. This also indicates that the city is vulnerable with respect to shifting demand on the world market. Even if Salo is a labour market of its own the industry is dependent on in-commuting from other cities of specialists within the electronic field. This means that Salo is integrated – at least to some degree – with the labour market in Helsinki and Turku concerning highly educated people.

Kuldiga is located in the triangle Riga-Ventspils-Liepaja and the nearest larger local labour market is Ventspils that is the only realistic commuting area. During the 1990s Kuldiga has experienced a population decrease as a consequence of low birth rates and out-migration of younger people to the larger cities. The economic structure is characterised by small and medium-sized enterprises and the dominant factories operate in the fields of wood, food and textiles.

Even if the distance to Ventspils is only about 40 km it is too far away to be integrated in a functional local labour market with Kuldiga. Around 5 per cent are out-commuters and they are often specialists that live in Kuldiga but work in other places. The inhabitants in Kuldiga have relatively low education and there is a negative selection with regard to migratory movements – highly educated people move out and low educated move in.

The strategies for Kuldiga are not to be integrated in the larger local labour markets of Riga, Ventspils or Liepaja. Instead, one strategy is to attract people as Kuldiga is a small town with low costs of living, cultural activities and better accessibility to other cities. This should perhaps result in some in-migration of families and entrepreneurs that could develop the small local economy and a labour market more or less independent of the larger ones in Riga and Liepaja.

Resource based remote labour markets with different structures

Lappeenranta is localised close to the Russian border and is the regional centre in South Karelia. The city has experienced a population growth during the last decade and this is the opposite situation compared to other cities in South Karelia. As in most other MECIBS-cities, ageing will also hit Lappeenranta in the future.

The migration pattern of South Karelia is directed towards Helsinki or Lappeenranta. The regional dominance of Lappeenranta has, thus, been accentuated during the last decade. People who have problems to get a foothold on the labour market in Lappeenranta move to Helsinki – it is as

in many other cities people with low education that have problems on the labour market. So even if there should be tendencies to create a polycentric urban structure in South Karelia the dominance of Lappeenranta works in a more monocentric direction.

Many of the in-movers are students at LUT – Lappeenranta University of Technology – and relatively many of these students stay in the region after education. This is probably a function of the fact that Lappeenranta is the centre for a forest cluster in Finland and perhaps even in front line on the world level. One consequence of this is that the educational level among the employees is high which accentuates the image of Lappeenranta as a knowledge-based industrial city.

Another category of in-movers is people from the surrounding cities that can be characterised as settlement areas. When the children leave home, many of the parents move in to the city as a consequence of too much commuting and better service in the city. It should be kept in mind that Lappeenranta's localisation at Lake Saima is a pull-factor with regard to migration and settlement patterns. Even if Lappeenranta is dominated by a few big companies and can be characterised as a typical industrial town the migration and settlement patterns are in many cases not the industrial one but the post-industrial even if jobs and housing are located close to each other.

Sillamäe is located in Ida-Viru County – the most industrialised region in Estonia – and the centre for oil-shale production. Sillamäe can also be characterised as a typical industrial town. The biggest company is Silmet AS with around 700 employees producing rare earth metals.

Even if the distance to the county capital, Johvi, and Narva, at the Russian border, is short it is not correct to talk about a process of regional enlargement. The majority of the inhabitants are Russian speaking and the share of ethnic Estonians in Sillamäe is only 3 percent.

As a consequence of the breakdown of the Iron Curtain the population decreased sharply in Sillamäe. Even the employment opportunities dropped drastically during the first part of the 1990s and this is not a good precondition for regional enlargement. Instead, out-migration increased and especially people with higher education had – and still have – difficulties to find relevant jobs in Sillamäe. This has resulted in a lopsided age structure that has been accentuated by low fertility rates.

If regional enlargement shall be a way out of the population crisis of Sillamäe and then also concerning the labour market problems, the complementarities between the cities in the region must be developed. One precondition is increased commuting; another higher educational level among the stayers or that out-migration of highly educated people will be reversed. Otherwise there are risks that the vicious circle from the 1990s will continue and even be accentuated. The new harbour, the free zone and the short distance to Russia can in this case be a favour and possibly change the negative development spiral.

Regional enlargement in the MECIBS-area – a summing-up

In the MECIBS-area all categories mentioned above are represented. In the table below the cities discussed above are mentioned according to their position in the local labour market structure and their strategies with regard to development and transformation. A common ingredient for all cities is ageing that is a function of low birth rates and out-migration of youngsters even if – in some cases – there is in-migration of elderly people. Some of the cities have also experienced a population decrease during the last 10 years as a consequence of low birth rates and out-migration of younger people. It must be kept in mind that the following table more is an attempt to characterise the different cities with regard to regional enlargement than the absolute truth.

Table 2. Cities, development and strategies.

Cities	Type of labour market	Development and strategies
Norrköping	Integrated in a large local monocentric labour market	Population increase Three built-up areas Residence area In-migration of elderly people
Nyköping	Integrated in a large local monocentric labour market	Population increase Housing conditions Family in-migration Commuting
Randers	Integrated in a large local monocentric labour market	Stagnant population Housing conditions Changing image Family in-migration Commuting
Jüterbog	Close to a large monocentric local labour market	Housing reconstruction Get rid of the unused houses and flats Stimulate in-commuting
Salo	Localised between two large local labour markets, but a labour market of its own	Dependent on Nokia Lack of highly educated workers In-commuting In-migration of elderly people
Kuldiga	Small local labour market	Population decrease Out-migration (youngsters) to larger cities Small enterprises Cultural heritage – an image
Lappeenranta	Remote (polycentric) labour market close to the Russian border	Population growth Industrial city – forest cluster Services and trade to Russia »Centre of excellence«
Sillamäe	Remote labour market close to the Russian border	Population decrease Raw-material based industries Free zone

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The spatial transformation of cities

Niels Boje Groth and Olli Majjala

The restructuring of the old economic base of the city has often clear spatial and visual effects in the local urban environment. This transformation changes the land use and the composition of urban functions. It may also change the spatial relations between the city and the region, and even the role of the city in regional, national and international urban systems.

The effects of urban spatial transformation

The most direct local spatial effect of the economic (or sometimes societal) restructuring is the closing down of the former production premises or functional units (e.g. military base, large hospital, etc.). Sometimes it is only a question of inadequate possibilities to extend or modernise the production facilities at a particular site, and new premises are thus built within the same functional region. In these cases the spatial planning challenges are limited, firstly, to providing the new location fitting the new demands, and secondly, to finding new use for the old site. Typical questions arising in the latter situation are:

- Is it possible to continue the existing type of production?
- What other kind of production might the premises be suitable for?
- What other kind of uses might be possible? That is, what are the development potentials?
- Are there problems of land contamination?
- Are there conservation issues regarding the industrial and cultural heritage to be considered?

However, in most cases the production or function is either closed down totally or moved to other regions or countries. In these cases, also the spatial effects of restructuring are more multi-faceted and contain many indirect consequences. Due to a general lack of jobs or mismatch between former and new skill demands, local unemployment climbs and outward migration of people, especially among the young and working-age people, increases. Typical spatial reflections on housing include:

- Dwellings remain empty; and there is weak demand for housing.
- Qualitative changes in the housing demand, even in cases where new kind of production is located in the city, partly substituting the employment losses.
- An increasing differentiation in the local housing markets often leads to increasing market-oriented detached housing on the one hand, and problems of the maintenance of the old, often factory-connected apartment blocks and terraced houses on the other.

- Following the general European development trends, there is an increasing demand for housing suited for the elderly, which is often locally intensified, in relative terms, by the out-migration of younger age groups.

Besides effects on local housing, the rising unemployment and out-migration decreases the local tax base, leading to difficulties in public investments and maintenance:

- Problems of the financing of the public space: streets, squares, parks, green areas.
- Problems which are related to the quality of the environment.
- The weakening of private and public services; qualitative changes in the demand.
- Problems with the arranging of public transport (due to the lower population basis, and the changing locations of jobs and housing).
- The underutilisation of the built infrastructure (streets, pipelines, etc.) and building stock (if the sites and premises remain empty).

Finally, there is the challenge of the overall visual effects of restructuring in the local environment:

- The question of image and identity: what does the physical reality reflect, and how?

Historically, the symbols of traditional heavy industry, large centrally-located plants and smokestacks, were associated with progress and prosperity (e.g. Ward 1998). Since the 1970s onwards, however, these have more and more been seen as synonymous with backwardness, unemployment and environmental problems. Large workers'-housing estates – the reproduction units of the Fordist mass production model – are also connected to this image. In current city marketing, wealth and progress are more associated with knowledge, high technology, consumption and culture. The picture that the visitor gets of the city while visiting or just passing through, is thus highly significant for the revitalisation policies of restructuring cities (e.g. Hubbard 1995, Kotler et al. 1999) (cf. also chapters concerning spatial planning and city branding in the section »Regeneration«).

Variations in spatial transformation

There is a remarkable variation in the type and extension of restructuring the MECIBS-cities have been facing. The strongest effect of transformation has been in cities with an economy based mainly on a single enterprise, dominant employer or type of production, which has then closed down or drastically reduced local production. Nakskov, Sillamäe and Jüterbog belong to this kind of cities. In Nakskov, the closing down of the shipyard in 1986 left very large areas close to the city centre empty, but also opened up opportunities for new industrial development. In Sillamäe, the closing down of the former nuclear fuel production also left large areas with many empty buildings in the vicinity of the city centre. Although not located in the heart of the city in neither of these cities (as is the case in many larger textile and

wood-processing cities, e.g. Norrköping, Tampere, Varkaus) the production sites are very visible in the cityscapes. In Jüterbog, the withdrawal of the Soviet military troops in the beginning of 1990s left huge areas, including a vast amount of buildings, obsolete. However, unlike the other two cities, the military base is not present in the cityscape of Jüterbog, but is situated some three kilometres away and is even called »Jüterbog II«.

In Kokkola and Salo, restructuring affected mainly the middle-sized industry, typically food processing and textiles, which have almost disappeared in both cities. In none of the cities did the main industry disappear. In Kokkola the main industry is chemistry and in Salo electronics. In Herning, half of the jobs in the beginning of 1990s were related to textiles. In all three cities, the production units of the textile and food-processing industries have been rather small in size and often scattered around the city. This means that the sites themselves are usually not so visible in the city – and many of them have been quite easily transferable to other uses. As an example, we shall describe the process of transformation in Herning.

Smooth spatial transformation in Herning

In Herning, during the years 1993-2002, the number of workplaces within textiles and garments fell by about 2500. However, this loss was nearly entirely compensated by a growth within retail sales and business services, especially in the years 1997-2002. This has meant, among others, that practically no empty buildings or sites have been left in the city due to this economic restructuring.

The textile firms in Herning have grown up around many small firms and for many years the industry has been marked by this feature. Many of the small firms were established before the development of special industrial areas using modern city planning techniques. The firms were therefore located throughout the town. A contributing factor to the dispersed placement of the firms was that most of the textile firms were set up in the owners' own homes. Later, when the business has evolved, the house has expanded or an annex has been constructed on the lot. In this way, a unique tradition of craft worker housing lots developed, combining both residential and work functions. Early on, there also developed a tradition for the larger textile firms to hire seamstresses who worked out of their homes. The entire production process (delivery of materials, retrieving the finished garment and training, etc.) was organised by the firm. This form of production further underscored the integral connection between dwelling and production.

In this environment of smaller firms supplemented with home-working seamstresses, production evolved up until the 1960s, when some of the firms began to grow and establish themselves on larger lots in planned business zones. In the late 1950s, Herning municipality constructed two commercial areas, one in the northern and another in the south-western zone of the town. Immediately east of the town, the Gjellerup municipality had constructed an extended business area in Birk between Herning and the village

Table 1. »Smooth« industrial conversion in Herning (Numbers refer to the map, figure 2).

Conversion of textile companies	
1	Herning Clothing Factory ⇒ Herning Textile Museum
2&10	EGE carpets ⇒ VM data (IT firm) – moved to Birk North
4&9	Elas textile rubber ⇒ grocery and private hospital (Dalgas) – moved to Birk North
7	Neila (textile firm) ⇒ 100 youth dormitory units
8	JBS (under garments) – still operating
11	Angli Shirt factory ⇒ Herning Art Museum
12	Femilet (women’s undergarments) ⇒ office use and storage warehouse
13	Skovhus Strik (knitwear) ⇒ Storage depot for Red Cross
14	Zacho Strik (knitwear) ⇒ furniture factory for Idé Møbler (furniture)
15	Hammer Thor (undergarments) ⇒ 29 apartment units
Conversion of other companies	
3	Herning freight depot ⇒ Dreissler Supermarket – moved to HI-Park in connection with consolidation with Ikast freight depot – now Danske Fragtmænd
5	Iron smelting plant ⇒ housing units
6	Lind Machine factory ⇒ advertising agency – moved to HI-park

of Hammerum, on both sides of the main road to Ikast and Århus. The idea here was to work towards an actual physical consolidation with Ikast, so that the area would become a single linear urban connection between the two cities. Birk is today fully built-up, so that Herning and Hammerum are physically linked together. It is preferably middle-sized facade-oriented firms which lie out along the highway, designed as a boulevard. Birk South has expanded southwards, among other things with the new Birk Centre-park. The ideas of developing the Herning-Ikast agglomeration were



Figure 1. From textile to dwellings. The former garment factory, Hammer Thor is remodelled into apartment units.

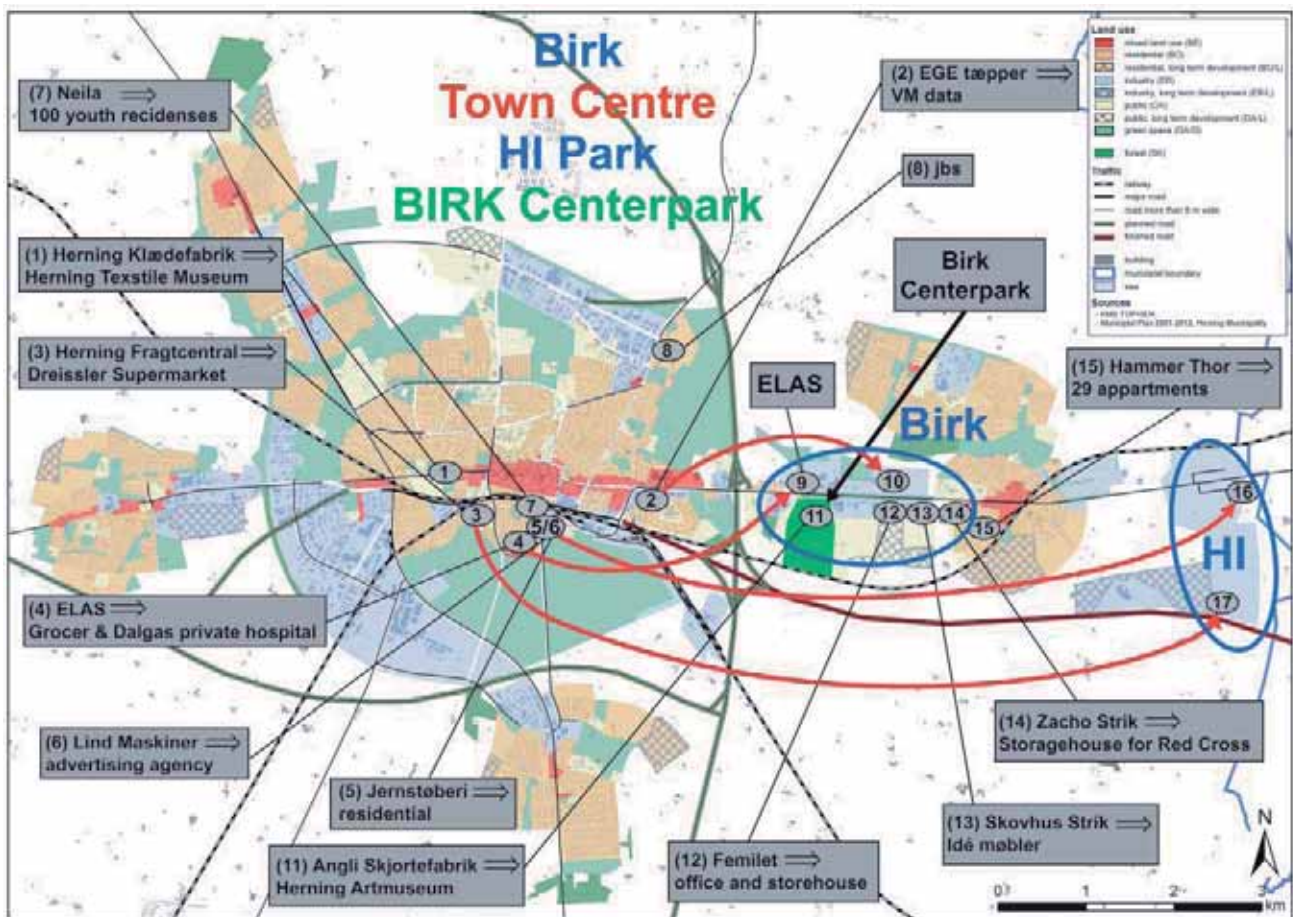


Figure 2. Herning adjusts to the textile industry. Herning has continuously been able to adjust to the growth and outsourcing of the textile industry. During the growth period, the textile industry moved from the central areas of Herning to the new industrial park Birk. Later, when the industries moved the manufacturing abroad, the manufacturing premises were closed down but without leaving open scars. Most of the buildings of the textile manufacturing – from small workshops in private houses to the large work-rooms – were suitable for other purposes: new industries and productions moved into the vacant premises.

concretised in 1993 with the construction of a new business district, the Herning-Ikast Business District (»HI-Park«) east of Hammerum, bordering Ikast municipality. The district is served by a new highway south of Herning-Ikast. However, the area has not developed at the pace it was planned to. This is partly due to the many conversions of former business areas in the existing buildings.

When employment in textile production fell due to the outsourcing of the manual labour, largely to Poland and Lithuania, several industrial properties became available for other uses. Despite the commercial space that became available during the 10 years when restructuring took place, no industrial buildings remained empty for any prolonged period. Many of the buildings belonging to small textile firms were changed to residential use. They often lay in mixed residential and business zones and often already had a residential dwelling on the property. They could thus be converted to residential use relatively easily. The properties which have not been converted into dwellings have been changed to other business purposes.

In general, the restructuring in connection with the closing of the textile firms took place via the operation of the normal housing and property market. Hence, there has not been a need for larger municipality planning efforts. The transition process is illustrated by examples in Table 1 and Figure 2.

The spatial effects of restructuring have been somewhat in the middle of the two aforementioned extremes in cities like Lappeenranta, Norrtälje and Randers. In Lappeenranta, the closure of companies took place in centrally-located areas and related to the traditionally most important industries like wood-processing (e.g. the Pikisaari sawmill area) and military functions (e.g. Rakuunanmäki military barracks). However, the biggest paper and pulp factories are still there and the transformation of these closed-down sites has been a quite successful, although slow, process. In Norrtälje the closing down of the former military area close to the city centre gave the city a chance for a new development. Here, as well as in Jüterbog, the closing down of the military area literally opened up very large areas of open land previously used for military exercises. In Randers, old industries important to the identity of the city have been closed down, e.g. Thor Brewery, Randers Rope, Dronningborg Industries and the Randers military barracks. However, besides the closures of highly visible industries also a lot of new companies have started up in the city. Compared to, for example, Herning, many of the centrally-located sites have been – or are planned to be – converted into other uses by the complete restructuring and replanning of the sites; e.g. by replacing old buildings with new ones for new uses. As a result, the visual changes in the townscape are more significant. This process is described as an example in the following in more detail.

Spatial porosity in Randers

The land use plan from 1970 had not foreseen that Randers would stop growing physically. Later, because of the many plant closures, numerous construction possibilities have arisen around the existing urban areas of the town. As such, the Randers city planning department has found space for 1300 new housing units within existing urban areas. This is considered to be a great advantage in developing the town »from within« rather than continued expansion into new areas. One of the benefits is that one can build upon the existing infrastructure. A disadvantage, however, is that the muni-

Table 2. Porosity in Randers.

New land use – after conversion	Ha	Number of projects
City centre / service	34	15
Residential	51	14
Business service	5	2
Total conversion (planned and realised)	90	31
Conversion from former industrial land use	47	14

The table reveals 31 examples of planned and realised land use conversions in Randers since early 1980s. The examples are provided by the city of Randers, the urban planning department.

city has less influence on the sale of land, as the developmental possibilities are now created on private land. The Randers city planning department calls this flexibility created within the framework of the city »porosity«.

Through 31 examples of urban transformations since about 1980 the planning department has illustrated how porosity occurs in the city. The examples are shown in Table 2, revealing also the state of transformation (i.e. completed, ongoing or planned).

For each example, the land use is specified before the transition, as well as the current or planned land use. All in all, the 31 examples represent the transition of 90 ha of urban territory. The largest territory is an older industrial area, Hvidemølle, on 21 ha situated at the waterfront of Randers Fjord. At Hvidemølle the city council has decided to initiate an urban transformation. The first step in the implementation was the purchase of a closed industrial property in the area. The second largest territory is the former military barracks on 17 ha. Here urban transformation is difficult, since the property is situated in the northern part of the city, far away from the educational milieu and the industrial districts in the southern part of the city. Other estates are Randers Rope (3,2 ha) and Thor Brewery (2,8 ha). The city council bought Randers Rope. The buildings have been demolished and apartments are being constructed on the site. The Thor Brewery is owned by Bryggerigruppen Ltd. Currently, it is planned to convert the estate into use for city businesses and apartments.

Figure 3 shows the geographical position of the urban transformations. About 50% are situated in or close to the city centre. Thus, urban transformation is first and foremost influencing the central parts of the city. Half of the examples have to do with transformation following the closure of industrial production. One might expect that the urban transformations reveal the trend in society to substitute industrial functions by business service. However, only in two examples have the transformations given rise to business services. 15 of the transformations have resulted in the establishment of city centre and service functions and 14 transformations have ended up as housing areas.

The overall picture is that Randers is transforming into a new role, i.e. from an industrial city into a commercial and residential city – keeping in mind, however, that the 31 examples represent only 3% of the urban zones of Randers.

Spatial effects on housing

Due to reduced demand there is also the problem of empty dwellings. This is especially the case in the cities with a closed-down military base, such as Jüterbog. In Jüterbog, some 10% of the total amount of housing units was unoccupied in 1995. Besides the decreasing population, this is also due to a bad state of repair of the buildings and different location preferences. Despite the expected continuous decrease in population in Jüterbog, the

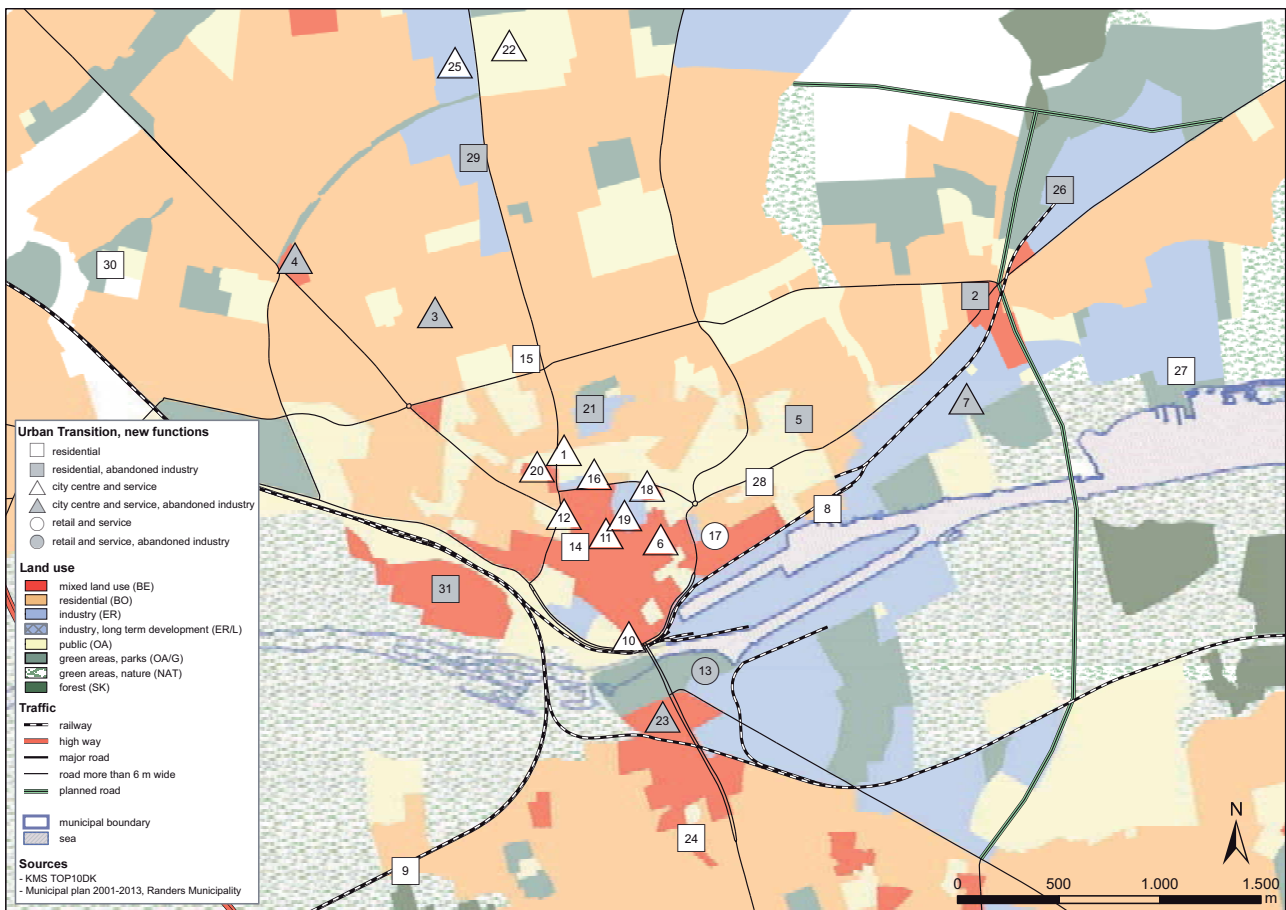


Figure 3. Land use conversion in Randers.

demand for large well-equipped dwellings is expected to increase. In many cities, there have been qualitative changes in the demand for dwellings and living environments. Large suburban-located areas of apartment blocks with their at one time modern and well-equipped and thus attractive apartments, are no longer popular. Often these areas have later become objects of public social intervention and renewal projects. This has been the case, for example, in areas like Koivuhaka in Kokkola, Ollikkala in Salo, Sammonlahti in Lappeenranta and Brandkärr in Nyköping.

The period of stronger growth in many cities led to over-estimated extension plans, which may partly have been realised, often resulting in an ineffective and imbalanced city structure and infrastructure. For example, Kokkola was estimated in the 1960s to have double amount of inhabitants in the year 2000 than really is the case today. For this estimated growth, a structure of four satellite-towns was planned, but only one of which, Koivuhaka, was actually realised. Luckily, this locational decision and realisation only led to minor problems in accessibility and infrastructure costs.

Spatial effects on infrastructure and public space

The weakening tax-base in many cities has led to problems in financing public infrastructure and improvements of public space. As regards technical infrastructure, this problem is most significant and urgent in the Rus-

sian (e.g. Vyborg and Pskov) and former Eastern European cities. Cities all over Europe are interested in finding new ways of sharing the construction and management costs of traditionally public space with private partners, be they private enterprises, organisations or groups of citizens. This situation has also partly resulted in privatising the traditional public urban space by favouring the development of large inwards-turning shopping centres (small-scale examples can be found in, for example, Salo and Lappeenranta).

Arranging cost-effective public transport in small and medium-sized cities has traditionally not been easy. Often this can be at least partly compensated by the fact that the cities are small and compact, which enables easy accessibility to shops and services not just by car but also by walking and cycling. However, changing economic structures and increasing differences in values and preferences have led to larger dispersal of jobs, services and housing, even in smaller cities. For instance, in Lappeenranta the distance between the university campus and the city centre (some 5-6 km) is felt by many, especially the students, to be a major problem. The other transport-related problem is how to organise the increasing commuting in the expanding labour market areas by means of public transport, in order to contribute to more elastic labour markets in an environmentally as well as socially equitable sound way.

Finally, as the industrial heritage is currently associated with pollution and environmental problems, many of the MECIBS-cities are facing the real problems of contaminated soil and water qualities. In Lappeenranta, the former Pikisaari sawmill area on small islands close to the city centre is a typical example. Before turning Pikisaari into a new lakeshore housing area for 1500 inhabitants (now half-completed), some 150,000 tons of contaminated land (mostly blue stain suppression chemicals) were removed by the

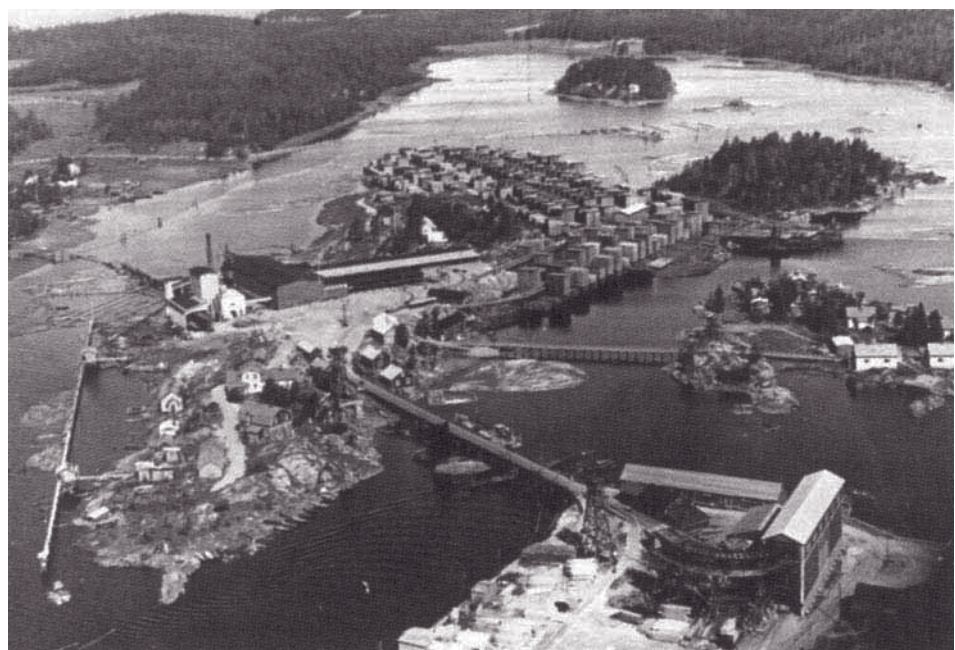


Figure 4. Historical view of Pikisaari old sawmill on islands close to the centre of Lappeenranta. The area is planned and now half completed as a new lakeshore housing area.

private landowner, the UPM-Kymmene wood processing company. The contamination problem is also extensive in the former military areas in Jüterbog and in the former nuclear fuel plant in Sillamäe (especially the radioactive tailing pond, where the remediation is ongoing).

Conclusions

Despite the commonly shared overall spatial effects of restructuring, the huge variety in scale, together with unique local situations, means that the respective spatial policies and actions have to be tailored to specific local circumstances and opportunities. In some cities the closure of functions is still a key problem to be solved (e.g. Jüterbog), whereas in other cities like Norrtälje and Nakskov, the closure has enabled an opportunity to develop new activities. The development of new activities depends very much on the market. However, examples from the MECIBS cities reveal the importance of local leadership and strategic conduct. If the market is not too grim, the ability of the local city administration to turn problems into opportunities and to involve new stakeholders has shown to be decisive. All in all, MECIBS-cities have in various ways and with great success shown how to use these local skills and turn the spatial transformation problems into assets for the new development. These interesting cases of urban spatial planning for transformation are dealt with in section 2.

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Changing patterns of economic activity in a global world as reasons for transformation

Andreas P. Cornett

Economic transition on the regional and local level depends to a large extent on the overall development in the national and global context. For the eastern part of the BSR, the process of catching up requires not only political and economic reforms, but also excessive economic growth to reduce the gap. For the western part, globalization causes significant changes of the regional economic base with regard to employment and income. In a global perspective development in trade and investment is an important driver, but also the regulatory framework in the international economy is important¹.

The global context

One source of growth is the strengthening of economic ties on the regional level, i.e. participating in the international division of production. A successful integration of the national economies is a necessary condition for regional and local development. The growth record for the new EU-members in the BSR is reported in details in the section »Networking«, Table 1.

In the process of developing economic relations, trade is usually the first type of link between independent economic units, and therefore it is also often the most sensitive indicator of changes in the economic environment. The main shortcoming related to this project is that networks of trade can hardly be identified on the regional or local level, at least not in official statistics. Nevertheless, the local impacts can be considerable. The redirection of foreign trade was also a first and most significant change after the dissolution of the Council of Mutual Economic Assistance in 1991. The result of this process in the BSR is illuminated in Figure 1.

Figure 1 illuminates the result of this process based on intra-regional trade-flows for the BSR. The most important trend is that the Baltic Rim region is the dominant foreign trade partner for the smaller economies only. Considering the nature and the size of the German economy, the importance of the Baltic Rim as a geographical region diminishes further. In a global perspective it has to be stressed that trade has been developing much faster than economic activity (measured as real GDP-growth), cf. Figure 2.

¹ A recent example is the protectionist response by the EU to the consequences of the liberalization of the MFA agreement on the European textile industry with potential significant influence on the restructured Danish textile industry (Politiken 9.8.2005). If the liberalization in the global context cannot be considered reliable the below discussed threats from re-outsourcing may be reduced.

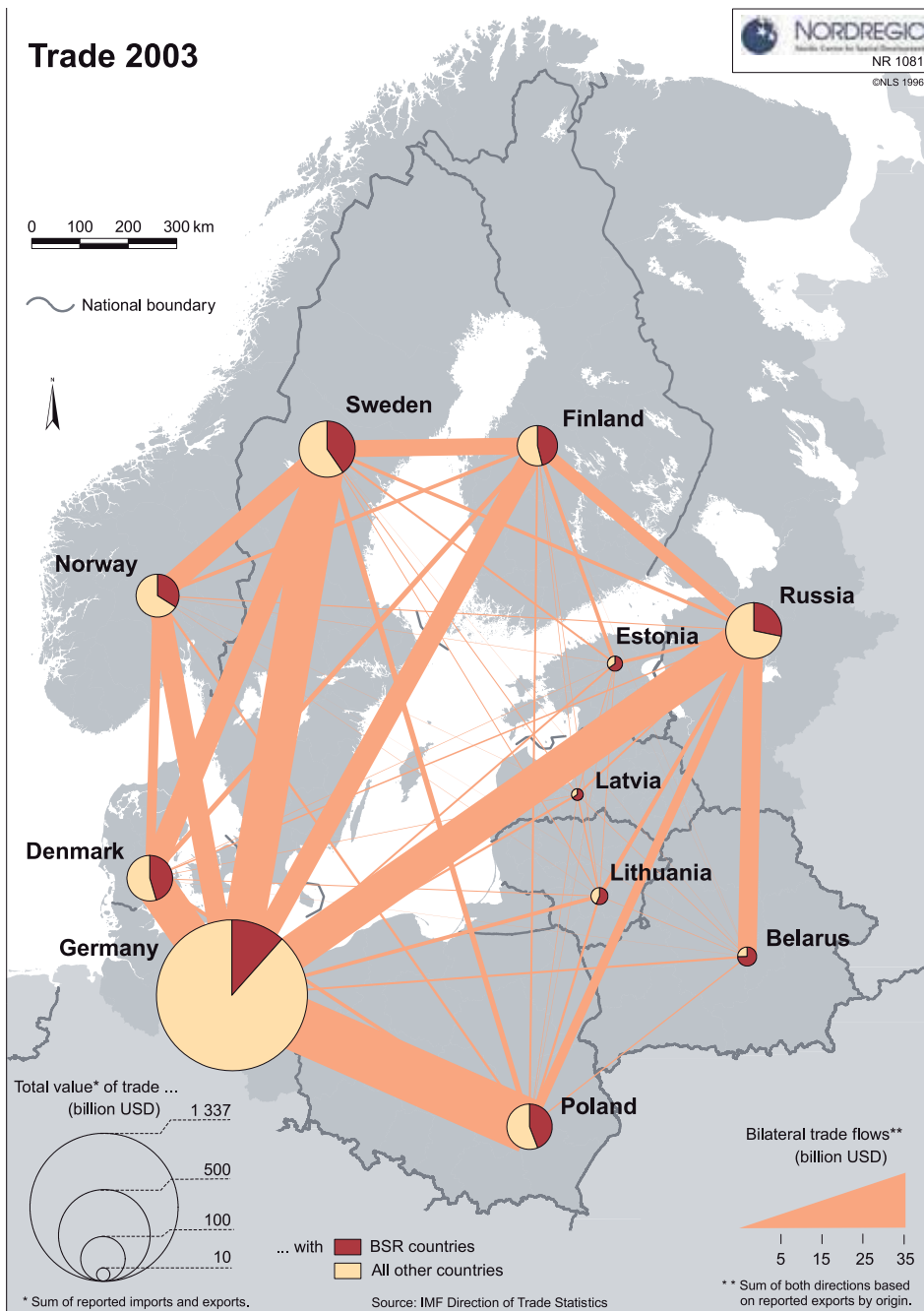


Figure 1. Intra-regional trade flows in the Baltic Sea Region 2003.
Source: IMF Direction of Trade Statistics, here quoted from Nordregio 2005.

With regard to the more mature EU, the intra-extra trade figures are relatively stable throughout the period with a slight increase of extra-regional trade, mainly due to the lower economic growth in Europe from the early 1990s. The most important extra regional economic environment for the BSR is the EU. As it can be seen from Figure 3, intra trade of the EU-countries has only changed modestly since 1990².

The EU is characterized by a clear predominance of intra-union trade, on high but slightly decreasing level, mainly caused by a long tradition of

² Figures are based on EU-15. This implies that the trade effect of the reintegration of the Central and East European countries actually contribute to the statistical measured decline of intra union trade.

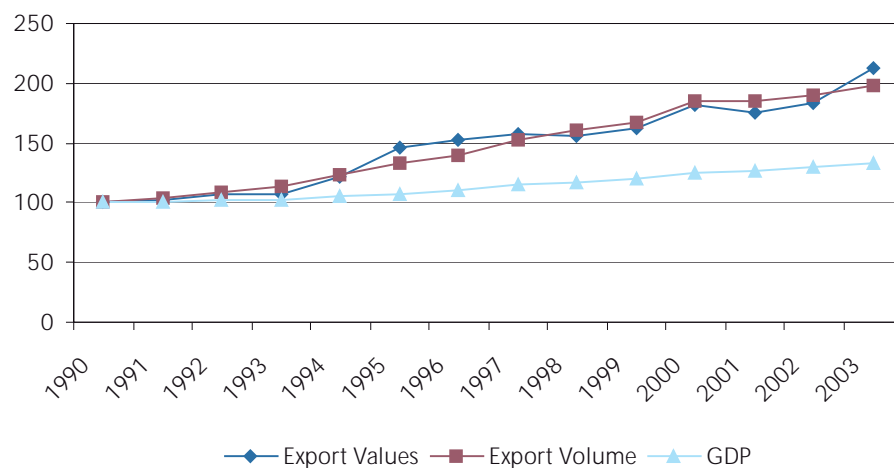


Figure 2. World GDP and World exports since 1990 (Index 1990 = 100, values & volumes). Source: WTO (2004) Table A41.

integrated systems of production with very high shares of intra-industry trade. An adaptation of the transition economies to this pattern will obviously contribute to economic stabilization on the national as well as the regional level.



Figure 3. Intra and extra regional trade of the EU-15 since 1990. Source: WTO (2001b), table A & WTO 2004 Table 1.10

Regional consequences

The local and regional impacts of this process are in particular visible on the labourmarket and in changes of the local economic base. It has to be stressed that in the future, the effects of outsourcing in these cities will probably be larger if other sectors than manufacturing are included in the analysis. According to a recent Danish survey (Maskell 2005), medium-sized cities are also at risk of losing employment in service-industries (i.e. wholesale trade). In the abovementioned firm survey, 21 % of the service sector

companies in medium sized cities have been involved in outsourcing activities, only slightly less than in manufacturing (27%)³.

With regard to the regional impacts of outsourcing, a distinction has to be made between outsourcing and insourcing regions. In particular, the former issue is highlighted in the West European discussion of impacts on the economy in general and employment in particular. Nevertheless, the change in the international division of labour will also affect the insourcing regions. In a European perspective, this is of particular interest with regard to the so-called nearshoring aspect of outsourcing due to the risk for those regions potentially losing employment to low-cost countries in Southeast Asia. In the short run positive effects will dominate in insourcing regions in Eastern Europe. In a medium and long-term perspective the East European countries will probably face similar problems to those of many countries and regions in the West. The positive side of nearshoring is that comprehensive integrated production systems may be created based on a combination of lower costs and high skilled labour⁴.

Among the possible responses to the challenges discussed in the section »Networking« are that outsourcing regions should support a process of extending the value chain of the firm, i.e. to support upstream and downstream functions rather than physical production. Key competencies to develop are: design, production logistics, and marketing and distribution management. To focus on labour extensive aspects of production could be an alternative, i.e. industrial textile rather than clothing and fashion products. Business development policy should give priority to companies based in the local community rather than subsidiaries and »screwdriver plants«, as well as the future potentials seems to be better for companies selling their products under their own brand rather than subcontractors. A general policy to improve the overall level of competence (education, research and development facilities) will strengthen a regions' ability to restructure the economic base⁵. As stated by Maskell (2005, p. 23), it is worth to stress that outsourcing itself can contribute to the creation of new knowledge and skills in the outsourcing company.

In general it has to be concluded, that regional as well as sectoral factors can alter more general tendencies. A recent study from the Federation of Danish Industries (Dansk Industri, 2005) shows that not necessarily only centre

³ A total 18% of the companies in medium sized commuting areas had been involved in outsourcing to low wage countries. For the 4 largest Danish cities the figure was 15 % and 16 % for the rural area (Commuting areas with largest city with less than 2000 inhabitants), Maskell 2005, p. 24.

⁴ For a discussion of the Baltic Sea Region see Cornett 2005. The emerging new European car production system is another example of how nearshoring can contribute to the creation of an overall more competitive industry (dtv Jahrbuch 2005, p. 46-47, and for a special assessment of the impacts on Germany and the automotive industry in particular, Der Spiegel 2005, 19: »Anpassen oder untergehen« & 20: »Osteuropas kleine Tiger greifen an«).

⁵ For details see Sønderjyllands amtskommune, »Sønderjylland det vil vi«, Aabenraa 2005. Among the strategies to cope with structural change are, housing issues, transport and logistic, business development and innovation and education.

regions are best prepared for the challenges from outsourcing, i.e. the most southern part of Denmark turned out to be the best prepared part of the country to meet the challenge of globalization⁶.

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⁶ The study is also a good illustration of the fact that this type of macro-analysis is extremely sensitive with regard to the selection and weight of indicators.

Economic transformation, globalisation and local influence¹

Thilo Lang

Introduction: Local influence in a global world

Especially in a globalising world, the potential for local influence is often seen as very limited. In the context of globalisation, urban development appears to be externally driven. Thus, local actors bemoan their incapacity to respond to the global economy and to the continuing internationalisation of investment.

On the contrary, processes of rapid and radical economic and social transformation can also be seen as possible starting points for new modes of organisation and creativity within urban development (Hall 2000: 21). Comparing the scope for action using positive examples and the reality of urban development policies, it is clear that the capabilities of urban actors to facilitate change and the strength of local potentials are underestimated.

This paper examines the limitations and the framework for local action. It points at different interpretations of the role of localities and advocates those concepts, which give the local a more important role. Indeed, some examples demonstrate that creative local policy can make a difference to the course of urban development. Summarising the analysed development policies and initiatives in five MECIBS towns concerning socio-economic regeneration, this paper gives insight into the causes, courses and impacts of economic transformation. How is the theoretical room for manoeuvre constructed compared to the actual practice of local response in these towns? The final paragraphs discuss the acknowledgement of local opportunities.

Globalisation, structural change and uneven development: theoretical considerations

Globalisation and uneven development

In a globalised economy, global cities and metropolitan regions play an increasingly important role. Within the international system, »networked« cities and agglomerations (especially capital regions) are the number one location for headquarters of multinational companies and national enterprises (cf. Beaverstock, Smith and Taylor 1999). Despite the political demand for a balanced settlement structure², such tendencies are likely to concentrate economic and demographic development in metropolitan regions,

¹ The content of this paper derives from the study »Socio-Economic Regeneration Outside of Agglomerations: Local Economic Development in the Baltic Sea Region (BSR)« (Lang, Sonntag, Tenz 2005).

thereby dominating national urban systems and leading to new forms of peripherality (Cheshire, Hay 1989).

Investment is concentrated in regions with extensive infrastructure networks, a high density of human capital and economic networks of production, clients and contractors. Investment is said to be focused in particular in cities that have close connections with global economic networks. The internationalisation of financial flows has been accompanied by an increase in human capital versatility. Certain regions lose well-educated people because of job shortages or unattractive living and working conditions, while other regions become magnets for job-migrants, offering better job opportunities. Therefore, deepening regional disparities seems to be a major feature of current globalisation processes. Indeed, the contemporary tendency towards large globally networked city-regions combined with the turn towards neoliberal policy measures helped widening gaps between sub-national regions, measured for example in income inequalities (Scott and Storper 2003: 585).

In several countries in the Baltic Sea Region (BSR), the processes of globalisation are but one factor affecting urban development. These nations are also affected by the enlargement of the European Union and different processes of social, cultural, economic and institutional transformation such as the transformation from the socialist planned economy to the capitalist system. New markets for investment have emerged whilst old markets have faded away. These processes offer a constant challenge to urban governance and planning.

Both geographic location and specific internal and external factors ensure that some towns, cities and regions benefit from these processes. Other areas may experience an imbalance of urban development that leads to an increase in social problems and social disparities, whereas the capacity of the relevant administration to deal effectively with these problems is limited and difficult to develop.

Structural change in a globalised world

The urban economy is permanently affected by ongoing structural changes. Local employers must adjust to changing markets and competitors, new social and technological demands, new products and rationalisation through research and development. In Europe, there is an ongoing trend towards tertiarisation with an employment increase in the service sector and job losses in industrial production and manufacturing as well as in the first sector (agriculture, forestry and fishing). This has particularly been the case in Eastern Europe since 1990, where these processes take place at a higher pace.

Processes of globalisation speed up structural change in Europe by shorten-

² This is one of EU and BSR spatial development goals. The European Commission e.g. laid down the guidelines for a Community Initiative concerning trans-European co-operation, »intended to encourage harmonious and balanced development of the European territory« (EC 2000). The countries around the Baltic Sea also promote balanced spatial development (VASAB 2001: 11).

ed product life cycles and tightened (global) competition, leading to growing instability in industrial sectors and companies (Conti 1997: 19) and thereby influence urban development. Economic activities are becoming more and more global (Amin and Thrift 1994: 2ff) and enterprises are able to select from many locations worldwide for production. Each part of the production process, from the product's initial formation, research and development to its eventual mass-production, may take place in that part of the world where it is most profitable. Especially in the production sector, this means that there is a constant demand for rationalisation – and, as a consequence, job losses. Otherwise, production might move to countries with lower labour costs or the affected firms may have to close down their activities (Schelte 1999: 16f). In the European Union, these processes are leading to a profound change from an industrial to the post-industrial society with completely different economic patterns and labour market requirements. Then, high-skilled and service jobs dominate local labour markets whereas classical manufacturing jobs play a steadily decreasing role.

In such a context, cities compete to enhance their locational advantage and thereby encourage investment from global companies. At the same time, for example in East-Germany, many cities have discovered that an increase in service-sector employment has not adequately compensated for the decrease in other sectors (Lang and Tenz 2003: 28).

Relevance of economic base

The ways in which towns, cities and regions are affected by economic transformation differ a lot according to the structure and the characteristics of the local economy. If the local economy is dominated by big industrial firms, vulnerability to structural change depends on how advanced production is. If products are still new, innovation plays a vital role, and if jobs are mainly at the skilled or high-skilled level, the risks for the local economy to lose main employers are comparatively low. More labour-intensive and heavy industries bear the biggest risk of economic decline in European regions. Thus, older industrial cities often are particularly affected by problematic socio-economic trends as a result of processes of de-industrialisation (Cheshire and Hay 1997: 3f).

According to product-cycle theories, there is a general life cycle of products: initial development, growth, maturity, decline and obsolescence. The early stages of the product life cycle – initial development and growth – are said to be closely linked to developed and urbanised regions. This is due to the fact that the innovative phase of product development needs highly qualified employees and venture capital. Both components are more likely to be found in agglomerations. At the end of the product's life cycle – mass-production and broad competition – production tends to move to less-developed regions in order to take advantage of lower labour and capital costs (Malizia and Feser 1999: 178).

In this way, the development of a town or a region can be well connected to the development of a certain industry or industrial cluster. If the main field of economic activity of a town or a region is to be found at the end of

product life-cycles, socio-economic problems are more likely to occur. If the local economy is mono-structured or depends on only one industry, the risk of getting into trouble is very high because problems in one field cannot be compensated for by other economic activities. From an institutional perspective, mono-structured regions show well-established economic networks which make it difficult to develop alternatives while actors of the particular field still dominate local institutional structures (Grabher 1993).

Five MECIBS-towns in transformation

Nakskov (Denmark), Lappeenranta (Finland), Sillamäe (Estonia), Kuldiga (Latvia) and Jüterbog (Germany), which were subject to intense research, are situated outside the direct influence of important national centres (cf. map p. 12). They are located in regions which are far below European average in terms of economic strength. The following paragraphs depict the causes, courses and impacts of transformation processes in these towns.

Causes and courses of transformation

In 1986, Nakskov's successful development path came to an abrupt end when the town's shipyard closed down. The shipyard had previously been the town's biggest employer but did not survive the decline in the shipbuilding industry in the 1980s and the intensification of global competition. The year 1999, however, marked a turning point in the town's destiny, when the decision was made to redevelop the former shipyard area into an industrial site. A large windmill producer took over the space and is currently the town's largest employer. In this sense, the phase of decline appears to have come to an end. However, Nakskov remains dependent on large scale industries and, as a consequence, is continuously at risk for entering a new phase of decline.

Lappeenranta's economic base has traditionally been concentrated on the forest and wood-processing industries, with large enterprises dominating the economic structure. Economic rationalisation, beginning in the 1970s, has helped develop the area into one of the worldwide leading wood and forestry clusters. Yet in the last phase of modernisation, the single biggest employer in Lappeenranta reduced the number of persons employed by half. On the other hand, the same period saw an increase in research and development activities, operating in close co-operation with the local technical university. Nowadays, labour costs contribute to only around 10% of the local budget, a figure that leads local actors to believe that the town's paper plants will be preserved for at least the next 20 years. However in 2004, increases in the service sector had still not compensated for losses in the first and second sector.

Sillamäe's existence is closely linked to one large company that originally functioned as a uranium mining and processing plant. The region had been industrialised and populated under Soviet leadership during the 1950s, when both the town and the uranium factory were built. After the collapse of the Soviet Union, the factory, with its 8.000 local employees, lost its former

secure markets (military production) and was no longer competitive enough for the new market economy. The plant was subsequently privatised and rescued from bankruptcy. Nowadays Silmet Ltd. (the successor of the Soviet plant) employs approximately 1.000 people and successfully produces rare earth metals for the global market.

Kuldiga had never traditionally been an industrial town. During Soviet times, Kuldiga was artificially industrialised by the construction of a wood processing industry and a concrete factory for prefabricated houses. After 1990 these industries lost their markets. Although some industrial activities have been re-activated in recent years, rationalisation and the re-orientation of production have resulted in a much lower scale of employment.

Jüterbog's traditional path of development came to an abrupt end in 1989. Its institutional settings for the local economy and local policy were forced to adapt to a changed state of affairs. The local economy had, to a large extent, been dependent on a Russian military base with estimated 30.000 to 60.000 soldiers. After their withdrawal, an estimated 1.200 jobs related to the military were lost. The general adaptation process, from the planned economy with secure markets to the market economy, ensured that many small and medium sized enterprises in and around Jüterbog were not able to survive. Furthermore, in 1994 Jüterbog lost the seat of the county administration and with it approximately 300 jobs.

Different reasons for transformation

The collapse and transformation of the local economies of Nakskov and Lappeenranta was mainly a result of national and international processes of restructuring, economic concentration and the need to respond to intensifying global competition. The shipyard in Nakskov was drawn out of the market simply because of intensified competition. The forest and paper industry in Lappeenranta managed to adapt to changing conditions in a global competition. The price was a high loss of employment – higher than the parallel increase in the service industry.

On the contrary, the examples in the former socialist states (Sillamäe, Kuldiga and Jüterbog) tell another story, the story of post-socialist transformation. The secure markets of state-owned enterprises could no longer be maintained during the process of privatisation, and these companies either collapsed or struggled to find new markets and improve their products. Within a very short period of time, the whole economic system as well as the product-market relations changed. The same is true for the dependence of Jüterbog on its status as a military location.

Processes of post-socialist transformation and intensified structural change often overlap. As the towns analysed are outside the dominating national regions, they are obviously not the number one location for new external investment. However, new economic activities take a long time to emerge and cannot yet replace activities that were lost in a very short time-span.

Local impacts of transformation

Since the end of the 1980s, Nakskov has been characterised by a remarkable loss of inhabitants and high rates of unemployment. Up to 1.000 citizens have received welfare benefits. In recent years, however, the situation in Nakskov seems to have improved. The official unemployment rate in Nakskov decreased from 23% in 1998 to 8-9% in 2003. Yet, the real level of unemployment is actually much higher, with estimates suggesting that up to 20% of the economically active population remain jobless.

In Lappeenranta, job losses in the forest industry are perceived as permanent. Consequently, long term unemployment and the low qualified labour force pose enormous problems for Lappeenranta's local economy. After an all-time high in the early 1990s, unemployment levels dropped from more than 20% to about 13% in 2003. Demographic developments indicate that further decreases are likely to take place. Out of the 4.500 unemployed in Lappeenranta, more than 25% are classified as long-term unemployed. An additional 1.500 social welfare recipients have dropped out of the labour system. Apart from the integration of Russian immigrants, the mismatch in qualifications between unskilled former workers and the topical demands of the economy is considered the biggest challenge for the local labour market.

Between 1990 and 2003, the population of Sillamäe decreased by more than 15%. This was primarily a result of migration to either Russia or Tallinn. In particular, many young people have left Sillamäe. Today, however, migration has become more balanced. Yet, because of the age-structure and a low birthrate, Sillamäe continues to lose 300-400 residents annually. At around 10%, the local unemployment rate is still noticeably above the Estonian average. The biggest group amongst the unemployed is, by far, that of unskilled workers. The tradition of big enterprises in the region is regarded as the primary cause of the scarceness of business activities in the area and the lack of small and medium sized enterprises (SMEs).

Although unemployment in Kuldīga remains relatively high, it is not significantly above the Latvian average. Kuldīga and Kurzeme are also losing population. In particular, well educated inhabitants leave the town for professional education or better paid jobs in Riga. No regional labour market has yet been developed to diversify job opportunities. Despite the large number of unemployed, it is highly difficult to find qualified workers in Kuldīga. With the exception of a small number of new businesses, entrepreneurial activity remains a rare phenomenon in Kuldīga.

Within a few years, unemployment in Jüterbog had increased to 20%. About two thirds of these people have been unemployed for more than one year. Unemployment amongst those over fifty, females and the young remain far above the German average. Many young and highly qualified people leave Jüterbog. The general population development is negative and the birth rate is lower than it has ever been before. All these processes have left their mark on the town: public and private services have been decreasing. Many houses and flats, as well as commercial and industrial sites, have now been abandoned.

Similar challenges

The towns analysed are struggling with the impacts of transformation and each town shows similar processes of urban decline. Each of the towns studied (in the case of Lappeenranta, the region) experience continuous population decline, particularly amongst the young and skilled workers. In Lappeenranta and Kuldiga, the population development relative to that of the region was positive. The population development of the other three towns was even worse compared to regional and national averages.

In relation to the labour market, these towns are characterised by above average unemployment rates, in particular amongst the long term unemployed. In some cases there is a positive trend concerning unemployment, which might indicate a long-term regeneration of the local economy. Social exclu-

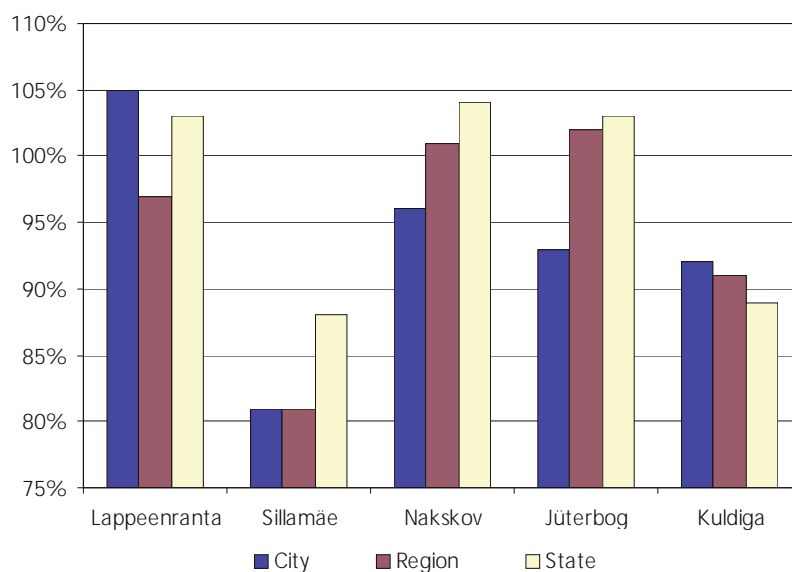


Figure 1. Population development 31.12.1991-31.12.2001 (1991 = 100%).

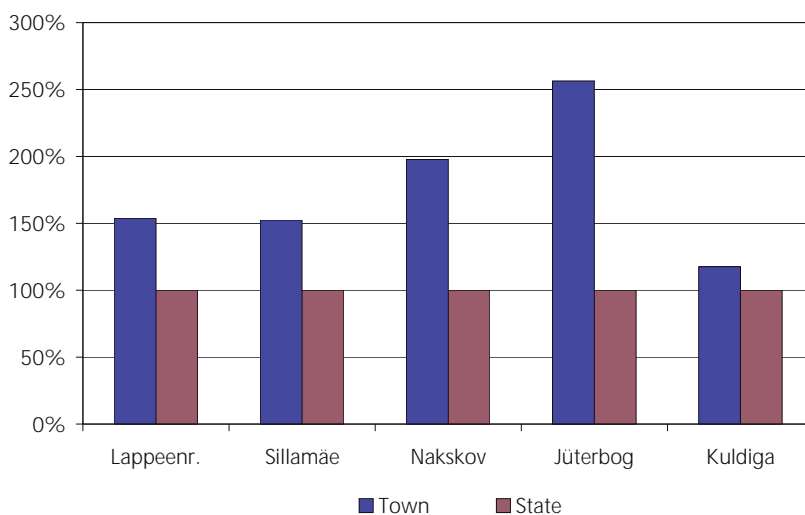


Figure 2. Unemployment compared to national average in selected MECIBS-towns.

sion, however, is a challenge which is likely to persist if the welfare state does not provide concepts aimed at the integration of long-term unemployed.

Entrepreneurial activities are noticeably low because of a traditional dependence on wage-labour within big firms or on the planned economic system. Measures to enhance entrepreneurial activities are difficult to initiate and there are only a few examples of policy aimed at improving local entrepreneurship (cf. Lang in section 2).

Local response to the challenges of transformation

How can municipalities react to the described processes and challenges of socio-economic transformation? How big is the influence of the local in an economy that is largely influenced by global processes? It is bigger than perceived, but has yet to be acknowledged. Furthermore, it might be helpful to consider complementary alternatives for local development strategies.

The room for manoeuvre of localities

The process of economic transformation and decline is seen as being largely influenced by the globally networked economy. Economic decisions are more and more likely to be made independent to their place of influence. Due to the internationalisation and concentration of business (Amin and Thrift 1994: 2f), economic executives no longer have a strong connection with their place of production. If there are large enterprises – global players – the particular city of production is constantly faced with the risk that these enterprises will withdraw. This is also true for the headquarters of international enterprises, which can quickly be obsolete due to takeovers. Also, production locations can transfer or collapse for various reasons, amongst them changing cost-factors or competition.

This instability means that whilst it is still important to assist big firms in their efforts to remain in a certain locality, it appears to be promising to concentrate on local rather than national or global solutions when confronted with economic decline. Locally rooted enterprises have proven to be more sustainable than large internationally owned companies. If they are active in the global competition they have to internationalise production to stay competitive. However, for such companies the embeddedness in local social and cultural networks keeps them staying at »their« place. This illustrates that local economies can not work in isolation from global processes. Localities are tied-in to global forces and can be seen as part of rather than separate from the global (Amin and Thrift 1994: 2f).

Local decision makers are included in social and cultural networks of the local community. There is empirical evidence that locality matters for the small firm more than it does for large enterprises. The social environment of the entrepreneur, with face-to-face contacts, the role of family and friends, trust and personal relationship among business people is the most crucial aspect of small firm development (Özcan 1995: 21). Support for such structures, thus, can complement local development policy.

Similar problems, distinct response in MECIBS-cities

Although each of the towns analysed faced very similar challenges of transformation, the individual local responses to decline and transformation are highly diverse.

The mode of action in Nakskov is very proactive. Local actors spread the spirit of »a world to win« and are motivated to change the present situation. The first step away from passively obeying traditional conventions of development was represented by the change of key figures in the municipality, including the mayor.

Global dependency of the forest industry as the most important part of the local economy in Lappeenranta requires significant support of and servicing by the municipality. It is extremely important for Lappeenranta to ensure the success of this industry. Lappeenranta is »playing the global game« and competes with other locations worldwide. It is very difficult to retain or to even direct attention towards the support of a small scale economic structure.

Apart from basic zoning, the municipality of Sillamäe has transferred most of its power relating to economic development to the private sector. As such, there is a high risk that these private companies act for their own benefit while neglecting the interests of the town. In this context, urban development in Sillamäe was, and remains, extremely path dependent. Change is therefore clearly directed towards massive re-industrialisation. Other attempts have very little chance of success in this institutional setting. The responsible actors have left urban development to the private sector. This approach is highly efficient, but contains various risks that are presently difficult to calculate.

Kuldiga's model of development is still very much reliant on the public sector. This reliance continues to provide opportunities, as the distribution of governmental institutions and the central social infrastructure in the region have not yet been completed. Besides supporting the public sector, Kuldiga's success can also be measured by the future structure of the local economy and the extent to which the local unemployed are able to benefit from new developments.

In Jüterbog, local actors were consistently following the revitalisation of the historic parts of the town and the development of the inner city. The historic monuments turned out to be major assets for tourism development and a boost to the general attractiveness of the town as a place to live. Generally, Jüterbog pursues a more passive »wait and see« policy.

Conclusions: Acknowledging local opportunities for change

Interviews with key local actors clearly demonstrated that they perceive local capacity to influence and positively change urban development as mi-

nimal. These interviews were contradicted by the documented examples of projects at a local level that clearly proved there are possibilities to positively react to the challenges of globalisation and transformation. The new development strategies of the Nakskov municipality, for instance, enabled a turnaround in local potential, further proving that it is possible to influence urban development at the local level. Thus, searching actively for new fields of economic activities and connecting them to local assets and promoting new paths of development can help to overcome (mental) lock-ins.

Many towns still concentrate on mainstream economic concepts and wait for external impetus, such as (foreign) direct investment. Placing too much faith in the success of external investments may, however, be short-sighted, for firms can move to new locations for cheaper production just as fast as they can arrive. It is an enormous task to make socio-economic regeneration, which focuses on locally rooted economic development and the social economy, a key issue in local policy. Yet, in towns and regions that have been suffering the impacts of economic transformation and decline for years, the need to do so is obvious. Comparatively high levels of unemployment, high rates of long-term unemployment and a high frequency of other groups of people having trouble with integration are sufficient justification for a local development policy that addresses these needs and sets long-term solutions. The concept of socio-economic regeneration and the projects relating to it offer possibilities to address these issues. Socio-economic regeneration also helps to develop integrated strategies of sustainable urban development reflecting an integration of economic, demographic, environmental and social solutions.

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REGENERATION



Introduction

Vesa Kanninen (ed.)

Recent social development has demonstrated a reorganisation in society's spatial logic and levels of activity. In general, the change of eras has been viewed as a change from Fordism to Post-Fordism or from Keynesian welfare state to Schumpeterian workfare state models. The shift from mass production to flexibly specialised production has coincided with changes in technology and labour processes, giving rise to global networks of production (c.f. Castells 1996, Storper 1997). On one hand, globalisation and the European level integration are emphasised along with the nation-states, and on the other, regionalisation within countries and cross-borders.

In the last decades, the status of urban regions has been strengthened by restructuration of governance relations, assigning cities the carrying out of many tasks that formerly belonged to the state level. Simultaneously, urban regions have been forced to struggle with the new »glocal« development preconditions: whereas technology as such enables diffuse patterns of labour and production, local conditions and agglomeration spill-over advantages have pushed development into polarizing structures.

Every town and city is affected by trends of transformation, by processes of change. The cities are, indeed, places where the transformation of societies and restructuration of economies are often felt at their best as well as worst. This is well addressed by Roberts (2000):

»Urban areas [...] reflect the many processes that drive physical, social, environmental and economic transition and they themselves are prime generators of many such changes. No town or city is immune from either the external forces that dictate the need to adapt, or the internal pressures that are present within urban areas and which can precipitate growth or decline«.

Some cities and economies can adapt without problems to these developments whilst in others, transformation initiates more or less deep crises due to its variegated impact on all aspects of urban development. The means of a particular region to provide employment for the local and regional population is still seen as crucial for urban development, but complemented by more recent concepts dealing with provision of places to live in (metropolitan housing policies), recreate with (quality environments, activity concepts) as well as conceptions of culture as the carrier of development ideas.

Local policies and strategies designed to deal with urban decline, decay or transformation, are termed urban regeneration. The essence of urban regeneration is in responses to the locally unwanted consequences of transformative developments. Regenerating efforts are needed when there are perceived discrepancies between the actual (or anticipated) and the desired

paths of local development. Therefore, regeneration refers to realignment to a positive development path, as defined by the local actors themselves.

As Roberts (2000) argues, the responses to urban decline have been different during each urban policy period. The revitalisation policies typically found from the 1960s onwards started the move towards more balanced public-private relations. The move through local renewal policies typically focused on physical improvements, and via redevelopment policies concerned with flagship projects and private sector dominance, in the 1970s and 80s respectively, have led to the regeneration policies that most accurately describe the modern transformation via integrated approaches, domination of partnerships in the actor field, balanced multi-source funding, and above all, strategic perspectives. With its integrated perspective, urban regeneration is defined by Roberts as a »comprehensive and integrated vision and action which leads to the resolution of urban problems and which seeks to bring about a lasting improvement in the economic, physical, social and environmental condition of an area that has been subject to change«. Urban regeneration implies that all approaches »should be constructed with a longer-term, more strategic purpose in mind« (Roberts 2000). The need for a general strategic agenda and cross-sector integration are seen as central features of urban regeneration. According to the biological meaning of regeneration, Couch et al. (2003) explain that urban »regeneration is concerned with the re-growth of economic activity where it has been lost; the restoration of social function where there has been dysfunction, or social inclusion where there has been exclusion; and the restoration of environmental quality or ecological balance where it has been lost«.

Urban regeneration is about implementing policies in existing urban areas rather than developing new urbanisation. It aims to build upon the triangle of sustainability, with its commitment to economic, social and environmental problems and developments. This is a large advance from earlier property-led attempts at regeneration. In addition to »standard« economic growth strategies and land use policies, urban regeneration emphasises the reduction of social exclusion and the economic reintegration of disadvantaged urban areas (McGregor & McConnachie 1995). Furthermore, the past decades have seen cultural policies transform from elitist to identity-building, thus providing diversified options for regeneration efforts.

Within the urban region, regeneration may include various aspects ranging from wide strategic reformulations to concrete planning decisions and actions. Regenerating is active decision-making and operationalisation of those decisions. Regenerating an urban region entails intentionality of actions and a vision of the desired development.

Therefore, local urban regeneration can be defined as active and intentional changing, restructuring and building urban economic, social, environmental, cultural and institutional strategies and policies, structures and networks, as well as functionalities and space, by which an urban region successfully copes with the perceived problems associated with urban transformation, bringing about durable improvements in the economic, physical, social and environmental conditions.

These policy processes, excellently represented by development policies in the MECIBS cities, take place within networks in which the actors are mutually dependent on each other (e.g. Klijn 1996). This is very much the case in the city, where politicians, local administration, governmental agencies, regional organisations, private and municipal firms and NGOs interact to somehow form the policies that make regeneration possible and successful. The overriding emphasis in studying this kind of networks is in realising that no one actor can determine the strategic actions of other actors – there are multiple goals and multiple strategies for reaching them. In most cases, the patterns of relations and interaction do, however, show some durability, creating tacit rules and explicit structures, institutionalising the network relations (c.f. Jessop 2003). Therefore, the management of these networks becomes possible, if not easy or simple.

The dynamics of the policy processes place varying emphasis on the actions of the different actors in the policy fields. While it is debatable, and even clearly visible in the articles of this section, that not even policy fields are static, they do offer starting points for this variety of approaches into what we have broadly labelled »regeneration«. The case studies have revealed different castings of actors in the »games« that constitute development policies in municipal sector organisations and more in the forms of cross-sectoral policy issues. Even the emphasis between the agency of the actors and the power of the institutionalised network relations seems to be quite different in different parts of the municipal field of activities.

This definition of regeneration, while introducing this chapter, defines also more generally what MECIBS has aspired to accomplish in acquiring information from and analysing the partner cities' situations. The focus of this section is in the processes that have initiated responses to urban transformation (described in detail in the previous section), thus coined »regeneration«. The six articles attempt to cover some central aspects from most of the recognised fields of action, however leaving most questions of sustainability and overall economic development to be dealt with in the following sectors.

The mainstream approaches in »regenerating« in the MECIBS cities concentrate on reshaping business policies into a wider set of economic development policies. Protection of local interests has evolved into promotion of regional strengths. New scales and scopes of action, as well as sharp execution of the more traditional themes, mean also new challenges for the regional actors. While some – or even many – of the policy concepts are transferable in principle, the application must be truly localised. Therefore, the cities have no easy escapes. Groth, Smidt-Jensen and Kanninen conclude in their article that it is crucial for a city to develop a role as a development agent, show confidence and take action. Even with abundance of viable options, cities need to carve their own path.

Urban planning has also seen a profound change from growth management of the industrial era into growth promotion in today's informational age. The planner has increasingly become a developer and a visionary. Furthermore, while zoning and planning in the traditional sense is still the bread of

land use management, the butter is in transmitting new ideas for quality life. As Groth and Majjala state in their article, it is all about urban identity. Planning needs to facilitate and proactively develop identities that bring out the unique urban qualities of the city. And as Smidt-Jensen points out in his article, place-marketing and branding serve to communicate this identity to both citizens and outsiders – potential inhabitants and investors alike.

Under the present economic conditions, often associated with widening differences between the core regions and the peripheral cities, the former connection between economic growth and job increase has been broken. Especially for the smaller cities, this means serious challenges in the form of widening social divisions. Where the formal economy fails to provide for adequate social equity, processes of social economy may work for it. However, the projects of this kind must also be connected with the development policies. As Lang concludes in his article, this may well be one key issue for inclusion of the marginalised parts of the work force.

Social and economic aspects of urban development are also glued together with cultural projects that in many senses reach beyond their apparent institutional scope. Culture is being recognised as a real possibility for urban regeneration in general, as pointed out by Tenz and Sonntag in their article. Appealing in cultural endeavours is also the fact that they are more connected with human capital than corporate investments, thus possible to vision even in the absence of abundant resources.

Often sidetracked in development arenas, the active participation of citizens may also provide new impetus for the urban region in refining the development actions. Lehtonen states in his article that participation may, when suitably motivated, offer significant feedback to the development processes. The inclusion of participation also means emphasising the fact that the citizens are recognised not only as objects, but rather as the »clients« whom development and planning should be working for.

In conclusion, it seems that while the cities generally have limited possibilities to control the overall economic, social and cultural development in their regions, there are distinct results in the MECIBS cities that point at the actions that, under suitable circumstances, can make a difference. Not one city can develop in all spheres of urban realm in equal terms. The city may, however, take a strong policy position and affect the operations of the development policy networks. As the natural initiator, supporter and operationalisator, the city may create functional and effective governance cultures and mechanisms. On a more practical level, finding the most relevant development fields, incorporating all relevant actors, diversifying policy efforts to cater for as many of the citizens as possible and not shying away from new points of view seem to be crucial factors of success. Common to the good practises illuminated in the articles is also the strong commitment of the key actors.

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Business and development strategies

Niels Boje Groth, Vesa Kanninen and Søren Smidt-Jensen

Introduction

During the last decades, the MECIBS cities have faced profound changes in their economic and social base, in their regional settings, even national position, and perhaps most importantly, in how they perceive themselves. These changes are due to economic restructuring processes caused by globalisation of production and markets and the political changes in the Baltic Sea Region. Some cities have been left with an eroded subsistence, whereas other cities have been able to position themselves in new frames of reference that, in turn, have opened up for mobilisation of local resources and assets hitherto »hidden« in the urban region.

Although several MECIBS cities are concerned about the vulnerability of specialisation and hence prefer economic variety of the business milieu, it is commonly recognised by the MECIBS cities that they depend upon regional rather than just urban economies. Therefore, they show great concern for combining local and regional business policies in a variety of cooperations.

A »triade« of intertwined spheres of regional business development has been emphasised in this study. First, competent local governance paves the way for building the networks, collaborations and institutional relations that are prerequisites for effective strategic manouvering, integration of all relevant actors and – foremost – for motivating all participants to work for common ideas and goals. Second, the regional factors of competitiveness provide the framework for development options, whether priority is given to specialisation or variation of the business milieu. Third, the local and regional development policies, together with the operational endeavours in the cities, provide the solutions with which desirable development is aimed at. In what follows, we shall comment on each of the three spheres.

Competent local governance

Strategic analysis and capacity to respond

Competent local governance is founded upon the ability to conceive and to act in the long term as well as in the short-term perspective.

On the one hand thorough and proper analysis of structural trends and policy considerations on goals, options and visions for the future are prerequisites for strategic action. So it is when Nyköping decides to develop as a logistic hub, when Randers decides to take a new position in the region, or when Kokkola and Lappeenranta decide to develop as centres of regionally

embedded expertise. Through surveys, public debates and task forces the cities have come to a new understanding of the situation of the city, its role in the regional settings and its future development options. This aspect of governance relies on the principle of survey before planning.

On the other hand, often it is sudden events rather than proper strategic surveys that set the scene for local strategic governance. This was the case, when national defence authorities closed down the military bases in Jüterbog, Norrtälje, Nyköping and Randers. Jüterbog and Randers are still trying to handle the situation, whereas Norrtälje and Nyköping have turned obsolete facilities into new assets for development. Likewise, Nakskov has been able to transform its shipyard area into a multi-faceted industrial park. Rather than just solving problems the cities in such cases take visionary chances, i.e. they turn problems into opportunities.

Competent local governance is formed by several elements. Here we shall concentrate upon only three, the role of business policies, the strategic agency and finally regional and cooperation and stakeholders.

New role of business policies

Formerly, local business policies were about services and initiatives in the interest of local business companies, carried out in relatively steady and growing economies. Challenged by structural changes of the business environment many local and regional business councils have expanded their activities. They are no longer only providing services for local enterprises, but also engage in projects related to culture and leisure, urban planning and promotion campaigns to attract new inhabitants. In Randers, the local business council has changed from being an organisation narrowly protecting business interest into a »competence organisation« where more broad development questions for Randers are addressed as well. As an example, the business council has organised a handful of working groups with a broad representation from local stakeholders to come up with concrete action plans on issues like »Randers – as an eventful commercial town«, »Randers as a place to live« and »Branding Randers«.

Still, of course there remains a need for »traditional« business policy activities, e.g. activities addressing entrepreneurs, competence building and accounting services. However, these activities need to bring more edge in an increasingly competitive environment due to globalisation and the shift to a more knowledge driven economy. In Herning, the physical domicile of the business council, the BIRC Estate, brings business services, research, education and entrepreneurs under one roof, e.g. an incubator organisation, subsidiaries of the Copenhagen Business School (CAMS) and the Danish Technological Institute and three knowledge centres of local business competencies.

In many city regions local business councils have established regional business development co-operations in order to properly match the geography of the local business economy and hence to develop short and long-term growth-strategies for the regional economy.

Strategic agency

The successfulness of the strategies is much dependent on the capacity of the central coalition, in practice usually the city government and administration, to organise strategic innovation and programmatic actions. This takes not only a change in development ideas, but also a change in governance ideas. Governance is based on a wide variety of decision centres and policy networks integrating public and private actors in the governing process. Confidence, negotiation and common understanding are the guiding principles for the network activities (Rhodes 1997, Heffen et al. 2000).

Thus, local strategic agency is embedded in different compositions of politicians, officials and stakeholders both inside and outside the »city hall«. The most important local agents outside the city hall are the local business development organisations, education institutions, labour market organisations and private enterprises. The local settings of these agents vary considerably, since needs, political priorities and personal commitments are very diverse.

None of the MECIBS cities have formed in general terms the best or most efficient strategic agency. In some cities, a strong mayor is a key figure, in another city a troika of the mayor and two key staff persons have taken the lead backed up by a unified city council and in yet another city, well tuned planning and development departments are crucial. Finally, in one city it seemed as if much of the strategic conduct was facilitated greatly by a strong entrepreneurial spirit and a unified vision of »where to go« between business leaders and organisational representatives outside the city hall. The point is that the actual composition of a strategic agency isn't decisive. Crucial is whether a strategic agency is present at all. Generally, the MECIBS cities seem to have formed a variety of competent bodies of strategic leadership.

Although it is difficult to present general findings, a few observations should be put forward.

Special development departments have been formed in some of the MECIBS cities in order to facilitate cross-sectoral analysis and policy recommendations. In a few cities special thematic departments have been set up to handle new issues of special strategic relevance. One such example is the new department for public marketing in Nyköping, a follow-up of the decision of branding a new identity of the city.

In one city it was stressed by key staff persons that it was very important that an extensive decentralisation of decision making powers has taken place in the municipality in order to match the speed of decision processes of private companies. In another city, the responsibilities of decisions within specific task-related areas was decentralised even further into a public owned share-holder company. In both cases, the cities have responded to the challenges of operating with competence on market conditions. This is new and challenging for cities used by tradition to operate from a base of legal and administrative powers as public authorities.

Even dispersed power structures may produce strategies with a wide democratic acceptance base. In Lappeenanta and Kokkola alike, the development offices have been able to produce sustained development policies within the framework of acceptance of the policies within multi-party councils, over several council terms, despite changes in the political relations.

Although it seems as a self evident observation, it should be mentioned that in a couple of cities representatives emphasised that the presence of a united city council is very important, on the one hand to build up trust-worthy relations between the staff and clients or stakeholders, on the other hand to show strong commitments to the outer world, e.g. governmental and regional agencies.

New regional cooperation and stakeholders

Some of the primary challenges medium sized cities are facing in relation to business development should be addressed in new manners and with more stakeholders involved. Thus, business councils and other strategic local actors may need to revise their identity and work in new fields.

The consolidation of business promotion initiatives for the three municipalities of Herning, Ikast, Brande occurred in 2001 as recognition of the fact that the area is bound together by a common labour market and common

Table 1. Stakeholders of local development initiatives, examples.

MECIBS City	Co-operation	Task	Stakeholder
Randers	Senior Research Institute	Develop new local competence	DaneAge Association
Herning	Birc Estate – Business Park	Business facilities and services, incubator	County of Ringkoping and local companies
Nakskov	Baltic Sea Solutions	Establish network for developing out- and in-sourcing within the BSR	Several cities in the BSR
Nyköping	House of knowledge	Establish university broker centre	Royal Inst. of Technology, Linköping University and other universities
Norrtälje	Nordic Retail College	Education for local business needs	Stockholm University COOP, IKEA, ICA, STATOIL and H&M
Salo	Environmental business cluster	Establish new links in environmental business	Salo Region Development Corporation, Turku Science Park, 13 companies in Salo region
Lappeenranta	Kareltech Technology Centre	Business facilities, incubator and business development services, partner and resource matching	LUT, other universities, 4 polytechnics, regional councils of Southern Karelia and Kymenlaakso, 6 regional development corporations, TE-centre of Southeastern Finland, Centre of Expertise programme in Finland
Kokkola	Innogate/OSKE laboratories	R & D services in chemistry, technology transfer	Federation of Education in Central Ostrobothnia, Central Ostrobothnia Polytechnic, OMG Kokkola Chemicals, Boliden Kokkola Inc., KemFine Inc. TetraTechnologies

business clusters, including textile and garments as well as wind energy. There were too few resources to immerse one self in the relevant factors about the different local branches. Aaskov Business association recently chose to join the cooperation to »keep themselves sharp business and education wise«¹. Further, the business council of Herning-Ikast-Brande-Aaskov has been given the responsibility for all essential parts of the business promotion activities, business services as well as strategy making.

Co-operation with neighbouring municipalities is just one aspect of a general trend in cooperation on development issues with stakeholders matching the policies. In this line, Nyköping has been a key actor of forming the development company »Nyköping-Östgötalänken Ltd« to promote the building of a fast-rail connection from Linköping to Stockholm via Nyköping. New housing strategies are formed in co-operation with housing companies and the development of Skavsta Airport was carried through by a joint co-operation with the large engineering and construction company SKANSKA.

These new kind of co-operations are formed in order to achieve development goals rather than the protection of partner interests. Thus, an important criterion is the match of partners and the task to be fulfilled.

The match between task and stakeholders has been decisive in several co-operations with universities on the provision of local education and on cooperation with business companies on specialised knowledge centres, incubator functions, business parks or education initiatives.

Regional competitiveness

Regional specialisation

Small and medium sized cities often depend economically on special competencies and types of production, hence on clusters. Thus, the fate of these cities is closely connected with the development of the local clusters. Some MECIBS cities have experienced total close-down of a cluster, whereas other cities have succeeded in upgrading competencies within clusters in transformation.

The city of Herning owes much of its development to the textile industry. During the 1990s the manual production was outsourced to Poland and Lithuania. However, due to a close follow-up of management, design, export and branding, the textile cluster developed in new sectors of the textile industry. It climbed into higher positions of the value chain of textile production and in fact increased in economic terms. Much of the success was dedicated to the presence of local knowledge institutions – first and foremost the textile school and knowledge centre TEKØ.

¹ Chairman Ebbe Andersen, Aaskov Business Association in Inforama (www.erhvervsraadet.dk).

In the other MECIBS cities, several local clusters are evident. Lappeenranta region hosts one of the world's largest wood production clusters. In Salo, the most recent electronics cluster has developed around Nokia's »mother factory«. Kokkola has a strong chemistry branch. Sillamäe contains its rare metals-oriented industry and Randers continues to have a strong food processing industry.

When cities address clusters, they usually do so in different meanings. Besides clusters of specialised production i.e. production clusters, they also address clusters of companies with functional characteristics. For example in the region of Herning, the Midt-Vest formed a special knowledge and competence centre to assist and further develop what they call a functional cluster of subcontractors. In Herning, it had become clear that the firms in central Jutland had generally evolved into subcontractors. Initiative was taken for the creation of a competence centre, called Centre for Subcontractors (CFU). Likewise, the Randers Business and Development Council has identified core competencies in several local companies within industrial assembly and has taken initiatives in sustaining and further development of an assembly cluster.

Finally, some cities try to encourage new kinds of production based upon an idea or a concept. Such a concept was developed i.e. by Nakskov, when forming an industry- and environment park based upon the idea of industrial symbiosis between companies including public utilities as well. In Nyköping, the strategy of developing the city into a hub of transport is accompanied by efforts on establishing a group of competencies within logistics and transport. The vision is to further develop the potentials of road, rail, air and sea transport and to combine these assets of infrastructure with expertise developed in local education centre. In Salo, part of the Green Valley project concerns the promotion of a new industrial cluster linking electronics industries with environmental business.

Diversification of local industrial base

Due to the vulnerability of one-sided dependencies upon a cluster, it has become more common to consider alternatives to developing and enhancing clusters. One such alternative is to promote business development within other areas than the cluster, hence to diversify the economic base. Another alternative is more generally to improve the knowledge and competencies in order to match the trends of increasing the knowledge base of all most kind of production and business.

In Kokkola, wide-ranging actions to promote the local competitiveness and diversification of industries have been made. Four interrelated industrial spearheads (chemistry, laser coating, yacht manufacturing and ICT) are promoted, pulled together by the regional technology centre KETEK, backed by the success in the national Centre of Expertise programme, and made possible by the financial support and investments of the municipalities, of which Kokkola is the largest spender. As the flagship project, the city, the sub-regional education federation and the regional polytechnic have financed the building of the Innogate premises, housing the OSKE laboratory for the chemistry branch R&D services and a business incubator.

Knowledge building

There is a growing awareness that the competitive position of localities is contingent on their knowledge base. Thus, knowledge creation and acquisition has become a factor of paramount importance. However, it is not necessarily the best and most realistic solution for all medium sized cities to invest in attracting academics and academic education institutions. Instead, having a high share of skilled labour can be more profitable for a local economy. Recent studies in Denmark show that the segment of skilled labour force has a significantly higher productivity than low-skilled as well as high-skilled employees². This stresses the role of vocational schools and their capability to establish tailored programs for local enterprises in medium sized cities.

Education institutions play very different roles in developing the cities and are given different strategic roles for the development of medium sized cities. In the MECIBS cities, several networks have been established with education and R&D institutions in metropolitan areas. Usually, the municipality or the local business council plays a central role as mediator in building these networks.

These networks and initiatives are often financially subsidized by and embedded in regional and national programs. Still, the local capacity to formulate the content and activities and to bring together stakeholders on the local level is a precondition for national support. As an example, for Kokkola and Lappenranta, getting funding from the Finnish Centre of Expertise programme (CoE) would not have been possible without great efforts from the municipality and local business development organisations.

Although capable local actors might be able to continuously having success in receiving funding from regional, national and international funding for research and education activities, often they have to »fight from case to case« in order to attract more knowledge to the region. Furthermore, policies on EU-level may also affect the engagement of universities in regional development activities.

Strategies and projects

In what follows we shall describe some characteristics of the development and business strategies of the MECIBS cities and show examples of concrete projects.

The cities are responding on long-term structural trends and on sudden events as well. They respond to global trends of deindustrialisation and regional trends of enlarging labour and housing markets. And they respond to sudden events such as the closure and restructuring of the local companies.

Most cities try to sustain and even increase the competitiveness of the city.

² Det Økonomiske Råd [The Danish Economic Council] (2003): Dansk Økonomi, Spring 2003.

Some of them are facing pronounced changes of their economic and functional base and have to reconsider their role and identity. Common to most strategies are efforts on establishing new stakeholder relations.

Table 2. Opportunities, strategies, projects and stakeholders.

	Nakskov	Randers	Herning-Ikast-Brande	Nyköping	Norrtälje
Opportunity Situation	Closed shipyard New investor »Gate-way« position to Eastern Europe	Closure of large companies – new companies Enlarging Århus labour market	Restructuring textile industry Furniture cluster	Closure of military airfield, Logistic assets, Archipelago, Enlarging Stockholm labour market	Closure of military base Enlarging Stockholm labour market
Strategy	Building upon industry competencies Public-private cooperation Co-operation with East-Europe	City Branding Housing policy Sustaining new business competencies Event centres	Preparing for the next outsourcing (furniture) Sustaining local business competencies Regional cooperation	Education Policy stakeholder cooperation Logistic Hub Regional housing City branding	Education Campus
Projects and »stakeholder concepts«	Energy & Environment Park Baltic Sea Solutions	Final assembly cluster Randers Tropical Zoo Research Inst. for the elderly	Birk Centerpark HIH TEKO Birc Estate Midt-Vest	Skavsta Airport ONYX Ostlænken House of knowledge New housing areas	Campus Roslagen
	Kokkola	Salo	Lappeenranta	Vyborg	Sillamäe
Opportunity Situation	Harbour Education Previous investments in chemistry	Nokia success Strong electronic cluster	Forest sector changes Russian border	Production facilities Soviet shipyard Labour force Infrastructure	Factory premises Location Russian border
Strategy	Education Chemical Technology	Quality living Business services Education	Knowledge production Russian expertise	Overall development Investment pleas	Business support
Projects and »stakeholder concepts«	Education centre Chemical prod, r&d iPark Laser technology	Green valley Quality services	KARELTWK r&d Education Cross-border coop »City of Saimaa«	Shipyard dev. Techno Park Cross-border coop Sustainable development	Free zone Silmet Group Logistics

In Table 2 a brief overview of the strategies of some of the MECIBS cities are given. The point of departure is the situation to which the cities respond. Then a few elements of strategies and concrete projects are characterised.

The key fields on which the cities operate embraces: branding new urban identities, housing programs focused on the regional housing market, event-centres, cooperation with universities in order to sustain local needs for education of the citizens and companies, knowledge centres within local business competencies, business parks and industry parks.

Branding new identities has been crucial to Randers and Nyköping. The two cities are situated in the vicinity of two larger cities, the regional capital and second largest city in Denmark, Århus and Stockholm in Sweden, respectively. In both cities branding was taken as a means of shaping a new identity focusing upon other aspects than the former identities as industrial cities. Especially Randers wanted to get rid of the negative image created during the period of industrial decline. Situated in the enlarging labour markets of larger cities, both cities try to play new roles as places for living and not just production. Thus, both cities try to set up new housing strategies and to build new attractive houses to keep families staying in the town and to attract families from the larger city near by.

New event centres have been part of the strategies of several cities to make them more attractive as places for living, like e.g. the tropical zoo in Randers, Nyköpöng Roslagen Eventcentre, the multipurpose centre in Herning, the sportscentre in Salo.

The strategies for branding, housing and event centres are focused upon revitalising and enhancing the image and qualities of the cities as places for living. Besides these initiatives, the most crucial elements of development and business strategies are focused upon the cities as places for business life. In what follows, we shall present four such elements, i.e. university co-operation, knowledge centres, business parks and industry parks.

Flexible arenas for metropolitan universities

Usually, medium-sized cities do not host their own university and many cities realise that they are too small for developing a new university or even a university satellite. Convincing national governments about the need for a university can be a hopeless effort. However, in the MECIBS cities promising arrangements providing valuable corridors of knowledge have been established. To some extent these arrangements compensate for the absence of universities and other R&D institutions.

In Herning, a corridor of knowledge benefiting local enterprises has been established between Herning Institute of Business Administration and Technology (HIBAT) and Copenhagen Business School (CBS). The aim is to respond to the needs expressed by the local business for higher educated people within business and marketing as well as expressions made by students at HIBAT for an offer beyond bachelor-level. The new masters pro-

grams in Herning have proved attractive, including students from outside the region, surprisingly many even from Copenhagen.

In Kokkola, the university centre utilises resources from three universities. The university centre is functionally a co-operation between universities of Jyväskylä, Oulu and Vaasa, several local and regional actors including the city of Kokkola, and the University Association of Central Ostrobothnia. The common aim is to strengthen the regional competencies by developing work- and business-oriented flexible educational programmes.

A partnership between Randers Business College and Copenhagen Business School (CBS) was also recently established. For CBS these partnerships are not only opportunities to expand on the education market, but also ways to build stronger local contacts and give CSB-researchers access to local enterprises as research subjects.

Overall, medium sized cities are eager in cooperation with universities and vice versa, since they are able to offer flexible solutions for metropolitan universities. Universities are offered an arena for enrolment of students and the cities are gaining locally based education. This is shown with the newly established Campus Roslagen in Norrtälje, about 60 km north of Stockholm.

Norrtälje: Campus Roslagen

When the Swedish Air Defence 3rd garrison left Norrtälje in 2001 a very large area close the city centre was left empty. Due to a 250 Million SEK investment in reconstructions of the military barracks in the 1990s they were in good shape and well maintained. The municipality of Norrtälje took over and decided to convert the military barracks to a campus for education and business. The open part of the area, grown with trees and endowed with a coast line is suitable for conversion into an attractive housing area.

The municipal development agency Norrtälje Industri- och Hantverkhus AB (Norrtälje House of Craft and Industry Ltd), NIHAB, was made responsible for the establishment of an education and business campus, Campus Roslagen, in the area. Thus, NIHAB was asked within 5 years to achieve demanding milestones

In order to achieve relations between business and education, the education programmes were founded upon the principle that the business companies involved should take part with economic resources, key-note speakers and mentors.

NIHAB is organised as a joint stock company (Ltd) owned by the municipality. A strong motive of appointing NIHAB responsible for the campus project, was to make the project financially independent of the municipal tax-payer budgets, and hence to make the project less vulnerable to public criticism. In line with this decision, it was made a milestone of the project not to burden the taxpayers. A side advantage of this organisation was that NIHAB was given considerable freedom to develop.

Only after 2 years of operation NIHAB achieved the preset milestones. To day about 220 are employed are Campus Roslagens 8 education institutions and 21 companies and public institutions. 540 students are enrolled, many of which are living at the campus.

The education programmes are developed in close co-operation with universities and business companies. On the one hand Campus Roslagen offers universities in Luleå, Stockholm and Uppsala, arenas for recruiting and enrolment of students. On the other hand Campus Roslagen tries to develop education programmes responding to the needs at the local labour market, e.g. a nursery school. In cooperation with Stockholm University and the enterprises COOP, IKEA, ICA, STATOIL and Hennes & Mauritz Nordic Retail College has been established offering an education as civil economist specialised within retail. The stakeholder companies are contributing financially (15 million SEK in 2003) and they offer the students trainee jobs, mentors and key-note speakers during the courses. Besides the retail college, a nursery school established in cooperation with the »Karolinska« University Hospital in Stockholm, a restaurant school, a transport education, an optometric education centre, a travel education centre, a custom school and other youth education courses are situated at the campus.

As in Norrtälje a centre of education, »House of Knowledge« is established in Nyköping including several education programmes established in co-operation with universities. The college has no competencies of examination. It functions as a broker of education for higher education at the universities, e.g. »Midthøgskolan« in Österssund and the university in Linköping.

Centres of competencies

Knowledge centres and centres of competencies are knowledge institutions set up with the purpose to assist the development of local clusters and specialisation of local business life. In the MECIBS cities we have found a number of these centres in a rich variety of size, financing and operation. Some established locally, some established within the framework of national programs – and several in between. The Finnish programme for centres of expertise is an important representative of a national programme allowing for funding of centres of competencies.

Knowledge corridors between medium sized cities and major universities and distant R&D institutions are also built as part of initiatives for enhancing the technological level in local competence clusters. This is the case in the wind energy knowledge centre in Herning (HIH Wind) and know-how centre for chemistry in Kokkola (KETEK). In Nakskov, offering parts of the harbour area as a large-scale laboratory for researchers investigating cleaning of harbour sludge is another way to bring research activities into town.

In Herning, the smooth transition of the regional competence cluster in textile and clothing is to a large extent a result of the ability of the TEKO School to constantly upgrade their programs and to turn the focus towards the knowledge-intensive phases of textile and apparel production, i.e. the

pre- and post-production phases, design, branding, sales and marketing. Important for building these competencies have been the active interplay between local enterprises and TEKO. Thus, in Herning, the capability to escape the past and to create the future, however still reproducing the identity of a »clothing and textile town«, has to a large extent been because of TEKO. Other knowledge centres located in the Birk Centerrpark in Herning are centres for subcontractors, wind energy and hydro energy.

In Randers, the Knowledge and Competence Center for the Industry (IVK) run by the local technical college, has succeeded in supporting a local assembly cluster as well. This knowledge and staff sharing initiative was started up by a group of large industrial companies who primarily wanted to exchange staff in periods of fluctuating orders, but who also saw the advantages in complementing each other. As the partners were not directly competitors, but shared an expertise in assembly production, however in quite different product markets, the network could work assisted with the technical support of a local technical college and financial support from national authorities.

Kokkola region: KETEK

KETEK is the Technology Centre in Central Ostrobothnia. KETEK administers and co-ordinates the Centre of Expertise Programme in Kokkola Region. The areas of chemistry that have been chosen for the programme represent the core competencies of the Kokkola Region with a focus on the fields with the highest level of expertise. KETEK's areas of expertise are applied research and development in the field of technology, technology transfer, innovations and business services of enterprises. Research and development as well as technology transfer focus on the industrial applications of chemistry and production technology of engineering, with special focus on laser coating and yacht manufacturing technology. In 2002 partnership between KETEK and Tampere Technical University led to the establishment of a joint professorship in laser coating. Activities promote development of top competence in chemistry and transfer duplicable know-how from one field of production to another, thereby strengthening the diversifying regional clusters and creating alliances between different business areas.

Administratively, KETEK is a business unit of the Federation of Education in Central Ostrobothnia. The city of Kokkola, through its position as the biggest stakeholder in the Federation of Education, is the major owner and the biggest local financing institution. Others are the city of Pietarsaari and city regions' development corporations KOSEK (Kokkola) and Concordia (Pietarsaari).

KETEK functions as a »networker« between the funding and resourcing institutions (ministeries, regional governments, municipalities, local business development corporations) and the content providers (private firms, polytechnics, university centre, state research lab). As KETEK themselves note, »The research directors of the large-scale industry are the backbone, the city enables and organises support, and KETEK does the practical work«. In

this way, it can be said that there is an »inner ring« partnership of these three, a number of other »leading actors« that are needed for the system to operate, and also »supporting actors« who both give added value and distribute the benefits to a larger area.

Business parks

In business parks, companies share common functions such as reception and general office services, canteen, meeting and conference facilities. Business parks are organised to reduce general office costs for the business companies involved. New companies can concentrate upon the key issues of the enterprise, the product and services, the concept, marketing and development. In restructuring cities, business parks are relevant in two aspects. First, business parks are used to facilitate entrepreneurs to start up new enterprises, often seen as an important issue in cities of transformation in order to substitute losses of old companies by new ones. In some business parks, the idea of facilitating entrepreneurs is further sustained by an institutional incubator framework. For example an incubator function is established in Birc Estate in Herning facilitated by the business park concept and education and funding of entrepreneurs.

The second aspect of business parks in cities of transformation is the revitalisation of former industrial sites. Often empty industrial sites and buildings are suitable for conversion to other purposes and even attractively located close to the city centre or a logistic hub. Many old industrial buildings have also become representatives of the identity and local historical heritage of the city, as well as the industrial architecture of its time. In such instances, business parks are often seen as an instrument for revitalisation of former industrial sites. This was the case, e.g. in Randers, in Saksköping close to Nakskov, in Nyköping, Norrtälje and Vyborg.

In the MECIBS cities, the variety of business parks reveals in itself a variety of local situations, problems and options. But also the variety of business parks reveal a profound variety of different ideas, concepts and political commitments, which form a large potential for learning by further exchange of experience.

Herning: Birc Estate

Herning Birc Estate is a new business park, located in the »Birk Center Park«, an area of new knowledge centres, education and business companies. The Birk Center Park is in itself a kind of business park. However, we shall focus upon the Birc Estate and leave a description of the Birk Center-park to the section of spatial planning.

Birc Estate is only a few years old. It is a building of 5,200 m² offering small business companies office space and a share of common facilities Birc Estate was funded by local companies and co-funded by the municipalities of Herning and Ikast and the county of Ringkøbing. The initiative was taken by Herning-Ikast-Brande-Åskov business council. 12 local companies funded 8 million DKK which in turn was supplemented by a co-funding of 20 mio DKK by the municipalities and the county. Due to the successful start up,



Figure 1. Birk Centerpark.

the Birc Estate is currently planning to build a new section, doubling the office space.

Vyborg: Techno Park

Vyborg Techno Park is located in a former area of a military plant supervised by the Ministry of Defence during the Soviet period. The plant produced different electronic instruments and was situated at a site of 2 Ha. After the fall of the Soviet Union the company was privatised but went bankrupt and new companies were established at the site. Two companies started up the new development, one of these build upon the competencies of the former production. The other, Thermo-Line, organised the techno-park concept. Thermo-line takes care of the engineering infrastructure, i.e. central heating, telephone station, water and sewage, electrical supply and road maintenance.

Besides the two founding companies, about 30 companies are situated in the area on tenancy basis. Three of the companies are manufacturing companies, whereas the remaining tenancies are for offices and storage.

The area is still looking run-down, especially from the outside. Thermo-line has worked out a plan for improvement of services, especially renovation and restoration of water, sewage, rain water pipe lines, fire systems, elevators and loading/unloading facilities. The managing director, Mr. V. Fedosov was formerly a deputy mayor of Vyborg city.

Other business parks organised in former industrial areas or closed urban functions are the Sillmet Real Estate organised at the premises of the former uranium extraction plant in the Sillamäe, an industrial park organised at Skavsta commercial airport, formerly a military airport, Roslagen Campus housing education and business companies at the former military base in Norrtälje and Saksköping Sugarfactory close to Nakskov.

Industrial parks

Industrial areas are of course present in all the MECIBS cities. Pronounced symbiotic relations are taking place in some of the areas, due to municipal initiatives in promotion of the development of the industrial areas. In Kokkola the Ykspihlaja industrial area highly specialised within chemistry is situated close to the port of Kokkola. The enterprises in the area have developed several symbiotic relations on private-private as well as public-private basis. Furthermore, the municipality has financed an all weather terminal (AWT) and decided upon a project for improving the road-infrastructure.

In Nakskov, the municipality has been the key driver of establishing an Industry and Environment Park. The initiative was taken in order to start-

Table 3. Symbiotic relations current and planned.

Private – private		
Vestas	Poul Ree A/S	Subcontractor – mill-towers (Closed down)
Vestas	Skagen Sandblæs	Subcontractor – surfaces
Public – private		
Nakskov harbour	Companies exporting environmental products to East BSR	Testing new projects and products. Promotion of Danish environmental expertise. Set on standby due to change of governmental support to East BSR
Nakskov District Heating; Based upon pyrolysis	Norwegian Organic Power	Pyrolyse based heating plant based on old railroad ties from Germany Gate-way for Norwegian export of pyrolyse facilities to Denmark and Germany. Organic Power bankrupt
Nakskov District Heating; Based upon biomass	Local farmers	Sheats remaining from local production of seeds
Nakskov waste water treatment plant	Nakskov Sugar Factory's waste water plant	Technical cooperation
Nakskov sugar factory waste water plant	Nakskov District heating	Bio-gas for heating. Abandoned by the ministry for taxation
Nakskov Sugar Factory's waste water plant	Agro-industrial area	Waste-water from sugar production to non-food production. Waiting for agro-industrial project
Vestas pilot wind mills	Electrodialytic cleaning of heavy metal from harbour sludge	Electricity during periods of surplus production of power Test-phase
Public – Public		
Nakskov District Heating; Based upon biomass	Local recycling station Harbour sludge project	Refuse from local recycling station Willow trees Test-phase

up the transformation of the former ship-yard area left obsolete after the closure of the Nakskov Shipyard. A shift of the political and administrative regime kicked-off the process due to new ideas and commitments for changing the critical situation of the city. As in Kokkola the Industri and Environment Park in Nakskov is based upon several symbiotic relations and facilitated by logistic services established by the municipality. The two examples show conceptual similarities. However, the two industry parks are very different. Ykspihlaja port and industrial area is a well established industrial cluster of national and even international importance, whereas Nakskov Industry and Environment Park is a newly established area of local rather than regional or national importance.

In the Industry and Environment Park, several symbiotic relations have been established in the area, most of which encouraged by Nakskov municipality. The municipality has sketched out several synergy relations between public firms and private firms. Some of these projects have been carried out, some are being tested, others await possibilities for realization, while yet others have shown themselves to be difficult to execute.

The municipality has shown the capability to operationalise the vision decided upon. The fact that several projects were not carried out should not be taken as a weakness of the efforts. Rather, the fact that the municipality came up with new projects substituting projects that failed reveals an impressive commitment and entrepreneurship of the municipality.

Apart from the technical solutions, the Nakskov case shows that successful restructuring depends, especially in peripheral cities with only few development options, upon a capability of local authorities to match the speed and power of decisions of private investors, as well as to match the need for follow-up and corrections when projects fail and have to be substituted by new projects.

Conclusions

Business policies are not statutory. They are carried out by the cities in their own interests. That's why business policies show the nature of the cities as development agents rather than authorities. The problems of restructuring have encouraged local business policies to turn from the mere protection of the interests of local companies to competent co-operation with city councils on broader development issues of the local society. Also, the problems of restructuring have encouraged city councils to take up the role as development agents along with the traditional roles as authorities and providers of public services, amenities and public works. This role of development agent often leaves the city council on its own taking legal decisions in grey zones and risky economic decisions. Generally, the MECIBS cities have shown a pronounced capacity to take up the role as strategic development agent. However, no unified blueprint of organising the agency has emerged – rather the opposite: a variety of combinations of mayor-ship, key staff

personnel, city council back-ups and co-operation with local business councils and other local stakeholders.

In business policies cities act in the interests of the city; but to an increasing extent cities acknowledge that they are depending upon economies that are regionally embedded. Therefore, business and development strategies are over layered by regional co-operations. A key question in regional policies is whether economic specialisation or variation should be encouraged. This is very much a choice between competitiveness and robustness.

The concrete projects most relevant for business driven development often include a range of initiatives to enhance knowledge as a service to the young people, as tailored programs to restructuring and development needs of the labour market and as research and finally as centres for shared information and knowledge development within specific local branches of business.

In much of the initiatives on knowledge provision the cities act as brokers and mediators of university research and education. Thus, rather than establishing new institutes, schools and event universities, the medium sized cities rather establish a variety of knowledge corridors based upon co-operation with highly competent people, institutes and universities from regional and national capitals.

Common also, to most MECIBS cities is a broad palette of business parks, some established in former obsolete industrial areas or military bases. The idea of the business park is to make the life of small and medium sized companies easier and in some instances also to encourage start-up of new companies by special incubator facilities. More traditional infrastructure is needed in cities still depending upon manufacturing industry. Two of the MECIBS cities endowed with harbour-related industries have developed special logistic facilities for improving handling of goods.

From these concrete projects much is to learn by simply visiting the cities and learning in the proper context – rather than just copying from one city to the other. To facilitate the new self confident behaviour of the cities, national government should consider more explicitly how to develop codes of conducts for the »third role« of local city and municipal councils, the role of the development agent along the traditional roles as public authorities and providers of service, amenities and public supplies.

Local strategies and socio-economic regeneration

Thilo Lang

Introduction

Economic transformation has led to economic slowdown and job losses in several small towns and medium-sized cities in the BSR. While it is expected that closed firms will be replaced with new ones, there is no automatism for new investment. Hence, economic growth is weak. Small and medium towns outside the agglomerations cannot compete with the advantages of big cities (e.g. in the fields of education, labour-force, technical infrastructure, especially in relation to national and international transport systems). For this reason, they have to define their own path of economic and urban development and discover and utilise their specific potentials. Indeed, the current tendency towards large globally networked city-regions, combined with the turn towards neoliberal policy measures has contributed to widening the gap between sub-national regions, measured for example in income inequalities (Scott and Storper 2003: 585).

Economic transformation and processes of de-industrialisation often lead to the marginalisation, if not exclusion of large parts of the population. Thus, regeneration measures might be more successful if they incorporate social aims (cf. McGregor and McConnachie 1995). In contrast to globally initiated developments, focusing on local economic structures, based on local and regional assets, seems promising when it comes to establishing locally rooted and thus more sustainable economic structures. This might help to reveal mechanisms to improve the local ability to act and to include local communities.

Socio-economic regeneration, by pursuing sustainable economic and social development, endeavours to maintain locally rooted economic structures, to foster social stability (in terms of social and economic integration of local communities) and to reduce social and economic disparities (in terms of access to the labour market).

Through an analysis of local socio-economic regeneration initiatives in five towns within the BSR, all of which are experiencing similar challenges, this paper contributes to ideas to strengthen small and medium sized cities. The challenge for such towns is to find individual paths of regeneration and to view urban transformation as a positive opportunity to explore new methods of development. This means local actors must increase their awareness for untapped potentials and reveal and maximise the opportunities created by processes of transformation. The paper first addresses the theoretical concepts offered in the framework of socio-economic regeneration. In the

second part, some initiatives, contributing to socio-economic regeneration, are described. Finally, some findings of the underlying research are presented.

Theoretical frames for socio-economic regeneration

The social and the economic within regeneration

Regeneration should be seen as a multi-dimensional and multi-faceted concept, improving the quality of the urban fabric and the natural environment as well as reconstructing the local economy. Issues such as social inclusion are seen as central to the regeneration agenda (Bennett, Beynon and Hudson 2000: 45). In recent years, the understanding of spatial planning has shifted from pure physical planning and land-use matters to an integrated concern for economic, social, environmental and political issues (EC 1994). It is, however, still challenging for local actors to integrate this knowledge into a more comprehensive and complex form of urban planning. Studies on the processes of urban decline in East German towns and cities clearly reveal that urban change and decline is an extremely complex process with strong interactions and both reasons and impacts especially in the economic and social sphere of planning (Lang and Tenz 2003).

In the municipal day-to-day practice, however, social planning and economic regeneration are usually handled separately. Economic regeneration is regarded as a set of independent measures designed to support the economy. There is a lot of criticism that the practice of economic regeneration is usually not seen as an opportunity to bring unemployed people back to work (TU Berlin 1994) and that economic development promotion as such concentrates on investments in infrastructure and the supply of land (Röpke 2004). Investment in people, through increased support for and provision of appropriate training and support for the realisation of entrepreneurial ideas is regarded as under-represented in local practices (Noon et al 2000: 62).

Focusing local values instead of global trends

Because the process of economic transformation and decline is seen as being largely influenced by the globally networked economy, local communities, towns and other bodies continually face the challenge of finding responses to globally initiated developments on a local basis. Many promising attempts at making local values the centre of interest exist (for example SEC 2003; Gore, Powell and Wells 2003; ECOTEC 2001; Thake, Zadek 1997; TU Berlin 1994 and ILS 1996). These attempts are largely categorised using the term »local economic development«.

The term »local economic development« can be very misleading because of varying understandings of the nature of local economic development (Bingham and Mier 1993). Within the context of socio-economic transformation, local economic development is best described by Birkhölzer (1999: 44).

Local economic development means:

- building upon the untapped resources of local people

- focusing on the unmet needs arising in the locality
- re-establishing local economic networks within local communities
- creating socially useful work for local people

Endogenous strategies of economic development would work with local people, either emphasising local entrepreneurship or promoting a social or community based economy.

The Social Economy

Particularly when the formal economy has failed, leaving unsolved social problems behind, the Social Economy provides a model for facilitating social and economic inclusion. The Social Economy entails Social Enterprises, community businesses or – more general – community initiatives with primarily social aims. Consisting mainly of initiatives which have to be seen in between the private (first) and the public (second) sector, the Social Economy operates independently from local authorities and is not purely profit-oriented. The prime interest of such initiatives lies »in building social capacity (e.g. through employing or training socially disadvantaged groups) and responding to under-met needs (e.g. environmental improvement, free or affordable child-care or housing for low-income families)« (Amin, Cameron, Hudson 2002: 1).

Social Enterprises are one example for Social Economy initiatives. In general they integrate two main ideas (DTI 2002: 14):

- they are market-related and productive by directly providing goods or services to a market and making profit
- their objectives are primarily social, aiming for job creation, qualification or the continuation of local services and often focus on building skills within the local community

»Social Enterprises aim to sustain their business and make profits – it is what they do with these profits that is different« (SEC 2003: 7): they re-invest their surpluses to achieve social aims. Many Social Enterprises are characterised by social ownership. Examples vary considerably, yet their primary activities are generally to be found in the fields of social services, environment, culture and sport.

The Social Economy is widely regarded as »a significant source of work, welfare, and participatory democracy in a new stage of capitalism« (Amin, Cameron and Hudson 2002: 14). The Ciriec-Study found that 7,9% of all paid civil jobs in the EU belong to the Social Economy. In connection with 35 projects running in 1998-2000 as part of the EU Third System and Employment pilot action, 1.300 new employment opportunities could be created and a further 700 jobs saved. The real costs for job-creation thereby were lower than in other sectors. The projects succeeded in working with different groups of excluded and disadvantaged people, and have proven to be able to offer adequate job and training opportunities (Ecotec 2001: 12).

There is also scepticism, backed up by critical evidence, which outlines the

limits of the Social Economy. A lot of Social Enterprises might depend on external grants, state benefits or the willingness of individuals to contribute their time as volunteers. Furthermore, research shows there is often limited success in terms of fighting social exclusion and creating jobs. In addition, unstable and under-paid employment opportunities and low-quality entrepreneurship lead to high failure rates of and limited community involvement in Social Enterprises. The Social Economy can »never become a growth machine or an engine of job generation [...] but it can stand as a small symbol for another kind of economy [...] meeting social needs and enhancing social citizenship« (Amin, Cameron and Hudson 2002: 116, 125). Thus Social Enterprises contribute to socio-economic regeneration but cannot replace the welfare state or the formal economy.

The role of local entrepreneurs

In economic mainstream theories, there is no clear role for entrepreneurs. An entrepreneur is defined as »someone who sees an unexploited opportunity for profit in the form of a new product or even a new way to produce an existing one« (Malizia and Feser 1999: 195). In traditional theory, it is market and equilibrium processes rather than entrepreneurial activity that influence business development.

Generally the SME sector is seen as being the most effective sector when it comes to creating jobs. There is evidence that job creation is greatest in small businesses, especially in micro enterprises with less than five employees (Armstrong and Taylor 2000: 267f). Small enterprises are particularly reliant on the drive and creativity of individuals and are especially flexible when it comes to incorporating new ideas, which is why they are locally anchored and thus an important factor of endogenous causation within the local economy (Witt 1991: 100). Local entrepreneurs can redirect the development of a certain town and introduce new perspectives to urban development.

A recent study in Germany revealed that SMEs (less than 500 employees), unlike large enterprises, have not relocated jobs to countries with cheaper labour costs. The same study showed that these enterprises have been dependent on regional and national markets (KfW 2005: 140, 125f). Small enterprises are thus better integrated in the local economy and have an important role to play when it comes to maintaining local jobs in the face of globalisation.

There is also evidence that providing youth with entrepreneurial education increases their willingness and capability to run their own businesses when they get older. Empirical studies in Sweden and Norway have shown that people who had participated in entrepreneurial programs during secondary school were more likely to become entrepreneurs and found their own companies. About 20% percent of those students who had participated in such programs went on to found their own company, while for those without entrepreneurial training during secondary school the chance was between 3.1 and 4,5% (Luktvaslimo 2003).

Socio-economic regeneration as a field of urban policy?

Similarities concerning problematic processes of transformation

Nakskov (Denmark), Lappeenranta (Finland), Sillamäe (Estonia), Kuldiga (Latvia) and Jüterbog (Germany) were intensively examined in regards to processes of transformation and local initiatives of socio-economic regeneration. These towns are situated outside the direct influence of important national centres (cf. map p.12). They are located in regions which are far below European average in terms of their economic strength and much less important than the dominating national regions.

Each of the towns or the regions they belong to experiences significant patterns of social and economic transformation, (cf. Lang in section 1) such as population decline (in the case of Lappeenranta just the region), above average unemployment rates, noticeably low entrepreneurial activities and imbalanced migration patterns. All towns face challenges which could at the same time offer starting points for measures of socio-economic regeneration.

Different strategies as answers to the problems of transformation

Although all five towns face similar challenges of transformation, there is not one general solution. Activities aimed at socio-economic regeneration are seldom. Only Nakskov and Lappeenranta demonstrate limited municipal initiatives directed towards the problems related to socio-economic transformation. This might be due to distinct political priorities, due to a lack of knowledge about such measures or due to the underestimation of possible effects in this field.

Socio-economic initiatives in individual projects

Answers to the problems of transformation are mainly found at the grassroots level: Socio-economic regeneration appears to be practiced more frequently in individual projects than in local policies. In most of the cases within the MECIBS framework, socio-economic regeneration projects are grassroots initiatives. Only the activation project Aktivering Syd in Nakskov was initiated by the local administration.

There are two main fields of activity within socio-economic regeneration in which the efforts of local actors are observable and which show success:

- projects aimed at improving local entrepreneurship and
- projects fostering the Social Economy and integration

Local entrepreneurship

Problems connected with one-sided or weak economic structures are often discussed at the local level. However, measures to support entrepreneurship are seldom. There are two reasons often mentioned for this lack of support

for entrepreneurship: first, start-up support is seen as an ineffective means of promoting business due to low demand in small and medium-sized towns; second, promoting the local economy is not viewed as a local task, but the responsibility of other public organisations.

The Business Incubator in Sillamäe that was analysed during this research demonstrated success in developing local entrepreneurship.

Sillamäe Business Incubator

The incubator is an attempt to diversify the business structure and to develop local job-opportunities. It provides 14 equipped, up-to-date offices and space for 24 additional workplaces.

The aim is to minimise the risk of failure faced by business during the initial phase. This is achieved through reliable and cheap financial conditions for the rent as well as the supply of high quality office premises and professional support services including:

- pre-incubation consultation
- joint infrastructure and office services
- business start-up service and access to funding
- marketing and partnership services

In 2005, 10 local start-up companies used the incubator and created 36 jobs. The incubator is financed by an innovative mixture of private and public sources. The responsible body is a non-profit public private partnership including local companies and two neighbouring municipalities.

Source	Target	Funding %
Silmet Group Ltd	Renovating and leasing the building; equipment and furnishing	38 9,5
PHARE 2000+	Grant for renovating the building	43,4
City Government	Construction supervision	1,3
	current expenses in the start-up phase	1,4
Enterprise Estonia	Purchase of furniture	4,5
	IT equipment	2,0
Total:	ca. € 471.500	100,0

Expenses and funding for the business incubator in Sillamäe (for infrastructure until the end of 2003).

The Social Economy and integration

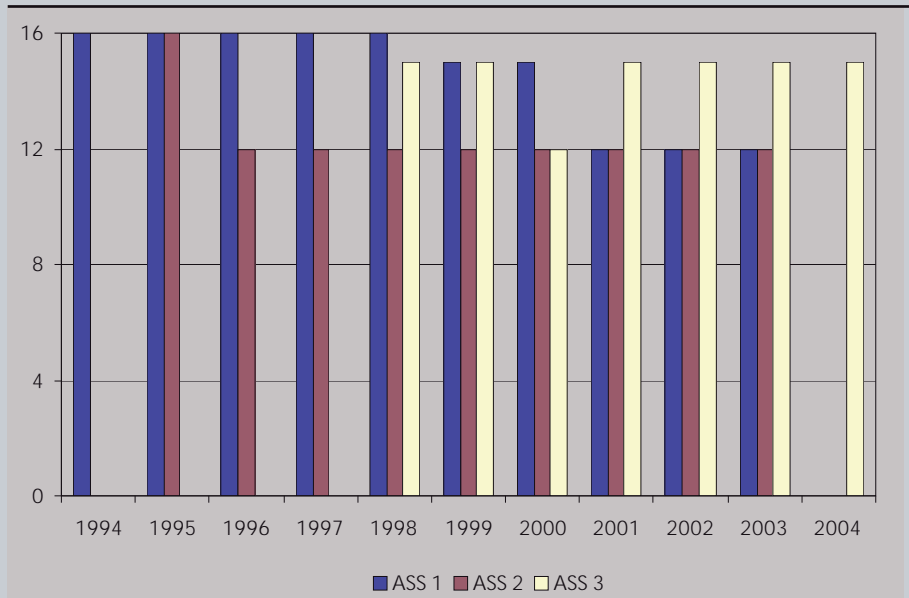
Currently, grass roots activities are the most important source of Social Economy projects, particularly in addressing the motivation, qualification and inclusion of the long-term unemployed. Generally, measures in the Social Economy and activation projects are far from offering overall solutions to enduring social problems. However, projects such as the »Arbeitslosen-service Jüterbog« and the »Rensel Cooperative« in Lappeenranta manage to address and deal with various social problems. These projects offer and arrange job opportunities in the first and second labour market.

Arbeitslosenservice Jüterbog

The origin of the "Service-centre for the Unemployed" can be traced back to an initiative of a local unemployed person in 1991. The initial objective was to offer advice for the growing number of unemployed people after German reunification. The centre receives basic financial support from the Ministry of Labour and offers various support services such as:

- motivation and training programs for long term unemployed
- exchange programs for unemployed youth
- local youth work including affordable offers for summer camps
- child care and working groups for special target groups
- supply of used furniture, second hand clothes and cheap food

Today the centre offers consultation for about 550 clients per month. At its peak in 1998, the centre offered jobs and qualification for about 200 people, mainly long term unemployed. In 2004, there were 63 paid jobs and about the same number of volunteers. In the period 1998-2004, the programme »work instead of welfare« placed 360 long-term unemployed in local companies for training. As a result, about 200 got a regular job or commenced education.



Qualification of long-term unemployed in local companies by means of the programme »Arbeit statt Sozialhilfe (ASS)« 1994-2004; financed jointly by the county, the European social fund and local companies. Placed persons for one-year periods of training.

The Rensel cooperative in Lappeenranta

Rensel is part of a wider initiative called Tripla, aiming at the integration of long term unemployed. In the end of 2004, the Tripla-project managed to find jobs or offer training for about 70% of 97 participants. The establishment of the co-operative Rensel was the most important aim of Tripla. The general objective of Rensel is to offer work for unemployed, in particular for Russian women who often fail in their job search because of the language barrier or resentment against »foreigners«.

Today, there are 10 members in Rensel, who received general training for three months prior to the start. Rensel offers many different services such as cleaning, care for elderly people, translation, cooking, carpentry and IT-services. In January 2005 there were 17 customers using the services of the co-operative on a regular basis.

In the first months of existence, the turnover was far too small to provide a full income for all members. So far, all members are still dependent on social benefits and could only earn additional income. However, Rensel shall keep running as a co-operative without external support and increase its turnover. During the start-up phase, the project received direct and indirect support from the city. The social department of Lappeenranta finances the director and the premises of the parent organisation which is responsible for Rensel. Additional start-up funding to the amount of 10.566 EUR was provided (78% EU social fund, 22% City of Lappeenranta). Most of this money was used to pay the circulating director.

The co-operative is independent in its decisions and operates as a private business. The members take all decisions on their own, i.e. what kind of services they offer, who will do the bookkeeping etc. The direction of the co-operative is on a rotating basis. Finally, the acquisition of work is the responsibility of co-operative members.

Findings and conclusions

Stringent strategies for socio-economic regeneration missing in municipal policies

In particular, towns in post-socialist countries (such as Jüterbog, Kuldiga and Sillamäe) and urban areas marked by the role of traditionally dominant labour-intensive industries (such as Nakskov and Lappeenranta) are affected by problematic processes of transformation and urban decline. Here, the formal economy often fails to sustain the employment base – leading to social and economic exclusion of large parts of the local population.

Though often neglected, the Social Economy is a perfect field for social inclusion if the formal economy fails. Although socio-economic projects have proven to raise social capital, and increase the employability, qualification and social integration of marginalized groups, endogenous concepts of socio-economic regeneration have not been key issues of local politics in the municipalities analysed.

The initiatives of local communities and key individuals of the civil society are in contrast to the passive role of the municipalities in the field of socio-economic regeneration. At the grassroots level, there are a lot of individual projects aimed at social inclusion. On the contrary, projects of entrepreneurship are more likely to be supported by local governments, although even here local stakeholders tend to be passive, especially in small towns.

Factors of success: Embedding of the projects in local policy

In all projects analysed, the actions and commitment of a particular person were essential for the birth of the project and the motivation of other actors to set the idea into practice. Interestingly enough, it was not local communities or interest groups or the administration as an institution that put forward these ideas. It was individuals, either as socially committed entrepreneurial immigrants, dedicated local residents or local actors who realised the need to do something. Thus, the existence of key advocacy figures, with strong personal convictions, appears to be a fundamental factor in a project's success. There is no doubt that the continued involvement of these persons is also highly relevant to the success of the projects. To

maintain long-term success, it is also crucial that there is more than one person pushing forward the ideas and management of the project.

Socio-economic projects often suffer poor funding and face enduring problems of being short-termed and dependent on political will. The integration of such projects into municipal policy with long-term political support consequently helps to maintain their success. On the other hand, this integration is also the precondition to include the contribution of these projects into urban development policy.

Socio-economic regeneration as new domain of urban policy?

Generally, the theoretical concepts of socio-economic regeneration describes a scope for action at the local level that has increasing relevance in times when decisions are often said to be dependent on global developments. A stronger focus on the locally rooted economy, in particular the Social Economy, helps to deal with the social problems associated with this process and create a more durable local economy.

Socio-economic regeneration is a domain of urban policy which still has to be developed. In the towns studied, there are two main fields of activity within socio-economic regeneration where local initiatives are observable at present, and moreover, show success: (1) the promotion of local entrepreneurship and entrepreneurial education, and (2) the Social Economy and social inclusion.

Problems in the structure of the local economy are often recognised by local decision makers. Yet concepts for the development of a new entrepreneurial culture and projects searching for and employing untapped local economic potentials are rare. Business start-up support and entrepreneurial education deserve more political, organisational and financial support from the local, national and European level. Creative socio-economic projects are in most cases dependent on EU support and the personal commitment of individual actors motivated by their own convictions. These projects deserve greater political, organisational and financial support.

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Urban planning for transformation

Niels Boje Groth and Olli Majjala

Transformation of urban economy and urban functions also means change of urban land use. These changes involve loss of former urban functions and appearance of new land use needs. The spatial effects of restructuring of the old economic base of a city do not include only closing down of former production premises or functional units (e.g. military bases or large hospitals, etc.). Urban restructuring also results in indirect consequences, related e.g. to local housing, public space, infrastructure, transportation, and even the whole identity and image of the city. These spatial effects are discussed more widely in the first section. In what follows, we shall discuss how MECIBS cities have responded on the impacts on restructuring.

Turning problems into solutions

The most obvious task for urban planning is to handle conversion of land use. Land use conversion is difficult when large sites equipped with buildings and constructions tailored to special kinds of production is left obsolete. However, often the difficulties are offset by the fact that land-use conversions often take place on sites attractively located close to the city centre or along waterfronts. The art of land use conversion is to identify the potentials rather than seeing the problems of an obsolete urban site, and hence to turn problems into solutions. This is what happened when Nakskov turned its defunct shipyard into an industry and environment park, when Nyköping turned its closed military airport into a commercial airport and integrated a former commercial harbour area into the city centre, when the military base in Norrtälje was converted into an education and business campus and housing area and when Sillamäe transformed a military production site into an industry and business park. The examples of problems kicking off new developments are manifold in the MECIBS cities.

Change of planning and spatial visions

The interest for studying urban spatial planning responses on transformation raises from the pre-understanding that urban restructuring seems to have a decisive impact both on the issues related to spatial development in small and middle sized cities (i.e. on »what is planned«) and on the role and key activities of urban planning (i.e. on »how is planned«).

Traditional urban planning was much based on urban growth and urban development on un-built areas. Spatial planning dealt with the provision of new (often natural or »greenfield«) land for urban functions, and the key

task was to ensure that urban growth is formed in an orderly and functional manner. In the spirit of modernist comprehensive and social planning (e.g. Alexander 1992) much of urban planning was formerly focused on the provision of dwellings, neighbourhoods and public services guided by norms and new standards of the welfare state.

In the period of transformation of the welfare state, it is evident that a different kind of urban planning is required. This is illustrated quite clearly by urban planning in the MECIBS cities. Planning is more aimed at creation of growth and land-use conversions. At the same time the urban planner has taken a more active and networking role in the process and developed new tools. Generally speaking, the tools and practices of urban planning is changing from reactions on growth to actions for growth.

Common to the task of land conversion and stimulation of land use is the need to make spatial visions for the future development of the particular site in question; typical cases in the MECIBS-cities are former industrial sites, empty military barracks or inner city areas. Spatial visions are needed to find new options and to communicate with the citizens, building agencies and investors. The use of spatial visions is not new. But during transition the use of spatial visions has become crucial. Not only is the building site subject to new visions, the entire city is made an object for the creation of a new identity. In those cities profoundly affected by transition, the former identity of an industrial city can be transformed into a new identity, as e.g. a metropolitan suburb, a specialised production centre, a centre for business services and cultural events or a tourism resort.

During these changes, planners have become focused on the attractiveness and market value rather than the functional qualities of urban land. And planning has turned much from passive regulation of building-rights to active promotion of building-opportunities.

Regional variety in spatial transformation options

The general change of the industrial society into a service and information society affect the medium sized cities in a variety of ways according to their geographical position. Among the general changes are the closure of industrial plants and national or regional institutions, the emergence of new business domiciles and knowledge centres for business and education, the increase of business services, demands for infrastructure and the integration of local companies within the international value chains of production.

At the level of the medium sized city the loss of industrial production is not just replaced by the new type of services and production, since they tend to concentrate within the largest cities, i.e. the regional and national capitals. From functional concentration follows a steady increase of commuting, as people show themselves willing to travel ever longer distances in order to obtain attractive jobs in the new economy.

Due to this »geographical filtering« of the general trends, the responses of urban planning to urban transition vary from one type of region to the other.

Metropolitan »suburbs«

In metropolitan regions, the scope of planning is open and optional due to the fact that cities in the hinterland of large regional capitals may play new roles in the metropolitan urban system as sites of production, centres of culture and events, and as places for living. Several options are open to these cities, as is the question of their role and identity. They develop new housing concepts to retain families in the community and to attract new households from the nearby regional or national capital. They also try to improve their attractiveness by constructing new event centres and waterfront developments. MECIBS cities in this position are e.g. Nyköping, Norrtälje and Randers, partly also Salo and Kronstadt. Depending on improved connections, this might be an option in the future also for cities like Jüterbog and Bauska.

Regional centres

Cities in medium sized self-sustaining regions tend to focus upon the transition of the economic base of the city and region. It is not an option to play a new role in the economy of a neighbouring metropolis. Commonly, such regions tend to meet the challenges of globalisation by functional and economic specialisation and to emphasise their role in the global economy. Thus, they tend to clarify their identity and they focus planning on the modernisation of industrial areas and by planning sites for new business parks and knowledge centres. Several of these cities are situated in regions characterised by one or more industrial clusters and urban planning is often related to changes in these business clusters. Cities like Herning, Kokkola and Lappeenranta are situated in relatively self-sustaining regions with pronounced economic clusters in textile, chemistry and wood-processing industries respectively. Other MECIBS-cities in this category would include e.g. Vyborg, Pskov and Chojnice.

Peripheral cities

Peripheral cities are usually smaller and, hence, most vulnerable to economic transformation. Often they are facing impacts of the development of single firms rather than clusters of firms. Accordingly, the urban problems may be very specifically focusing upon e.g. the conversion of a single indu-

Table 1. Three perspectives of urban planning.

Position of the city	Scope	Role and identity	Urban planning
Metropolitan region	Optional	Changing	Housing concepts Event centres »Waterfronts«
Independent regional	Focused	Clarifying	Business parks Urban centres
Peripheral region	Restricted	Renewing	Industrial parks Tourism projects

ustrial site, like the shipyard in Nakskov or the huge military areas in Jüterbog. Usually, these cities try to restore the impacts of change and to renew their reputation as cities for industrial production or to enter the economy of tourism. Within this scope, urban planning in the peripheral MECIBS cities has focused upon restoration and improvement of industrial sites and their infrastructure rather than changing industrial sites into new land-use functions. Other MECIBS-cities in this category would include e.g. Kuldiga, Valka, Sillamäe and Sortavala.

Spatial policies and actions in MECIBS cities

Urban planning in the MECIBS cities has responded actively on the tasks, challenges and options created by urban transformation. The analysis of the planning activities in these cities has resulted in emphasising eight – partly overlapping – aspects: urban identity projects, inner city development, housing, event centres, new knowledge functions, industrial parks, obsolete sites and new planning tools. In what follows, we discuss these aspects one by one with the help of illustrative examples of the case study cities.

Urban identity projects

During periods of fundamental change several of the MECIBS cities have taken initiatives to enhance or redefine urban identity and improve their image. The aims are twofold: to increase the self-respect among the inhabitants and to tell the outside world that the city is progressing and discarding negative images related to traditional smokestack industrial town. Several of the efforts related to the creation of an urban identity take their point of departure in the urban environment of the inner city and the built cultural heritage of the city. City centres are places where these attempts are naturally focused and where the local identity is condensed.



Figure 1. Kakkola old wooden town with street lighting in traditional design.

In the early 1990s Randers initiated a combined art and urban planning project for the city centre. Part of the project consists of 13 sculptures along the inner ring road symbolising the city gates of the former 13 radial roads connecting Randers and the hinterland. Up till now, four such city gates have been set up.

The large centrally located old wooden town area of Kokkola is remarkably well-preserved and constitutes an excellent example of Finnish building traditions in the coastal towns. For many years, however, the Kokkola wooden town was not very well-known in Finland, and not appreciated even by the local inhabitants. As an attempt to raise the valuation of the area, city planners constructed new street lighting for the whole area using costly crafted, traditionally formed lamps and pillars. This was a signal for inhabitants and tourists to explore and enjoy the unique qualities of the old town milieu.

Kokkola is one of many MECIBS cities using the historical built heritage as a key component of revitalization strategies. Kuldiga, endowed with a well-preserved historical centre, is now a candidate on the UNESCO World Heritage Site list. Other MECIBS cities endowed with historical heritage are e.g. Sillamäe (Stalinistic-style architecture in small, garden city type of scale), Pskov (important historical monuments) and Kronstadt (the old military marine port). Jüterbog has for some years made efforts to restore the medieval city center.

Inner city development

Inner city development has become a core issue of urban planning in restructuring cities. In the city centres, the local identity and image are condensed, they are the »business cards« of the cities, reflecting the vitality and the social atmosphere of the city. Further, urban restructuring is first and foremost making attractive sites in the inner cities available. Thus, it has become a principle in most MECIBS-cities to start urban planning from the inside, i.e. from the city centre and to subsequently move outwards. The principle was emphasized by Norrtälje, also stressing the efforts of drawing the city development to the waterfronts.

For some years, Chojnice has emphasized inner city development and started a comprehensive modernization and restoration of the city centre. The measures include general reconstruction of the central areas, construction of a new fountain, new flowerbeds, new surfaces of the pavements, pedestrian-orientation and restoration of the old town walls.

In Lappeenranta, the centrally-located old bus station, situated in an area heavily burdened by car traffic, will be transformed into new multi-use Centre Gallery integrating housing, office space and commercial space together with a new multi-use concert hall. The total area of building rights is 22 000 square meters of floor space. Bordering the central Church Park and the administrative centre, the new buildings will establish a more coherent, pleasant pedestrian environment towards the other central areas and will also improve the cityscape at the junction of two main entrance roads.



Figure 2. Chojnice historical city centre.

Several MECIBS-cities are located along rivers, lakes or seashores. In many cities, it has become a planning principle to »draw the city to the waterfronts«, many of which have been used for industrial production, port functions and military functions, hence formerly being more or less closed areas for the public. The cities located in the metropolitan regions are experiencing the highest pressure on new attractive urban areas.

Randers is a typical example of a city purposefully developing its central areas towards the waterfronts of the Gudenå river. This process was greatly facilitated by the opening of the Randers Rain Forest (»Regnskov«), a spectacular tropical zoo located at the northern riverbank close to the city centre. West to the zoo area, a conversion of Hvidemølle industrial area is planned. The city has invested in one of the lots, an otherwise privately-owned area, in order to facilitate the conversion of the zone into attractive housing.

On the southern riverbank, a conversion of a former industrial zone into a combined business and city park has begun. This conversion was planned for several years but actually started when the local bank decided to build a new business domicile in the area.

Housing as a revitalisation asset

Cities located in the metropolitan regions try to compensate for the decreasing importance as centres of local industrial labour markets by enhancing their role in regional housing markets (e.g. Nyköping, Norrtälje, Randers and Kronstadt). This is done by launching new, attractive and often lifestyle-tailored housing concepts for a housing market which is no longer just local. Other cities are trying to respond to changing housing demands and developing new concepts and projects both for place marketing purposes and as contributions to complete the offered regional housing palette (e.g. Salo, Kokkola, Lappeenranta, Jüterbog). These tendencies have been followed by new tasks and ideas in local housing and city planning.

More than any other MECIBS city Nyköping has launched a strong housing policy aimed at attracting families from the Stockholm region and keeping the young people in the city. Two elements are crucial in this housing policy:

- (1) branding and advertising and
- (2) new, attractive types of housing for different kind of households.

The city launched a housing campaign using full-page advertisements in major Stockholm newspapers stressing the abilities of the city to meet different lifestyle preferences. Most of the housing projects are one-family houses of attractive design making use of the natural assets of the city as located close to the sea.



Figure 3. New lifestyle housing in Brandholmen, Nyköping.



Figure 4. Overall layout of the Viitannummi »new town« plans in Salo.

For cities outside the metropolitan regions it is difficult to use housing as a competitive advantage. Rather, it is used as a means of keeping the existing key groups satisfied with their living in the city and to certify that if job opportunities are there, lack of quality housing and high quality local services will not create obstacles to potential in-migration. Salo has planned a new Viitannummi garden suburb containing 2 000-3 000 inhabitants, some 3 km south to the city. The suburb is located in attractive surroundings in forested hillsides near the sea, thus contributing to the housing palette offered by dense-and-low-built houses and apartments. The building requirements are ecologically sound and they are coupled with high demands on the quality of environment generally. The project also includes a participatory inhabitant planning sub-project.

Due to the presence of Nokia Mobile Phones Ltd., Salo has a pronounced surplus of jobs and hence a background for attracting people currently commuting from the hinterland and even from the regional capital Turku to settle down in the city. Thus, besides the Viitannummi housing project, Salo is actively developing high quality local public services in order to hold on to the existing inhabitants and to attract new settlers. A premium example is the city's multi-faceted sports park. Situated only 500 meters from the central market square, it offers multi-use Salohalli arena for different type of indoor sports with seats for 3000 spectators, swimming hall, indoor ice rink, tennis hall, squash hall, and even riding stables and golf course.

Event-centres

The »new economy« involves the globalisation of production. In addition, entertainment and culture are a strong new economic element. Most of the MECIBS cities try to take part in this development. A special feature of the

event economy is the unique event, i.e. events that are new and may help to provide a »brand« for the city. New urban facilities are planned for these events. Thus, Nyköping has built a Nyköping Rosvalla Event Centre, a multi-purpose centre for sports and large concerts. Jüterbog has turned a former sports stadium into a roller skating centre, and a few years ago, Randers built a tropical zoo. The most costly event centres are concentrated within the metropolitan areas. In peripheral regions, as well, event facilities are being planned for. Thus, Nakskov set up facilities for open air concerts when building a new waste handling centre, and in the former Saksköping sugar factory nearby, facilities have been constructed for highly ambitious art exhibitions in combination with a business park.

New knowledge functions

Urban planning is actively involved in planning for new knowledge functions for business and citizens. In cities like Herning, Lappeenranta and Kokkola, all situated in self-sustaining regions, new knowledge centres are being set up in order to meet the needs for the development of local business clusters. In Nyköping and Norrtälje, situated in the metropolitan regions, efforts are focused upon the establishment of education centres or campuses in order to attract young citizens.

In Herning, the outsourcing of textile industry was balanced by upgrading the textile industry in the value chains of production. Herning established a

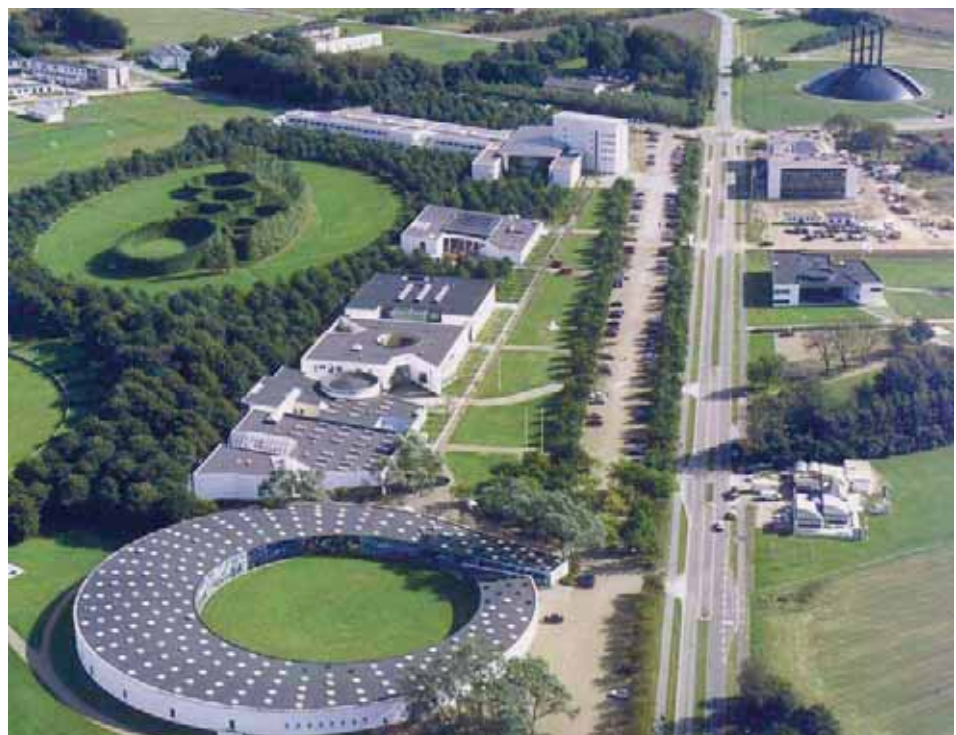


Figure 5. Birk Centerpark. The core of the Birk Centerpark is the textile-related educational and developmental institution TEKO and the management- and export-oriented Engineering and Business College (HIH). Around these institutions lie a number of business-related institutions, such as the Danish Textile and Garment Association, three knowledge centres for, respectively, subcontractors, wind energy and hydro energy, a business incubator and the local business council. The siting of a student dormitory next to the Centrepark gives it a campus-like ambiance and the area's identity is strengthened by the art exhibition and the imaginative architecture.

new business and knowledge park, Birk Centerpark, built to house several knowledge centres, schools and business companies.

The closing of the Swedish Air Defence 3rd garrison in 2001 left Norrtälje with a very large empty zone close the city centre. Due to recent national investment in reconstruction of the military barracks, the buildings were in good condition. The municipality of Norrtälje took over and decided to convert the military barracks into a campus for education and business. The open part of the area, covered with trees and endowed with a coast line, is suitable for conversion into an attractive housing area.

From an urban planning perspective the campus development in the MECIBS cities has raised the question of integration between the campus and the city. Thus, Norrtälje and Herning have developed campuses close to, but outside the city centre, whereas Nyköping has established a House of knowledge in the central part of the city.

Industrial parks

The planning of new industrial parks has not been a major priority in the MECIBS cities. In Herning, the new Herning-Ikast Industrial Park was planned for industrial expansion, but due to the outsourcing and changes in the character of the local industry, only a few new companies have located in the area. Rather than planning for industrial expansion, the cities depending on local industry will focus on the need to modernise the industrial areas. This was the case in Nakskov and in Kokkola. In both cities, planning efforts dealt with the establishment of infrastructure and the facilitation of symbiotic relations between the companies in existing industrial areas.

In Nakskov a practically new industrial area was constructed after the closure of the former shipyard. A detailed master plan was prepared as a means of integrating public utilities and private companies in functional and often symbiotic relationships. Part of the plan was the construction of a logistics area for handling goods and products for maritime transport. In Kokkola, the Ykspihlaja port and industrial area has been modernised as a result of efforts by companies and initiatives taken by the city of Kokkola. The most important initiative was the modernisation of the port functions via the establishment of an All Weather Terminal. As in Nakskov, this logistic function has been established to facilitate the functioning of the industrial area. Both cities have been involved in in-situ experiments of cleaning contaminated land. Thus, in both industrial zones, experiments with biotechnological cleaning of earth are integrated into the development of the two zones.

Obsolete areas

The restructuring of former urban functions and companies is in some instances causing severe problems in transforming obsolete land. For some cities, like Herning, the modest scale and dispersal of conversion sites contributed to a smooth transition of sites and buildings into new uses. For other cities, the vast scale of areas in transition and the very sudden nature of changes have lead the cities to very difficult situations.

Jüterbog is a very pronounced example. In a city of 13,500 inhabitants, its conversion area is one of the largest in Germany. Sixty per cent of the land area, totalling more than 10,000 hectares and 38% of the urban area, had been used for military purposes, as home to more than 70,000 Russian soldiers before their withdrawal. At first, the city hoped to restore and integrate most of the former military area and its buildings (Jüterbog II) – situated about 3 km from the city centre – with the city. However, these plans faced several problems related to the environmental problems of the area, high amount of investments needed into the buildings, absence of any services in the area, the negative image and a kind of zero-sum game competition situation between the old city centre and Jüterbog II. The city is now focusing all its revitalization efforts on a small part close to the railway station and only a very small part of the total military conversion areas will be recycled and revitalized. The city is also trying to create a distinct identity for this part of the city, to construct more services and leisure facilities for its residents and to connect it to nearby open landscapes.

Tools

Urban transformations have caused fundamental changes not only in the issues of planning but also in the planning process. During periods of stable urbanization and growth of the cities, urban planning sought to regulate growth by allocating new land for urban functions needed. During restructuring, this picture has profoundly changed: the goal of planning is now to create growth and to identify new uses for already used sites and buildings. At the same time, the planner has had to take a more active and networking role in the process and develop new planning tools.

In the MECIBS cities, we found various examples of these new tools. Lap-
peenranta region developed a »growth centre regional land use strategy«. The strategy defines as focal parts knowledge (universities, educational institutes and enterprises), culture and tourism, housing and traffic; and as target groups investors, visitors and inhabitants. These two dimensions are then seen as a matrix to tailor the development principles. The strategy also makes use of profiling the inhabitants in order to broaden the scope of housing options in the region. New concepts for regional land use were created. Among these is the »quality corridor« along the main regional transport networks, within which the major parts of the growth should be located. The main »blood vessel« of the corridor, the national highway number 6, has been designated the »Saimaa know-how route«, which seeks to achieve a unified outlook with the help of publications, activities and environmental art.

A less explicit but still useful tool is found in Kokkola. The slow-down of growth in Kokkola posed the question of how to plan if there is little or no need to build any more? How to improve the still visually and functionally fragmented and incomplete cityscape in the central areas of Kokkola? The planners started by considering how much building capacity and needs would remain in the city centre – i.e. how many »pieces of the puzzle« were available for the development of the centre. The planners took a more proactive role. In order to awaken the »sleeping possibilities«, they began



Figure 6. Lappeenranta regional growth centre land use strategy: The main blood vessel of the quality corridor, the national highway no 6 has been named »Saimaa know-how route« with the aim of getting a unified outlook with the help of e.g. publications, activities and environmental art.

designing projects for private companies. This initiative proved effective and many of the unused or underutilised areas of the centre were now occupied by new buildings functionally and visually suited to the strategic ideas of the city centre development.

In Randers, a special planning procedure was developed for the planning of a new exclusive housing area Skovsyrevej, with a high architectural standard. Most local planning regulations were replaced by an »idea catalogue« and a call for good architecture. The process began with an applicant »reserving« the building lot. The applicant then had a few months to draft a project which had to show quality architecture. The process was monitored by two civil servants, an »advocate« assisting the applicant and a controller evaluating the project. If the project was approved, it was legally registered at the building site, which would then be sold to the applicant. The process was highly experimental but successful.

Conclusions

Transformation of cities has caused profound changes both in the methodology and focus of urban spatial planning. During periods of steady urbanisation and growth in cities planning has been responding on demands and regulating the growth by removing the constraints, providing new land for urban purposes and arranging functional order in the city. During transition there is a need for taking a more active role to create the growth and turn the problems of land use change into solutions for revitalisation of the city.

The changes in planning focus involved in this proactive turn of planning are manifold. From responding on demands spatial planning in restructuring MECIBS-cities has more turned to creating the demands by providing ideas and supplying attractive visual concepts and spatial images. The rationalistic planning focused on functional space allocation and norm guidance has changed to market orientation, searching for the unique local qualities, and profiting of territorial assets available. Planning urban growth on new land has turned towards re-planning the city from the inside.

For the urban spatial planner this turn has also meant significant changes in her/his job description and role in the planning process. The traditional view of the planner whose skills and knowledge are quite planning-substance-oriented and who is doing her/his legal duty in a highly sophisticated planning system is changed towards a role as an active facilitator in a collaborative network involving multiple actors. This proactive role is well illustrated, using MECIBS cities as examples, in the need of careful mapping and registration of potential transformation sites (Randers) as a database for spatial strategy making; in the need of specifying the local strengths and target groups to focus the housing strategy (Lappeenranta); and in the need of promoting the reconstruction of existing urban sites by entering in a dialogue with private land-owners by drafting and visualising the development options and possibilities of individual sites (Kokkola). This type of catalyst role is becoming even more important due to budgetary cutbacks in the public sector in general, and in the restructuring small and medium-sized cities especially. Coping with scarce resources means collecting the relevant other resources together, feeding in ideas, finding the seed money and coordinating the collaborating networks.

As regards to the major issues of spatial planning during transformation, one of them is clearly common to all cities, be they located in the metropolitan, independent or peripheral regions. This is new urban identity. In the metropolitan regions, the role and identity of the city can be totally changing from a city of production to a city of housing or a city of events. In cities located in independent regions there is often a need to clarify the identity by specialisation and emphasising education and knowledge. The peripheral cities try to renew their identity by modernising their industrial production or entering the economy of tourism. In all of these cases, urban planning is an instrument for enhancing and adding new aspects to the urban identity which can appeal to the inhabitants, and for creating a distinct desired image for the outsiders. When dealing with urban identity, planners should focus on those urban qualities that are unique for their city. As the local identity and image are condensed in the city centres, inner city development projects dealing with urban public space and architectural heritage are very typical examples.

New housing concepts are developed to attract households especially in the metropolitan regions. If the national taxation allows, cities in metropolitan commuting regions can in principle totally rely on success on the metropolitan housing market. For cities outside metropolitan regions, although acknowledging that housing follows local needs rather than lifestyle con-

cepts, it is also important to make sure that the 'palette of housing options offered' is varied enough not to make an obstacle for potential in-migration. This variety should include also »first housing« for incoming families to see if they will settle permanently.

The integration of knowledge functions in small and medium-sized cities is another core issue. The knowledge integration involves planning and design of new sites as well as renewal of old ones, business parks, knowledge centres, educational centres, institutions and campuses. The variety of economic and institutional background for the knowledge centres calls for individualised rather than common solutions. However, it should be considered whether it is convenient to integrate especially educational functions as part of inner city development in order to strengthen urban life. In cities depending on their industrial base, urban planning has taken up the challenges of modernising older industrial areas. This includes the modernisation of infrastructure in general and common facilities such as logistic centres and even the facilitation of industrial symbiosis.

Public participation in urban planning and strategies

Samuli Lehtonen

Introduction

There has been much discussion about the communicative turn in spatial planning. The issue is connected very much with the overall nature of local governance. The human and social capital of city inhabitants is an important potential for revitalisation especially in restructuring situations. Moreover, increasing participation is an efficient tool for avoiding social exclusion, which is often related to restructuring local economies and unemployment. New innovative arenas and processes are needed to realise the potential for urban planning, as well as for public policy processes. These innovations are necessary especially for the silent groups (children, youth, elderly people, people of different ethnic origins, etc.). However, participatory processes need resources: time, organisational efforts, communication and clear commitment. For the city, it entails increasing criticism and increasing need for argumentation. At a project or strategic level, participation can also be understood as collaboration between economic actors, NGOs and the city, in addition to the public. This shows how the city reflects the needs of other actors in its strategy and policy making.

In the following chapter, participation-related issues which were raised during the MECIBS interviews are elaborated. The interviews were analysed with respect to actor-relations or participatory/collaboratory settings relevant to strategy making and land-use planning. The issue of participation was not explicitly raised in every interview. Covering a broad range of actors, the interviews were conducted by different researchers. This paper is based mainly on a study of the written interview reports. However, the discussions were representative of the relevant actor base.

Even though the participatory settings and institutional arrangements are different in the MECIBS cities, the topics reflect similar participation-related problems, experiences and projects. National legal frameworks vary, but in the case of issues related to land-use planning, participatory processes are normally subject to steering by law (such as basic public hearings on land use plans). On the strategy-making level, however, legal steering is missing and hence the action is more or less proactive and voluntary. Two examples are presented of different channels for influencing decision-making:

- 1) The traditional representative democracy (resident > vote > politician > decision)
- 2) Direct participation (resident > planner or strategy-maker or politician > decision).

Direct commenting is common practice in smaller municipalities. Understanding these different and often new channels of co-operation between the city and its residents underlines the current situation, where administration takes place between the city council, representing the older representative democracy, and direct feedback from residents. These two processes can produce different results.

Theoretical considerations in brief

In the 1970s, the communicative aspects of planning began to attract increasing attention as the recognition of differences in the identity and knowledge base of people became a central issue. This change has been called a communicative turn in planning theory (cf. Healey 1992). The recognition that all forms of knowledge are socially constructed, that individuals and institutions have different interests and power relations; all these are relevant to communicative planning theory. This change was a reaction to comprehensive, rationalistic and technocratic planning theories of modernity, predominant in the 1950s and 1960s, which drew on reason and scientifically constructed empirical knowledge. The change was from all-knowing systematised planning to mediating planners. In addition, perceptions of the role of the urban planner or city administration in general have changed. Earlier, planning was seen as a non-political activity, but today, planning activities are considered political and involving power (cf. e.g. Flyvbjerg 1998, Healey 1997, Häkli 2000).

Communicative planning theories have been criticised from different perspectives. For example, some say that participatory or communicative planning can be counterproductive in situations where politicians define the target groups. It is possible that such groups only exist as abstractions in the planner's/politician's mind, and it is difficult for the planner/politician to grasp the ideas of the »real« groups, with different worldviews for example (Albrechts et. al. 2001). Lehtimäki writes about »single-voiced« and »polyphonic« strategy processes to describe the difficulty of producing a polyphonic strategy. According to Lehtimäki, it is not possible to achieve a communicative planning process in land-use or strategy merely by increasing communication between stakeholders or promoting public participation (Lehtimäki 2000). Both studies end by stating that true polyphonic situations or communication are possible only through the acknowledgement of the plurality of worldviews and ways on knowing. Critics, on the other hand, say that in making plans or during implementation there is no time to compare worldviews (Paldanius 2001).

Partipation and collaboration in the MECIBS cities

Many MECIBS cities have made efforts to develop the publicity of city administration (planning issues, for example, the Internet, leaflets). Increased openness and transparency of administration are seen as a way to educate the public and create discussion. Environmental initiatives have been a

popular tool for bringing new ideas into city administration. Such environmental initiatives include projects targeting local children, for example. Nyköping, Kuldiga and Kokkola, for example, have used education and/or publicity campaigns to activate participation in environmental and sustainability related issues in land-use planning. For instance, Kuldiga has an environmental school for children and the city promotes adult education on environmental planning issues. Even though educational campaigns can be effective in the long run, it has been difficult in Kuldiga to implement the issues in planning. Kokkola has been active in promoting participation in topics related to land-use planning and strategy making (e.g. residents have received questionnaires on a variety of topics from the small scale to strategic level). In the sphere of land-use planning, private developers in Randers are currently active between the planner and the future residents. Norrtälje has in place planning co-operation between the planning department, residents and private developers, since developers are responsible for preparing the detailed local plans. This highlights minor differences in local/national systems regarding the arrangement of land-use planning. New housing and development projects should be carefully managed to meet the needs of future residents.

In land-use planning, one of the basic methods for gathering opinions from the public is to have large hearings in the city hall. This happens in eastern cities. On the other hand, questionnaires or direct planner-resident contacts were considered effective in preparing two master plans in Kokkola: »Only the brave or otherwise loud people speak up in large meetings« a Kokkola city planner commented. In both Kuldiga and Sillamäe, there were examples of some public interest in administrative actions, but it was usually contradictory (and reactive) to administrative decisions. In Sillamäe, planners considered residents quite active, whereas in Kuldiga, for example, the residents' passivity was interpreted as a leftover from the Soviet era.

Local Agenda 21 (or similar projects) can be an effective tool in mobilising the public to participate in a wide range of issues, from strategic questions to small-scale ecological decisions. Besides administrative activity, LA21 can function as a driving force for voluntary actions. For example, Randers, Nakskov, Nyköping and Finnish cities (mainly Salo and Kokkola) have done this. As the LA21 often covers issues of both land-use and strategic planning, it offers a good opportunity to use participatory feedback. In Salo, for example, while a participatory process is in place to contribute to the environmental strategy of the Salo region (consisting of 11 municipalities), it still does not influence the general Salo city strategy. The Vyborg sustainable development programme mobilised residents and others to take part, but was unable to affect the 'real' planning and development topics of the city. In cities where the LA21 was produced by the business sector and politicians or city administration, no attempt was made to mobilise a larger base of stakeholders. In Kuldiga, for example, politicians wanted to rewrite the LA21 documents, which they had prepared jointly with the business sector.

It is not possible to illustrate best practices on utilising LA21 in strategy making in the MECIBS cities. However, interviewees with experience of

strategy making and the LA21 had understood the potential. An example would be the restart of Lappeenranta LA21 as co-operation with the environmental and planning departments.

Resident participation in Viitannummi, Salo

The planned Viitannummi housing area is located approximately 3 km from Salo city centre, on 80 hectares of city-owned land near the sea. This new housing area is Salo's first step to exploit the sea which has been an unused land use asset in the city. A participatory process, where the future residents were able to influence the decisions on their future living environment, was organised by the city planning department in 2004.

The Viitannummi project uses an experimental participation method where eight families are influencing the planning and construction from the very beginning. The future residents help produce building guidelines, which usually come »from above«. Each family reserved a lot by paying a few hundred euros and had an opportunity to have a say in the construction and other matters as the housing area was built.

The families held 13 meetings, which was a mutual learning process for all participants. The meetings were led by a project coordinator, who served as a link between the future residents and the city. The first meeting identified the possible problems in the participatory process. The families were also briefed on group dynamics. Later, the group reached decisions by consensus, assisted by the coordinator. The decisions were later adopted by the city.

The positive experiences from the residents' perspective were:

- 1) getting to understand the project,
- 2) getting to know the future neighbours and
- 3) being able influence decisions affecting their future living environment.

The first point illustrates how the future residents were unfamiliar with the wide range of aspects related to the planning of a new housing area. Learning was a central aspect of the process. The second positive experience, getting to know the new neighbours, contributes to future problem-solving, creating a feeling of safety and a good general atmosphere. The third point, empowerment, was the most concrete of the three positive experiences. The participants felt they actually got more than they had paid for, because they were able to influence many of the visual and functional aspects of their future neighbourhood. The participants also identified a negative aspect in the process. The final decisions were often based on ideas presented by the coordinator, sometimes without options, which led to the perception that the coordinator had too strong a position within the group. (Green valley 2005)

City officials had almost nothing negative to say. They recognised two positive outcomes:

- 1) strengthening the sense of community in the area, and
- 2) transferring the workload from planners to future residents.

The first point was important for the residents' feeling of safety and stronger commitment to the area. The second point illustrates the participation by residents in defining the construction of the area. Moreover, the group had their own coordinator and so less explanation was needed. Some of the council members thought it was too expensive and perhaps too time consuming (too many meetings) (Green valley 2005).

Although experiences were positive among the planners and city council, it was a pilot project and will likely not be used again on such a scale. However, smaller-scale resident participation should be implemented to improve the quality of the living environments (e.g. planning of recreational areas, green structures) in areas already built. (Green valley 2005)

City – NGO collaboration in the Russian MECIBS cities

The Russian MECIBS cities of Sortavala, Vyborg, Pskov and Kronstad are very different in size, function and location. Besides Sortavala, the other cities, especially Pskov and Kronstad, present an active role of the city in engaging NGOs in decision-making processes. Quite naturally, a small city like Sortavala has fewer NGOs or formal participatory actions than the bigger cities. In very small cities, direct contacts with the city administration provide a functioning opportunity for good collaboration between the city and the civil society. The sustainable development programme of Vyborg mobilised citizens to participate in workshops on a variety of topics. The process was not linked directly to the administration or the »real« planning processes of the city, which will probably pose problems for the success of future participatory processes. One of the common characteristics in the Russian MECIBS cities is that the local public is mainly interested in basic everyday life and has a somewhat low motivation to participate in issues related to decision making in the city. Hence, NGOs have an important role in these cities.

The city of Kronstad has an active policy of engaging the civil society in many of the city's activities.

- 1) The city arranges seminars where members of the NGOs are urged to take part. It is unclear whether the seminars are one way for the city administration to inform NGOs of administrative actions, or whether they constitute a communicative situation.
- 2) In addition to the seminars, the city has established a bi-monthly hotline to allow citizens to ask all kinds of questions about the city. The administration can be reached by phone for two hours every two weeks.
- 3) With respect to the NGOs, Kronstad has formed a coordinating council which consists of the chairmen of all 34 active NGOs in the city. The council discusses topical issues of the city and keeps the city administration informed of NGO opinions. The head of the Kronstad city administration has taken part in some of these meetings. The administration attaches great value to the work of the NGOs and does not intrude on their activities.

It is important to have independent actors in the city, which is not clear in

Russia in general, where many NGOs are greatly dependent on local or regional authorities.

Pskov is attempting to involve a large base of actors in the strategic planning process of the city. Apart from the managers of local companies, representatives from at least three NGOs have been invited to participate in formulating the strategy. In addition to this round table method, the city has made a questionnaire to aggregate feedback. According to interviewees from the city's economic sector, smaller companies and the public show a similarly low motivation to participate. Both are basically more interested only in the issues very close to them, hence a more general participation does not attract people or small companies. This passivity is nevertheless compensated for by the active role of the local NGOs.

The Chudskoye project is, according to the economic sector interviewees, the most active of the NGOs. It is a transboundary project in the area of Lake Chudskoye (in Estonia, Lake Peipsi) that aims to improve the quality of life in the region. According to the coordinator of the Chudskoye project, the City of Pskov has been active in enhancing collaboration with the NGOs since 1998. Since 2001, the city administration initiated a coordinating council, similar to Kronstad, composed of representatives from 18 of the most active NGOs. The coordinating council formulates important issues by themselves, and the city avoids bringing already prepared decisions to the forum. One of the main objectives of the council is to improve the collaboration between federal and regional administration and the NGOs.

Even though residents in the Russian MECIBS cities did not seem to show the same kind of activity level as their Nordic counterparts, Russian NGOs were quite clearly incorporated into the various processes and levels of planning. In Pskov, where both the city and NGO representatives were interviewed, both showed respect towards each other, their actions and values. The NGOs felt that they were taken seriously and had an impact on the city's decision making. According to the interviewees, the local public is mainly concerned about their daily lives and most urgent problems due to the low living standard, which explains the low motivation of the local residents to participate.

Criticism of participatory planning processes

In Finland, the Land Use and Construction Act from 2000, making participatory processes obligatory in a range of planning activities, has been criticised from the land use planners' point of view. As these critical points are common among the Baltic Sea states, a review of criticism by Finnish planners is also valuable outside Finland. Although the criticism may largely be based on recent changes in the planning profession, planners in the MECIBS cities seem somewhat puzzled by this new legal obligation. According to the Finnish interviewees, the new Act offers good opportunities for residents and other stakeholders to complain about plans. However, complaints are not necessarily direct and honest, but have a hidden agenda. Now, environmental issues can serve as potentially useful arguments that have strong backing and acceptance from the EU. The hidden agenda behind the ap-

parent environmental argument might be solely economic, protecting only private objectives. The Finnish interviewees in the MECIBS project observed that the Finnish law might provide a tool for unjustifiably slowing down the processes. It is also suspected that it might be difficult to get people interested in planning and plans. Fears of potential negative effects of planning will often trigger responses (complaints) to plans. This reactive way of responding is not a constructive mode of participation.

It is possible that residents regard participation as political action, or at least political in terms of its substance, which may lessen their enthusiasm. Residents seem reluctant to participate until they have a problem or a personal interest arising from land ownership, for example. In addition, the weakest residents do not generally take part in participatory processes, yet planning should somehow incorporate their point of view.

Herein lays a very important question: how to get residents to participate? How to make residents see that it is to their advantage to participate, even though their personal (economic) interest might not be strong? Another question is, is it necessary to attract more participation? Where are participatory processes truly needed? Where can they only make the process more difficult? One interviewee saw a connection between the lack of trust in the political system and the lack of interest in participation.

Many interviewees emphasised the need to find ways to promote constructive participation. It is important to get the public to participate more enthusiastically. However, residents cannot always be constructive in their participation, because plans or alternatives are presented that are more or less decided beforehand. When residents are not provided with ways to be constructive from the outset, responses tend to be reactions to already decided alternatives. A reactive response pattern seems to be more »natural«, because they are not used to participation processes or civic responsibility.

Experiences like the Viitannummi case show that, provided with the right tools, a constructive participatory process can be created. An alternative suggested by one interviewee would be people chosen by city representatives meeting with representatives of a local residents' organisation. Large mass meetings were considered good at the beginning of a clear (planning, development) project, but subsequently the participation should be more organised according to some interviewees. As opposed to a broad field of residents, an organised residents' association would help city officials to attract actors. Representative action by way of associations has not been very popular historically at least in Kokkola and Salo. According to the interviewees, everyone just wants to represent themselves. Distrust of decision makers and city officials is widespread. The interviewees seemed in general to regard the problem of creating wider collaboration and participation as a task for the future. They also thought it was one potential way to gather useful ideas to make better decisions.

Criticism towards collaboration in strategy making has usually been caused by a kind of »abstraction gap« between the concrete interests of local

residents and the sometimes abstract (as perceived by residents) objectives of various strategy papers. There is a perceived difficulty in attracting interest in ideas at the strategic level. The operationalisation of strategy objectives would be one way of rendering strategy making more concrete for residents.

Conclusions

It is useful to make a distinction between the general activity level of the civil society and that related to specific issues. This paper discusses two specific and thematic participatory activities, strategy making and land-use planning. Four conceptual conclusions are elaborated below. Social issues or other processes catalysing resident participation are not taken up here for discussion (cf. Tenz and Sonntag, Lang in this volume).

1) Motivation to participate is higher when the issue at stake is concrete and directly affects the living environment of the participants

Likewise, motivation is lower when the issue is more general or abstract, such as city strategies. Similarly, action concerning the local neighbourhood attracts more interest than regional projects. The more concrete the objectives the stronger the personal interest seems to be. In preparing the city strategy, groups or stakeholders who will participate are usually chosen by city representatives. In the Local Agenda processes, for example, groups might be partly chosen and partly voluntary. In neighbourhood level planning, all stakeholders have an opportunity to participate. However, a key question is how to incorporate concrete issues on the strategic level so as to bridge the gap between abstract strategy and concrete local plans.

In Table 1, the above-mentioned topics are presented in a schematic overview of different actions where participation and collaboration could be used. It is a visualisation of how the interviewees, who were mainly city representatives, saw the different aspects of different planning processes in relation to participation. Hence, it is a normative presentation of the more typical settings on how the tasks mentioned should be approached according to the interviewees. In practice, participation on detailed planning on neighbourhood level is more »constrained«, compared to the other tasks

Table 1. Organizing participation compared to the assumed abstraction level of different planning processes.

	Abstraction high (long time period)	Abstraction medium (long time period)	Abstraction low (near future)
Groups chosen	Strategy-making		
Groups partly chosen	Master Plan / Local Agenda 21		
All stakeholders welcome	Neighbourhood level physical plans		

presented, as it always should be open to all stakeholders. In addition, actions where abstraction is low and groups are chosen can be found, for example, at different projects concerning social issues (e.g. projects for the unemployed) or city centre redevelopment projects (involving local businesses).

2) Activity of the civil society. Civil society is more or less active everywhere

A major issue is how city administration can incorporate the ideas provided by an active civil society into administrative processes. This can be done by acknowledging the past and present joint activities of the local administration and residents or NGOs. Local Agenda 21 processes are a good example of how to gather feedback from widely mobilised actors.

3) Major decisions and the participatory process

Collaboration and participation are not generally perceived as a central factor in the main activities of city administration, and civil society is not often brought up in connection with the major decisions and strategies of the city. The main actors in regard to the regeneration of the MECIBS project are usually development managers, major educational institutions and the business sector.

4) Proactive vs. reactive collaboration (Salo, Viitannummi as a proactive example)

Conflicts, especially those arising from land-use decisions, usually serve as a trigger to (re)activity. Proactivity seldom arises in conditions where »everything is fine«. Proactivity can be promoted but requires a commitment by city administration. It is also important to identify any ongoing collaborative activities, because actors from outside the city and its business sector can provide valuable feedback for strategic and land-use planning. Local Agenda 21s seem to be more or less under-utilised in this sense. When very many residents are mobilised (as in many LA21s), the end result should not be just a sectoral paper, but the ideas and the feedback should be circulated more widely in the city administration. The attitudes of administrative staff are particularly important here, because they determine what is actually seen as important.

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Branding mediumsized cities in transition

Søren Smidt-Jensen

Introduction

Local decision-makers in the Baltic Sea Region are increasingly relating to the effects that major processes such as globalisation, economic transitions and regional enlargement may have on the image and identity of their cities. They also recognise that due to the increasing competition among them, cities can no longer remain indifferent to the way they are perceived by the outside world. Consequently, many local decision-makers choose to increase place-promoting activities as a mean to draw attention to their city. Tourist destinations and major cities are no longer alone in recognising the potentials in promotional activities such as place branding and spotlight events. Indeed, this is also being recognised in mediumsized cities throughout the Baltic Sea Region.

In the first section below, some of the challenges facing mediumsized cities on these matters will be addressed. This will be followed by a section explaining key concepts related to place promotion, especially the concept of city branding. The third section is about how these challenges have been responded to in the MECIBS cities. Focus will be on the two MECIBS cities that have invested the greatest effort in city branding in recent years – Nyköping in Sweden and Randers in Denmark. These two cases exemplify different ways of conducting city branding: Nyköping is aiming at an external audience, while the efforts in Randers are more about promoting local civic pride. The end of this section concentrates on Jüterbog in Germany and Kuldīga in Latvia and the efforts made in these cities to bolster civic identity and improve the city images by restoring historical buildings.

City identities in transition

A city experiencing economic transition and a shifting economic base will often be characterised by an unstable identity. The shift from a situation in which the city is dominated by manufacturing to a situation in which the city is dominated by jobs in the service sector can undermine a former »working town« identity. This process may take place over a number of years, but it can also happen overnight, e.g. due to the sudden closure of a large employer. To the outside world, such events may create a negative image of a city in crisis. For the city itself it can be devastating, not only in terms of lost jobs, but also because major employers are usually important identity-creating institutions for a city in which family members have worked for generations. As the case of Randers shows (below) it is extremely difficult to get rid of such an image once it has been created, even if conditions

in the city actually improve. A negative city image is »sticky«, not just for outsiders, but it is hard to delete from the minds of the citizens as well.

In addition to globalisation and economic transition, the process of regional enlargement put many medium sized cities in a new position and, hence, in the search for a new role and identity. This process intensifies the competition among cities in metropolitan regions, especially as regards the housing market. In such regions, cities are increasingly prioritising development activities that render them attractive as residential towns and places of consumption rather than places for production purposes (Groth, Kanninen and Smidt-Jensen this issue). In many ways, this makes the actual differences between cities in the metropolitan region less pronounced and enhances the danger of anonymity. In this situation, many cities choose to employ straightforward advertising to highlight tangible qualities such as low tax levels or an advantageous location. However, cities that respond with mainstream promotion strategies risk generating images of themselves as »just another suburb« and as a place of consumption that is difficult to differentiate from other places. Other cities choose to develop themselves as brands and promote themselves in terms of more intangible qualities such as city »spirit« and »values« in an attempt at appealing to the sentiments of potential residents and consumers. These cities try to define a sharp profile and make a great effort to ensure a consistent communication about the city. In that way they hope to obtain a distinct position in the market with a clear city brand.

The origins of city identities

All cities and towns have an identity that renders them different from other places. A city's identity has usually evolved over decades or centuries. Historical events, political and economic history, sporting triumphs, disasters, famous and infamous sons and daughters, the products manufactured in a city, cultural institutions and the city milieu are among the essentials contributing to a city's identity.

Approaching city branding

Straightforward city marketing is about selling a city on measurable and tangible qualities such as physical infrastructure, location, natural assets, cultural light-towers, public services and taxation levels. City branding as a method of place promotion, however, is of more recent date and it differs from straightforward city marketing. City branding is about the promotion of the intangible qualities of a city, e.g. the »values« of a city and the »feeling« or »mood« one experiences when visiting or residing in the city. Thus, a city brand can be defined as the totality of thoughts, feelings, associations and expectations that come to mind when exposed to a city's name, logo, products, services, events or any design or symbol representing a city. One might say that city branding is concerned with addressing the identity of a city and a deliberate attempt at turning a city's identity, or selected parts of it, into an asset on the market – a brand.

Branding cities and places, however, is more difficult than other products, as

they are not a single product, but composite products consisting of a bundle of varied components. While the reality of a city is intricate and often contradictory, the essence of city branding is simplicity and directness. One of the daunting challenges involved in place branding is to do justice to the richness and diversity of places and their peoples, yet to communicate it to the world in a manner that is simple, truthful, motivating, appealing and memorable. Ideally, the brand assigned to a city reflects its intrinsic attributes, characteristics and core identity. In reality, however, it might be difficult to develop a brand that convinces and correlates with the experiences of everyone, from local citizens to potential foreign investors. Local residents may want the city brand to project the city's distinctiveness and the aspirations and cultures of the current inhabitants. Urban development agencies, on the other hand, might seek to establish a place brand grounded purely on commercial advantages, e.g. the availability of cheap labour, low costs, technology infrastructures, the international links and orientation of an area, etc. Such messages may have little meaning for local residents. Place marketers have relatively little control over these different aspects of their product, and a diverse range of agencies and companies assume responsibility for enhancing and ensuring favourable brand images (Morgan & Pritchard, 1999). As a consequence, place branding is often a much-contested issue in urban politics.

A brand

A brand can be understood as a symbolic construct that represents a collection of information about a product or products. This symbolic construct typically consists of a name, an identifying mark, a logo, visual images or symbols that distinguish the product. A brand often carries connotations of a product's »promise« (De Chernatony & McDonald, 1992).

A city brand

A city brand is more than just a slogan or an advertising campaign; rather, it is the totality of thoughts, feelings, associations and expectations that come to mind when exposed to a city's name, logo, products, services, events or any design or symbol representing a city.

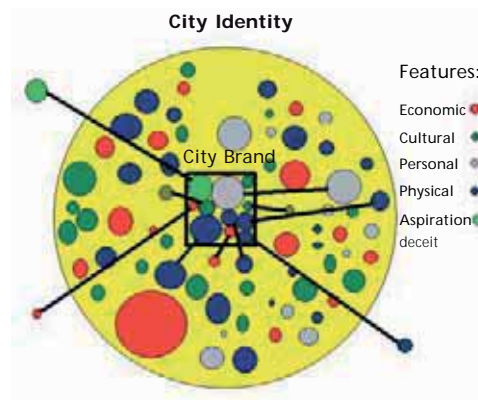


Figure 1. Turning city identities into city brands. In a schematic outline, a city's identity consists of a vast number of images, characteristics and experiences of a city accumulated over time in people's minds. In designing a city brand, some of these features are usually selected, while others are dismissed. As-yet unrealised features are occasionally also incorporated in the brand.

Randers: Inward city branding and the search for a post-industrial city identity

»Find the soul of the city. Find the values and the vision that can serve as the foundation for the development of the city in the years to come. Find ways to strengthen the identity of the city and create a profile that symbolises Randers for its citizens, the business life and the outer world«.

This was the assignment given to the consultant that was hired to brand Randers in 2003. The strategy chosen by the municipal council to lift this assignment has been an inward focused branding project. For many years, Randers has been a »perplexing city without any self-conceit«, as a board of 25 selected Randrusians expressed in an attempt at putting a finger on the soul of the city and the reason for the identity and image crisis disturbing the city. One of the reasons why citizens in Randers have troubles with their city's identity and are generally not proud of coming from Randers is a series of political scandals dating back to the 1990s. Here, the former mayor was heavily criticised on the grounds that a number of municipal employees were fired on a doubtful basis. As a result, a widespread mistrust in the local political system and the city administration spread among Randrusians, and there was a loss of faith in constructive dialogue.

Furthermore, Randers has had an image as a »city of violence«. The media have focused on a range of incidents involving street violence and the fact that the Hells Angels have a stronghold in the city. Although the statistical facts refute that Randers is more violent than other cities of a similar size, many inhabitants, especially families with children, feel unsafe in Randers. In addition, closures of identity-creating factories such as the Thor Brewery and Randers Rope also cast doubt on the identity of Randers as »an industrial city«.

In sum, several factors have contributed over a number of years to pushing Randers towards an identity crisis. The previously proud self-image as a successful industrial and commercial city gradually slipped towards »Randers, an industrial city in crisis, plagued by violence and scandals«. A post-industrial city-identity was required.

Profiling the »soul« of Randers

Today, the former city emblem has been placed in the background in favour of a new symbol for the city – an »R« partly shaped by 11 city »soul-markers«, many of which date back prior to Randers' industrial history. The new R now appears on all municipal products and properties, and it is presented in various forms in the public space as well, e.g. painted on spots in the pedestrian area of inner Randers (see photo). On the official Randers municipality website, a design-manual explains the colours that the R should be presented in and how local organisations and enterprises may co-brand their own logo with the R.

Furthermore, Randers has developed a set of values that citizens, politicians and municipal employees are urged to follow – a set of corporate values for

the city. Among them is a guideline for how to behave when taking part in public debate:

»We want to have an open dialogue in which anyone can express their opinion and the tone of debate is such that people are playing the ball and not the man – where dialogue prevails over monologue«.

According to the Mayor of Randers, city branding is interpreted in a rather broad manner. For him, city branding is about initiating a process in which multiple groups and interests in the local community participate and express their voice about the kind of city they would like to have:

»Branding is primarily about starting things up, getting good ideas and thinking the right thoughts. To figure out what you want to focus on – and what you don't want to focus on. To find the inherent soul of the city, and, very importantly: to do something. Branding is not just about telling how great you are. It is about focusing on the things you are good at, and making the things that improve the city understandable in concrete terms. Listen to the citizens about what they think of their city. What they feel is good and what they feel is bad« (Mayor Michal Aastrup Jensen, Randers, Randers Amtsavis 04-04-04).

Linking inner-city development to city branding

Randers also has a »branding think tank« consisting of the mayor, three municipal council members and five local business leaders. This group provides suggestions for the municipal council on how to make most of the new city brand. Until now, the group has suggested a thorough conversion of large parts of the harbour area in order to make Randers the »trade-city full of experiences«. Here, city conversion is being closely connected to the newly designed brand. At the same time, the idea is to use the conversion of the harbour area to establish the new city brand. In fact, the consultant branding Randers presented a catalogue on how inner city regeneration could strengthen urban qualities. At the same time, the idea is to use the conversion of the harbour area to further develop the new city brand. Together with the already existing attractions like the indoor Randers Rainforest build



Figure 2. Left: Old city emblem and the new city logo. Right: The R is flying as a flag from the silo of the closed Thor brewery. Photo: Flemming Højer, Randers Amtsavis.

in 1996, the harbour area may very well turn into a regional centre of the economy and as such add to the new city brand for Randers.

Nyköping: External city branding as a response to intensified place competition in an enlarged Stockholm region

In the expanding regions growing around the major cities, municipalities are increasingly employing city branding as a means by which to target their marketing endeavours and render them more sophisticated, especially in the housing market. Indeed, most cities recognise that city branding must be accompanied by real action, e.g. new attractive housing areas, improvements to the urban environment and the modernisation of public facilities. Nyköping, with approximately 50,000 inhabitants located 100 km from Stockholm, is a pioneer among medium-sized cities in Sweden when it comes to city branding. Nyköping has not only promoted itself intensively to the outer world; it has also managed to combine city branding with strategic urban planning.

Transforming an anonymous city profile into a clear-cut city brand

When the first signs of a massive increase of housing prices in Stockholm could be noticed and a massive increase in commuting in the Stockholm region began in the late 1990s, a strong belief in promoting Nyköping as a residential town for people working in Stockholm got hold of local decision makers. Since then the decision makers in Nyköping have been convinced that developing and promoting Nyköping as an attractive place to live is even more important for the city than trying to attract new companies and jobs.

Today it is acknowledged that Nyköping has developed into an integrated part of Greater Stockholm despite the rather peripheral position in the metropolitan region. It has also been realised that benefiting from this situation requires that the city is able to stand out from its competitors in the regional housing market. Thus, it has become crucial to reach for the »point of difference« where people choose Nyköping instead of a neighbouring town. One precondition for making this happen has been spending time and resources on changing the outer world perception of Nyköping. The city simply needed to replace the former image of a »civil servant town« (Nyköping hosts several public administration offices including the county administration of Sörmland) with an image of a city with living conditions beyond what an average Swedish town offers.

Today, Nyköping is regarded as a pioneer among medium sized cities in Sweden when it comes to city branding. The anonymous city image has been transformed into a sharp city brand. The three core qualities of the town – the good life, the sea and limitlessness – are displayed in advertisements in various Swedish media, e.g. Stockholm-newspapers, life-style magazines and websites for housing and living. The aim of the various campaigns launched by the municipality is to draw the attention of potential residents, especially from Stockholm. The City Council regards this task to be of such

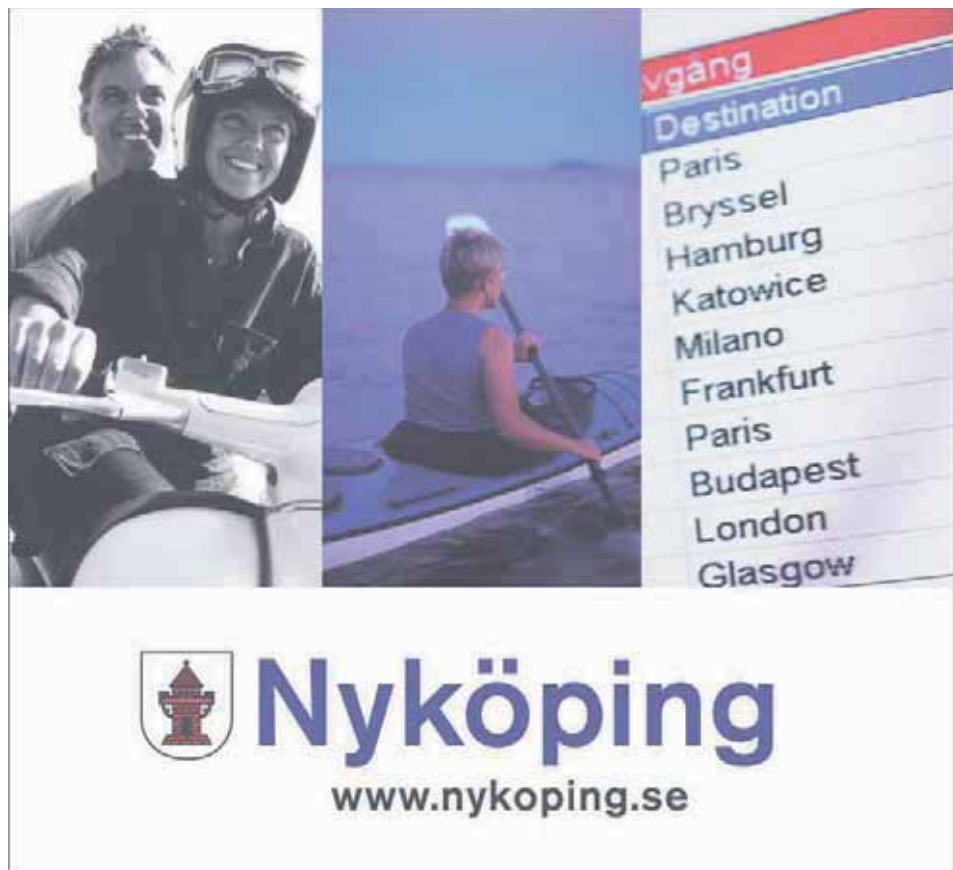


Figure 3. Brand platform: The spirit of Nyköping is communicated in a few key images. The »good life« is visualised by persons (from Nyköping) who – in a modern way – provide a feeling of safety, belief in the future, happiness and joy. The »Baltic Sea« is visualised as providing a thrilling feeling, openness and »no limits«. The »hub – meeting place« is visualised by one of the means of transportation or a symbol of a hub, meeting or direction. Such »mood branding« is very much based on creating an emotional relation between Nyköping and the viewer.

importance that a permanent marketing department with an annual budget of above 5 million Swedish kroner (ca 0.5 million Euro) has been established.

Co-branding with Ryan Air

Besides promoting the town as a residential alternative to Stockholm, Nyköping has received plentiful attention since the municipality signed a ten-year co-branding agreement with Ryan Air, an air travel company using the Skavsta Airport just outside Nyköping as a gateway to Stockholm. For the price of 55 million Swedish kroner (ca 6 million Euro), the city of Nyköping gets e.g. a banner on the Ryan Air website, advertising material in the aircraft seat-pockets, and www.nykoping.se is on the outside of the aircrafts flying to and from Nyköping. Of course, the intention is to make the Nyköping brand unavoidable for passengers flying with Ryan Air, many of whom are Stockholmers. Furthermore, the hits on the official Nyköping website have increased more than 200% since the banner was first placed on the Ryan Air website. The media attention that Nyköping has got after signing the agreement with Ryan Air, has been extremely valuable in itself¹.

¹ Ulft Dahlqvist, Communication Director, Municipality of Nyköping, March 2005.

0-5 years old 25-35 years old 36-45 years old 46-55 years old 56-65 years old

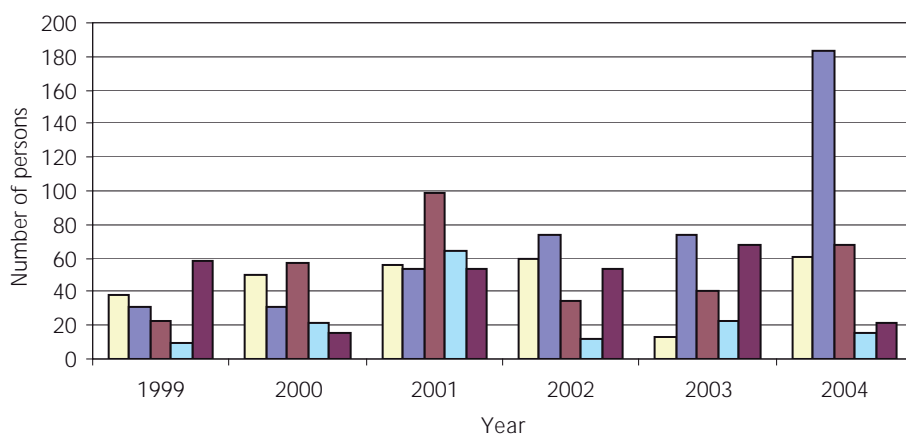


Figure 4. Migration balances, Nyköping, selected age groups. Nyköping attracts more people than it loses. In 1999 the total migration balance was + 175 persons, while the surplus in 2004 had increased to 234 persons. The positive migration balance is pronounced among people in the »productive age« (25-36 years old), which is also one of the main target groups of the city's branding campaign. Source: Statistiska Centralbyrån.

Attracting Ryan Air to Nyköping in the first place happened after the city in the late 1990's chose to sell the majority of shares in the municipal owned airport to a foreign private investor developing secondary airports close to metropolitan centres. Ryan Air was the first low-budget company to use the airport which later has expanded considerably, physically as well as in terms of passengers and flight-companies using the airport. Today numerous flight-companies, mainly low-budget companies, use it and the airport is currently the fastest growing airport in Sweden and one of the fastest growing airports in Europe.

The effects of city branding?

Today, after 2-3 years of intensive marketing the municipality has one of the highest numbers of in-movers in the Stockholm region, especially in-movers belonging to the target group – 25-35 years old and +55 years old. Many of them move into new attractive housing areas close to the bay and in the former harbour area in central Nyköping. Many newcomers are from Stockholm and still work there. Today there are about 800 daily commuters to Stockholm from Nyköping with train, while just a couple of years ago one could feel quite lonesome standing on the platform waiting for the morning train².

Furthermore, the local tourist-industry in Nyköping has grown with more than 55% from 2002 to 2004, mainly because of the growth of the Skavsta airport. In 2004, the industry had a turnover of 804 million SEK and employed approximately 580 persons and the numbers are increasing (Södermanlands Nyheter, 2005). Further, the retail sector in Nyköping is booming, now you hear foreign languages spoken in the streets of Nyköping and Rosvalla Event Centre – the new publicly financed major indoor arena – has

² Göran Forssberg, Mayor, Nyköping, June 2005.

hosted several major culture and sport events which have had much media attention.

Not only has this apparent success in promoting Nyköping meant a boost for the city in economic terms and the physical development of the city. It has also meant a lot for civic pride. Of course, there are other reasons to why Nyköping has had this success, but the intensive marketing of Nyköping – as a residential town as well as a town for short tourist-visits - has without doubt been one precondition for the success.

Moreover, as a result of the ambitious place-marketing efforts made by Nyköping and because of the large sums invested in communications with groups outside of the municipality, an increased need for dialogue between the municipality, municipal employees and the current Nyköping residents has gradually emerged. In response to this need, the municipality released its monthly newspaper, »NY«, for the first time in the beginning of 2005 after about two years of external marketing activities. Obviously, many Nyköping citizens were interested in knowing more about what is actually going on. At the same time, the combination of the external marketing work and the sense of progress that has come to Nyköping lately was a golden opportunity for the municipality to brand it self on its home turf. Moreover, the interest for »what the municipality has to say« has simply grown substantially. Thus, the publication of »NY« was an opportunity that was too good for the municipality to miss out on³. So typically for Nyköping, the publication and funding of »NY« involved yet another co-branding agreement: a local newspaper prints and distributes »NY«, and the municipality is held free of any expenses.

Jüterbog and Kuldiga: Revitalising city identities from the past

The preservation of historic urban areas is today a much-used strategy for maintaining and strengthening identity and local character in European towns and cities (Nordic Council of Ministers, 2003). In many former East European cities there is special concern for such activities which quite often also are arranged as a mean of marketing the towns and cities for tourists and visitors.

Jüterbog's way up in the regional league of cultural attractions

In Jüterbog, located roughly 60 km outside of Berlin, the protection of the historic centre is regarded as the basis whereupon the visibility of the city ought to be built. The main project in the preservation strategy is the Mönchenkirche Cultural Centre, a complex bringing together a theatre-hall, concert halls, a local museum, rooms for community groups, a library, conference facilities, and local historical archives. The main goal of this single project is to strengthen – and even create – the city-identity. The centre is in-

³ Ulf Dahlgvist, Communications Director, Municipality of Nyköping, personal communication, March 2005.

tended as a centre for communications for the entire community, as well as a cultural centre – a place where small clubs and associations can meet, where rooms can be booked for weddings and parties, etc. Hopefully, the project will also strengthen civic pride, which is believed to be one of the best means of promoting the city (Holger Schubert, Head of Department of Urban Planning, City of Jüterbog).

Although in some senses culture has nothing to do with economy, what is now happening in Jüterbog is that the relationship between culture and economy is being fortified in order to attract people to the city. This presents a new situation for the Jüterbog cultural administration, as it was formerly responsible for supporting cultural activities and arranging activities that supported a »positive way of life« for a city's inhabitants and not necessarily linking them with tourism and market activities (Mr. Katterwe, Head of Culture Department, City of Jüterbog).

»In the DDR years, marketing was not really an issue. Today, marketing is a decisive factor«. (Mr. Katterwe, Head of Culture Department, City of Jüterbog).

However, this investment in the cultural quarter in the Mönchenkirche must generate a payoff: Jüterbog must move up in the »regional league« as a culture centre and compete with cities in Brandenburg, such as Potsdam and Reinsberg (Holger Schubert, Head of Department of Urban Planning, City of Jüterbog). Further, it is crucial for Jüterbog that the city constantly is prepared to bid for the cultural tourism campaigns set up by regional bodies which are promoted to the outside world. As an example the city recently managed to get the Kloster Zinna in Jüterbog to be chosen as one of the sights on the touristic theme route »GOTT UND DIE WELT – Kirchen in den historischen Stadtkernen« promoted by the regional government in 2005.

As the promotion of the Mönchenkirche as a cultural centre and the field of cultural tourism in Jüterbog as a prioritised field has just begun, it is too early to judge whether the effort is fruitful. However, the perspectives in cultural tourism seem promising. In the region of Brandenburg the present share of all outside visitors that come as cultural tourist is 7 percent while the average of all German bundesländer is less than 5 percent. Further, the field of cultural tourism is highly prioritised by the Land Brandenburg as well as by the federal state (Ministerium für Wissenschaft, Forschung und Kultur des Landes Brandenburg, 2005; Tourismus-Marketing Brandenburg, 2005).

Kuldiga: Hoping for recognition of its historical qualities

The aim of protecting the historic city centre in Kuldiga is quite the same as in Jüterbog. The aim of restoring historical buildings and valuable architectural monuments in the old inner city is twofold: to bolster the civic identity as well as improve the city image in order to attract more tourists (Mayor Edgars Zalans, Kuldiga). Among local politicians and administrators, there is a strong belief that if the city is granted World Heritage Status by UNESCO, which the city has applied for, it will have an important impact on the image of the town. This will hopefully attract more tourists (Ineta

Butane, City planner, Kuldīga Municipality). In addition, it is believed that such recognition could heighten the sensibility of the local population when it comes to valuing and protecting the established cultural heritage in and around the city. It is also believed that it could strengthen the position of the city in matters of national political importance.

Even if UNESCO does not bestow World Heritage Status upon the town, the process of preparing the application has nevertheless been productive. The city has developed new zoning laws and designed guidelines for house fronts as well as a restoration register including information about each house within the historic centre. Despite the strong efforts made by local forces in Kuldīga, attracting tourists, especially cultural tourists, remains difficult because of the limited activities offered and because cultural tourism in Latvia is generally poorly developed (Mayor Edgars Zalans, Kuldīga).

Summing up

As place competition is intensifying and the cities experience the effects of globalisation and economic transition, many local decision-makers in the BSR recognise the potentials of place-promoting activities. In most medium-sized cities promotion efforts continue to be carried out in a rather traditional manner. This is often the case in cities promoting themselves as tourist destinations or as lucrative places for foreign companies to locate. Such cities usually employ straightforward city marketing and attempt to market themselves on measurable and tangible qualities such as physical infrastructure, location, natural assets, public services and levels of taxation. City branding, however, seems relevant for cities competing in markets where consumers not only make their choices based on prices, but to a considerable degree make their choices based on emotions and soft factors. This is often the case in suburban housing markets where the »products« are more or less the same.

Moving into city branding, it is important to stress that cities are more complex than companies and that there are several considerations to be made when it comes to setting up a branding strategy for a city compared to a company. First, a city branding process run by a municipality is to a degree subordinated to law, which makes the scope for action limited. Secondly, a city consists of competing actors who need to cooperate and understand the possibilities by standing together, at least throughout a branding campaign. And third, city leaders have a higher social responsibility than company leaders. Local decision makers cannot just think about profit, but also needs to think about providing welfare. Furthermore, a city brand cannot survive for long as just »storytelling«; to be impressive city branding requires real action, e.g. urban development projects, activities to improve the inner city environment or training in hospitality for people working in the retail- and tourism sector. In addition, if a city only focuses on marketing instead of embedding the brand-values among its citizens as well as companies and local organisations, there is a risk of divergence between the real experience

that e.g. a tourist or new inhabitants get of the town and what has been »promised« in the branding campaign. If the promise is »openness« and »dynamism« and the experience is a closed local community without activities, then the city is a disappointment. A strong city brand needs to be thought of holistically – in the end the entire city is the brand.

What is perhaps the most important outcome of city branding – whether external or internal focused – is that it often sets off a process of reflection about what kind of city the city used to be, what kind of city it is at present and what kind of city it should be in the future. It is a process where a city's identity, history, soul and values, prides and shames, and of course aspirations can be reflected upon. A thorough process of reflection, however, requires that the entire community participates in the process, not just politicians, civil servants and consultants, but also local organisations, firms and citizens.

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The role of culture for urban development in small and medium-sized cities

Monika Sonntag and Eric Tenz

Introduction

During the past 30 years, cultural policies have gained importance as a factor in urban and regional development in many countries. While EU, national and provincial administrations play a central role in setting the framework for cultural policies, the local level is of particular relevance as it plays a crucial role in providing, facilitating and co-ordinating cultural services and activities¹.

Cultural policy strategies are often tied to and are assigned a great deal of importance when it comes to reaching urban development goals in the context of inner-city regeneration strategies², the revitalisation of public space, or the promotion of flagship projects as well as high-profile events or festivals (Bassett 1993: 1775). Increasing the quality of life in a city and improving the city's image as a means of achieving economic goals also play an important role (Lim 1993: 590). In addition, investment in culture is expected to contribute to fostering »creative potentials«, participation and interaction, local identities of residents, as well as the integration of socially disadvantaged groups.

Up to now, most research on local cultural policies has focused on bigger cities, but cultural strategies also appear to be more and more relevant to small and medium-sized cities. The objective of this MECIBS study has been to expose to what extent local authorities from the MECIBS network use cultural policy to achieve urban development objectives, which are above and beyond the usual reach of cultural policy. Of particular interest in this investigation are the reasons for connecting cultural policy and urban development, the specific strategies involved and the ways in which these strategies are applied.

Conceptual background

Cultural strategies are based on different understandings of the role of culture in society. While the word culture can refer to norms and values, sym-

¹ For more information about EU cultural policies see: http://europa.eu.int/comm/culture/eac/sources_info/compolitics/politics_en.html, April 12, 2005. For a compendium of national cultural policies in Europe see: www.culturalpolicies.net, April 12, 2005

² »Urban regeneration« can be understood as a »comprehensive and integrated vision and action which leads to the resolution of urban problems and which seeks to bring about a lasting improvement in the economic, physical, social and environmental condition of an area that has been subject to change« (Roberts/Sykes 2000: 17).

bols and actions, life styles, as well as to cultural products such as films or fashion (Mitchell 2000: 13), in the MECIBS study it is used in reference to the local cultural policy sector and thus in reference to those areas of culture which are the responsibility of local authorities, although this also varies from country to country.

In the majority of cases, a narrower concept of culture, with a focus on the fine arts and institutions of »high culture«, dominated the cultural policies of most countries in the decades after World War II. Since the 1970s, other areas such as leisure, popular culture, tourism and the preservation of historic monuments were integrated into cultural policies (Vestheim 1994:58). A broader understanding of culture meant that culture was increasingly used as an instrument for achieving non-cultural municipal development goals. In general, cultural policy has been used in different ways to different ends at different times. Due to the diversity of cultural policies, it is not possible to classify and discriminate between all types of policies and their phases of use. In practice, cultural policy strategies often appear in hybrid forms and overlap in terms of their scope and approach. However, it is possible to trace the development of urban cultural policies in terms of their area of emphasis and manner of implementation.

During the 1970s and early 1980s, cultural policy was characterised by a shift towards cultural democracy, which focused on increasing participation in cultural life (Lim 1993: 591). As such, urban cultural policies were understood as policies which followed primarily social goals such as the integration of marginalised groups.

During the 1980s, cultural strategies changed as economic and employment related goals gained greater importance in urban cultural policies. From this time on, cultural policies were viewed as »valuable tools to diversify the local economic base and attempt to compensate for jobs lost in traditional industrial and service sectors« (Bianchini 2002: 6). In this setting, the term »cultural industries« was coined (Scott 2004: 462), which refers to entrepreneurial, out-put oriented activities (cultural production), and which emphasizes the market value of cultural goods and services within the cultural sector. In retrospect, these strategies had relatively little effect on the labour market but are judged to be very effective in their potential for influencing city image as well as tourism, particularly in larger cities (Bianchini/Parkinson 1993: 15).

In this context, it is possible to identify another approach to cultural development policy, which arose at the end of the 1980s, and which focuses on large cultural and leisure events. Large events were considered to offer an opportunity for local governments to explore alternative financing options. One could say the most striking aspect of this approach is that traditional urban planning has, to some extent, been replaced by the planning of projects. Häußermann and Siebel (1993: 8ff.) refer to this phenomenon as the »festivalisation of urban policy«.

Some authors have criticised the strategies associated with project-oriented

urban cultural policies: although they are capable of producing short-term economic gains, in most cases they are not able to contribute to the long-term sustainable regeneration of cities. For this reason, a new understanding of urban cultural policies has been sought, which is more experimental, flexible and holistic in its approach (Bayliss 2004: 8). According to those authors, urban cultural policies should be able »to create open-minded locations for a variety of uses, including unforeseen and unforeseeable uses (and to) encourage people to become makers rather than simply consumers of art and culture« (Bianchini 2002: 12f.).

Consequently, the idea of local creativity has become increasingly important over the past few years (Florida 2005; Healey 2004: 88; Liebmann/Robischon 2003: 10). Local creativity is expected to bring intentional change to those routine methods which seem to be no longer adequate in various fields of local responsibility. Creativity, in this context, refers to a change in the working attitudes in the local administration, while local identity, creative milieus and the cultural heritage of cities, as well as cultural projects are seen as an important source of inspiration for development. In this sense, the challenge to local cultural policy makers is not only in the organisation of events and providing support for cultural institutions, but also in the development of a »culture of creativity«, which is important for creating an atmosphere open to innovation.

In order to find out about how small and medium-sized cities deal with these challenges and which specific strategies they use, the following case studies analyse the situation in four cities of the MECIBS network. The first two case study examples, Jüterbog and Kuldiga, show a situation where cultural policy is closely linked to the revitalisation of historic town centres. In addition, Lappeenranta and Randers represent cities where cultural policy is part of the strategy for dealing with the transition from an industrial to a service-based economy.

Cultural policy in historic town centres

Jüterbog (Germany)

Jüterbog is located 60 km southwest of Berlin in the Federal State of Brandenburg. The town has about 13,700 inhabitants (2002) and is suffering from demographic and economic decline, as well as job-losses following German reunification. Political and administrative strategies focus on Jüterbog's historic city centre, with its well-retained building stock, and consider it to be the most important potential in the current urban regeneration process.

In Jüterbog, cultural policies are strongly oriented towards built culture and heritage preservation. Therefore, one of the central goals of the Jüterbog administration is to transform the city into a centre for culture and tourism. This strategy is aligned in its content with the objectives of Brandenburg State. Besides ensuring a high quality of life, the State sees investment in (built) culture as an important part of the structural development policy as it contributes to the development of the tourism industry.



Figure 1. Jüterbog Mönchenkirche: The Monks' Church of the former Franciscan Monastery in Jüterbog – Part of the future »Kulturquartier Mönchenkirche«. After decades of disintegration, renovations on the Franciscan monastery and Monks' Church had been undertaken as early as 1980, during the time of the GDR. Today's renewal concept aims at increasing tourism, encouraging efficiency and synergy effects between the cultural institutions, improving the city's overall image as well as improving the attractiveness of the city-centre. Photo: Eric Tenz, 2005

Yet the most central project for the city's rejuvenation is the renovation of the Franciscan Convent and Monks' Church, dating from the end of the 15th century (cf. Figure 1). After decades of disintegration, renovations on the Franciscan monastery and Monks' Church had been undertaken as early as 1980, during the time of the GDR. Today's renewal concept aims at increasing tourism, encouraging efficiency and synergy effects between the cultural institutions, improving the city's overall image as well as improving the attractiveness of the city-centre. By concentrating various important institutions (i.e. the town library, theatre, meeting rooms, concert hall, town museum) in the area of the Kulturquartier Mönchenkirche (Monks' Church Cultural Quarter), the city hopes to establish a cultural centre of wide-reaching importance.

The costs of renewing the Kulturquartier Mönchenkirche are covered by the EU, national and State governments, and 20% of the building costs are paid for by the City. Official inauguration is planned for August 2005.

The association »Friends of the Monks' Church Cultural Quarter« was founded to support cultural life in the city, increase the acceptance and attractiveness of local cultural offerings and sustain the institution. The key tasks and objectives of this Society are to network local actors who support the Cultural Quarter, to research, document and disseminate knowledge on the Monks' Church and Franciscan Monastery, to organize cultural events, and to take responsibility for the service, sale und marketing activities relat-

ing to the Monks' Church Cultural Quarter. The rebuilding of the Church was the impetus for the foundation of the Society. This ambitious building project has encouraged people to participate in the creation of something new. However, one central problem appears to be the tight personnel and financial capabilities of the Cultural Quarter, a problem that limits its ability to effectively market its institutions and events. All in all, the first steps in Jüterbog have been taken, but the city needs a long breath to achieve its ambitious goals.

Kuldiga (Latvia)

Kuldiga is located 160 km west of Riga in the Kurzeme Region and has about 13,500 inhabitants (2002). Kuldiga struggles to cope with changes in institutional structures, the economic and labour markets as well as the decline of the population resulting from the end of the Soviet Union. As most inner city buildings were left derelict at the end of the Soviet Union period, the physical renewal of the city, particularly with regards to the historically rich and intact building structure, has been placed at the top of the municipal agenda. But, mainly due to a lack of financial resources, urban renewal in Kuldiga is a slow process (Nordregio 2000: 177). Currently, there is no national or regional funding for urban renewal in Latvia. The EU is the main provider of infrastructure subsidies.

In Kuldiga, there is a clear awareness of the potential the historic building stock in the inner city centre represents for urban development. If a broad understanding of culture includes areas such as architecture and heritage preservation, there is a clear interplay between the present local cultural policy and urban development policy in Kuldiga. The main feature of the local cultural policy is the promotion of the city's application for UNESCO World Heritage status. Not only the historic town centre, but also parts of the surrounding landscape – including the waterfall of the river Venta, one of the broadest in Europe – is to be recognised as a World Heritage site (cf. Figure 2). Thus, the development and preservation of the rich natural assets also plays a key role in Kuldiga's urban development and tourism strategy.

This strategy corresponds with the cultural policy of Latvia in that it makes the preservation of the national cultural heritage a priority. Recognition as a UNESCO World Heritage site is not linked to external funds. Nevertheless, it is expected that this recognition will have positive effects for Kuldiga beyond the preservation of the built and cultural heritage. In particular, politicians and city administrators alike expect that this recognition will increase cultural tourism in Kuldiga. In addition, it is hoped that such recognition could heighten the sensibility of the local population when it comes to appreciating and protecting the built cultural heritage – architecture and landscape – in and around the city, strengthen the position of the city in matters of national political importance and improve the identification of residents with their city. Finally, this recognition is expected to reaffirm the positive image, which the city already enjoys.

Kuldiga's application was submitted in December 2004. Kuldiga competes with five other sites in Latvia to be the national candidate for recognition as



Figure 2. Kuldiga – The historic town centre of Kuldiga: Not only the historic town centre, but also parts of the surrounding landscape – including the waterfall of the river Venta, one of the broadest in Europe, located at the edge of the historic town centre of Kuldiga – is to be recognised as a World Heritage site. The development and preservation of the rich natural assets also plays a key role in Kuldiga’s urban development and tourism strategy. The building in the foreground, one of the oldest buildings in town, today accommodates the tourist information. Photo: Eric Tenz, 2003

a UNESCO World Heritage site. Regardless of whether Kuldiga will be designated as UNESCO World Heritage site, the application process seems to have helped to move things forward, for example through the development of new building and design guidelines including a comprehensive archive, with photos and information, about each house within the historic city centre.

Comparative findings

Jüterbog and Kuldiga are two examples of cities in the Baltic Sea Region, which are marked by the absence of significant economic and demographic development. Given the fact that both cities have remarkable and well preserved historic buildings and ensembles, the maintenance and restoration of the historic centre appears to be a strategy of high priority in both cities, but has been put in practice in different ways. As the financial basis for this work is usually assured by special urban development funds or EU programmes, the application of such funds is of great significance in both cities. While Kuldiga tends to distribute the money more equally among its cultural institutions, in Jüterbog there is a concentration of financial resources on one particular cultural project, the Monks’ Church. It is hoped that the development of this area as a cultural quarter will provide a variety of benefits such as an improved appeal and visibility of the city.

Despite their many differences, both cities provide examples of project oriented development. There seem to be several advantages with the orien-

tation towards projects and the associated short-term results: high public visibility, effective mobilisation of money as well as other resources, result-oriented policy and generally a strong momentum for positive overall development.

In both cities, these strategies already seem to be enjoying some success. In Jüterbog, the conversion of the Mönchenkirche has gained significant public attention and has become an object of identification for residents. Many residents view the project positively, which is important as the success of the project is dependent on the support of a broad social network. Participation in the »Friends of the Monks' Church Cultural Quarter« makes it possible for resident to express their ideas and creativity and influence the project. The case of Jüterbog serves as an example for the importance of social networks for developing the creative potential of a city, as described by Friedrichs (Friedrichs 1998: 153ff.).

In contrast to Jüterbog, such networks, as well as public participation in general, have not yet been actively developed in Kuldiga. The UNESCO application process was mainly the work of politicians and administrators from the city government. Although additional energies from the city administration were mobilised during the application, for example during the documentation and assessment of the historic substance, additional public participation and discussion was not part of the process. This could pose a problem for the overall acceptance of plans, especially for the historic centre.

Finally, in both Jüterbog and in Kuldiga it is hoped that the restoration of the historic centre will lead to more (cultural) tourism. While tourism infrastructure in Jüterbog is enriched through the additional cultural offerings of the Mönchenkirche, the historic centre (in combination with the attractive surrounding landscape) of Kuldiga has not been coupled with other projects. All in all, both cities have a clear strategy in terms of the preservation of their built heritage, while in Jüterbog, cultural events and institutions seem to be particularly well integrated into this strategy.

Cultural policy in former industrial towns

Lappeenranta (Finland)

The city of Lappeenranta is located in the southeastern part of Finland and only about 30 km from the Russian border. With 58,400 inhabitants (2001), Lappeenranta is known primarily as a centre of the pulp and paper industry, and as the administrative centre of the region of South Karelia. Lappeenranta's cultural history is closely linked to the former region of Karelia, which was divided into its present Russian and Finnish segments after World War II. The former cosmopolitan Karelian capital Vyborg (Viipuri) is today located on Russian territory, and, in Finnish South Karelia, a certain nostalgia about the »loss« of this culturally rich city survives. Today, Lappeenranta is considered to have a huge potential as a meeting place between East and West. Despite the bureaucratic difficulties, there is more and more co-operation taking place between Finnish and Russian cultural institutions,



Figure 3. Lappeenranta: Most local cultural facilities and museums are located in the city's historic fortress area, which also represents a major tourist attraction. Constructed in 1726 during the period of Swedish Rule, the fortress is the second most important fortress in Finland after Suomenlinna in Helsinki. During summer months, cultural festivals and events take place in this area, bringing about positive side-effects for the fortress area, but also for the city as a whole. Source: City of Lappeenranta, 2003

for example between local museums on both sides of the border who share the interest in bringing the common Karelian history to a wider public.

In contrast to cities like Jüterbog or Kuldīga local cultural policies in Lappeenranta cannot build upon a large and intact historic city centre area. Therefore, the focus lies on events and on the provision of cultural services for the city and the whole region of South Karelia (cf. Figure 3).

Current tendencies in South Karelia, as well as all over Finland, suggest that there is a trend towards a spatial and financial concentration of resources and a reinforcement of the regional role and qualitative offer of local orchestras, theatres and exhibitions in museums. Nonetheless, the tradition of the Nordic welfare state of providing high quality cultural services and support to small projects in all areas remains strong.

The cultural board of the city council has also become involved in cultural marketing and event strategies, which are clearly linked to economic and tourism objectives and to the aim of contributing to a positive image of the city. Lappeenranta already enjoys a reputation as a friendly and open-minded city. This reputation is closely linked to the summer holiday opportunities in the surrounding lakes and forests. In addition, most local cultural facilities and museums are located in the city's historic fortress area, which also represents a major tourist attraction. Constructed in 1726 during the period of Swedish Rule, the fortress is the second most important fortress

in Finland after Suomenlinna in Helsinki. During summer months, cultural festivals and events take place in this area, bringing about positive sideeffects for the fortress area, but also for the city as a whole.

The local cultural strategy is thus seen as an integral part of the local development strategy to further promote Lappeenranta, not only as an administrative centre and a centre of the international forest industry, but also as a good place to live and work. Cultural aspects seem to gain importance as a location factor for attracting inhabitants, investors and tourists. In addition, it is hoped that culture, as an identity-bearing element, will contribute to the city's recognition as a cultural centre of the region of South Karelia and Finland.

Randers (Denmark)

The city of Randers, traditionally an industrial medium-sized city with 62,200 inhabitants (2001), is located about 40 km north of the city of Århus and about 80 km south of the city of Ålborg. The main challenges facing Randers stem from its history as an industrial town. In order to attract new inhabitants, to promote the quality of life for families, and to overcome its negative image, cultural issues and the quality of local cultural services and events are of increasing importance.

Up until recently, the city had no formal cultural policy, and cultural facilities in Randers tend to be decentralised and not very well known outside of Randers. Traditionally, the focus of cultural policy has been to provide cultural activities and services for the local population, and indeed, the city has been successful in providing high quality cultural services to its citizens. Several important cultural institutions are located in the culture house (Kulturhus), close to the historic city centre. Constructed in 1969, the Kulturhus contains the City Library, the Cultural History Museum with the Archive of Local History, as well as Randers Art Gallery. In Randers, space is provided for a great variety of cultural activities. Smaller local clubs and associations tend to use the rooms of the municipality's culture and community centre,



Figure 4. Værket – Randers: An important cultural institution of high profile in Randers is Værket. Opened in 1990 in the buildings of a former electricity generating plant, Værket has been the largest public cultural investment in Randers to date. The building complex of Værket holds seven auditoriums, an arts cinema, a black-box theatre, a café and rehearsal facilities. These facilities are rented out to Randers Music School, Randers Chamber Orchestra, Randers Regional Theatre, as well as smaller theatre groups, rock and roll bands, and other cultural groups and associations on a regular basis. Private groups can organise and perform their own concerts and shows at Værket, while Værket itself also organises events on its own and in co-operation with similar concert and cultural centres all over Denmark. Several important cultural institutions are located in the culture house (Kulturhus), close to the historic city centre. In close proximity to the Kulturhus is Underværket, a former European Urban Pilot Project which has become a privately run centre of culture and commerce. The planned »water culture house« will be built on the neighbouring parking lot, behind the museum and library building. Having chosen such a central location, the city hopes to attract people to the city centre and to create synergetic effects between cultural institutions, as well as with retailers and restaurants. Photo: Monika Sonntag, 2004

Fritidhus, while alternative and multi-cultural activities usually take place in Underværket, a former European Urban Pilot Project which has become a privately run centre of culture and commerce.

Perhaps most notable is the recent shift towards finding ways for cultural and economic development to go hand-in-hand in the form of public-private partnerships. This convergence of arts and culture with commerce and industry has been promoted by the Danish Government (Danish Ministry of Culture/ Ministry of Trade and Industry 2000).

Similarly, there has been much discussion about making more funds for lighthouse projects available and to centralise public cultural services, in order to increase visibility and highlight the positive qualities of the city. The largest cultural centre and public cultural investment in Randers to date is Værket, opened in 1990 in the buildings of a former electric plant. The building complex holds seven auditoriums, an arts cinema, a black-box theatre, a café and rehearsal facilities. These facilities are rented out to local cultural associations, while Værket itself organises high-profile events on its own and in co-operation with similar concert and cultural centres all over Denmark (cf. Figure 4). A more explicit example of a local facility focusing explicitly on attracting external visitors is the Rainforest, a privately run indoor tropical zoo. Another planned lighthouse project is the »water culture house«, i.e. a swimming hall with wellness facilities, play-areas for children and special baths for the disabled.

In general, the city is aware of the fact that while such attractions might be important in changing the city's image to the outside, a lively cultural offering with music schools and small privately organised activities contribute substantially to the city's quality of life and should thus not be neglected in budget allocations. Thus, it is not only through lighthouse projects, but also through small-scale cultural activities and a good quality of life that Randers tries to become known as a cultural city throughout Denmark and be rid of its negative image as an old industrial and violent city.

Comparative findings

In contrast to the two cities of Jüterbog and Kuldiga, Lappeenranta and Randers are located in Nordic welfare states in which there is a relatively strong tradition of public responsibility and expenditures for cultural services and the cultural sector in general (Kangas/Onsér-Franzén 1996; Vestheim 1994). Lappeenranta and Randers are cities of similar size (around 60,000), are known for their industrial past and have undergone profound economic and social transformation processes during the past decades. They are not particularly known for being culturally rich cities, and the cultural offering in both cities must be characterised as average for cities of their size. This does not mean, though, that there are no outstanding attractions; on the contrary, both cities have excellent museums, are well known summer festivals etc.

Both cities are currently in the process of (re-)defining the content and aims of their cultural strategies and the importance they wish to assign culture

within their urban development strategies. The current issues of debate and the process of finding their way towards a contingent cultural policy are similar in a number of respects and can be found also in other small and medium-sized cities around the Baltic Sea:

First, both cities use culture as an identity and image bearing element, and one can find common cultural policy aims when it comes to image campaigns and their focus on local or regional identity. Second, the potential of culture as a location factor is stressed by actors in both cities. They hope to attract tourists, new inhabitants and investors, and have become increasingly aware of the role cultural projects and institutions might play in reaching this aim. Third, cultural policies in both cities are closely linked to urban development and planning issues. The creation of »cultural areas« within the city is expected to contribute to the revitalisation of some quarters and possibly of the city as a whole. Fourth, both cities have realised that co-operation with the surrounding municipalities is vital in order to assure a cost-effective provision of public services in the cultural sector. Fifth and finally, both cities are defining the importance they want to give to bigger cultural projects as opposed to smaller and more equally distributed public or private cultural projects.

As a result of the state responsibilities for cultural affairs, support for smaller projects is included in the budget and strategies of all Danish, as well as Finnish cities. Both cities are aware of the important contribution of small private projects to the quality of life. In this context, active participation as opposed to cultural consumption (Lim 1993: 591) is promoted and is an integral part of local cultural policies. Nonetheless, and particularly in Randers, there is a tendency towards focusing on projects that might stand out among other cities and contribute to the city's attractiveness. On the other hand, there is a danger that these cities will remain average in the long term by promoting projects similar to those of neighbouring cities. Therefore, it is vital to focus on those things that are special or unique to the city, while considering local inhabitants rather than external visitors or investors to be the main target group.

In conclusion, both cities are currently in the process of defining a cultural policy which includes economic aims and places a value on lighthouse projects. Their strategy focuses on image building and in-migration in order to strengthen their attractiveness as good locations for business and for living.

Conclusion

Experiences from the MECIBS cities and findings from the four case studies conducted indicate that small and medium-sized cities can use cultural policies effectively, as is also the case for larger cities, to achieve not only cultural goals but also urban development, economic and social objectives. Nonetheless, it is important to acknowledge that the contribution which cultural policy can make to positive urban development depends on particular challenges of the local, regional, and national context.

According to the four case-studies, some key elements of cultural policies in small and medium-sized cities can be identified:

Local authorities play a key role in developing and carrying out local cultural policies. It is up to them to have the willingness to pursue cultural policies and to provide adequate resources to make cultural policies viable. The challenge for municipal governments, therefore, is not only to provide cultural institutions (theatre, concerts etc.) for the local and regional population, but also to develop and follow a clear and consistent cultural policy. Achieving overarching development goals is as dependent on having a continuous strategy, as it is on the presence of strong cultural and local identities, cultural interaction, participation, and on the availability and accessibility of cultural institutions.

As financial resources of cities in the Baltic Sea Region vary greatly, particularly between cities in eastern Europe and those in the so-called nordic welfare states, the implementation of local cultural policies is also very much dependent on private actors involved. Therefore, besides strategies and activities of the local authorities, social networks play an important role in the cultural dynamic of a given location (Friedrichs 1998: 146ff). Such networks have the potential to include parts of the population, which otherwise might not participate in cultural activities. In addition, they are usually supported by existing institutions and structures (for example sponsors or departments of culture), and, often, high levels of interaction between the various members of these networks exist. Equally important in establishing successful social networks is the presence of key persons, determined individuals, who are able to act as bridge between actors, who are knowledgeable about the »scene«, who can defend and convince companies or local authorities of the value of cultural work, and who are members of different networks.

In general, cultural policies, projects and events are very diverse in terms of sources of finance, as well as their symbolic value for the city. Lighthouse projects in particular can often offer the advantage of providing a clearly identifiable goal with clear limits in terms of time and space, and can be a source of pride for residents. It is important to point out that substantial considerations regarding urban development lurk beneath the surface, i.e. not only in terms of direct benefits such as increased investment, but also in indirect effects such as improvements to city image or location factors.

Although large projects and events offer many chances in terms of economic development and improving inner-city quarters, there is a danger that cultural projects and investments in large construction projects will be seen only in terms of their ability to create economic profits. At the same time, it remains unclear who reaps the economic benefits of such projects: all residents, tourists or perhaps only an elite group? (Lim 1993: 593). In many cities, the question has thus been raised regarding the importance assigned to cultural policies and their potential for aiding social integration, which can be achieved by providing opportunities for involving the local population and creating the above mentioned social networks.

In conclusion, it should be emphasised that local cultural policies can play an important role for urban development, even in small and medium-sized cities. Many lessons are to be learned from the experiences of larger cities in this area. Although resources are often limited, smaller cities can adapt concepts according to their special situations and find their niche for effecting successful urban development. The four MECIBS cases show that linking local cultural policies with wider goals of urban development as part of a sophisticated strategy is of great importance. Identifying local endogenous potentials and integrating key persons or »movers and shakers« seems to be an important aspect of successful local development. As local culture can be considered to be one tool to bring people together, an active cultural policy offers local people the opportunity for learning, co-operation as well as social integration. Thus, an active cultural policy can become an important driver of urban development, not only in large cities but also in smaller towns and cities.

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SUSTAINABILITY



Salo – free bikes for employees

Introduction

Stefan Anderberg (ed.)

The urban transformation process affects all spheres of society and often has important social and environmental impacts. Increasing inequality in the distribution of wealth and social services and problems with decreasing health, poverty and criminality may arise as a consequence of increasing unemployment and weakening institutions. The environmental effects of economic change and transformation are often more mixed. Industrial restructuring with closing of old, inefficient industry in Western Europe in the 1970s and in Central and Eastern Europe in the 1990s has generally brought radical decreases in industrial pollution. But economic transformation may also be associated to increasing problems with traffic and waste, and soil pollution in old industrial areas. Institutional change, insufficient investments in infrastructures and lower priority for environmental goals may also have negative effects on the environment. Social and environmental problems connected to urban restructuring may result in extra burdens on municipalities and hamper economic revitalization. In the Baltic Sea region, it is a central challenge for cities to combine a successful economic revitalization with a positive social and environmental development and to cope successfully with problems arising in the transformation process. It is this challenge that has been the central point of interest for Work package 3.

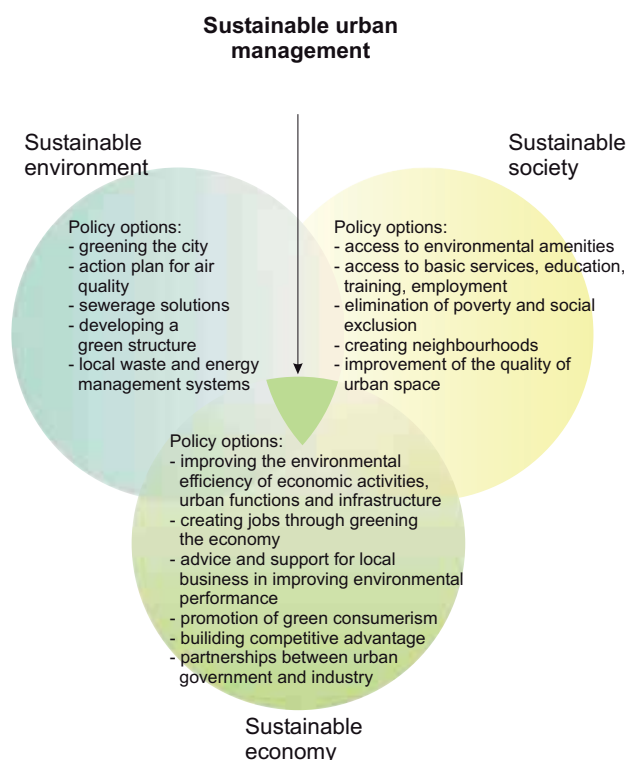


Figure 1. The three dimensions of sustainable urban management.

This challenge is closely linked to the goal of »sustainable development«, launched by the Brundtland report in 1987 (WCED, 1997). Today sustainable development is an evident priority for all levels of governance – from global to local. From the first definition of »sustainable development« in the Brundtland report in 1987 as »...development that meets the needs of the present without compromising the ability of future generations to meet their own needs« (WCED 1987:43), the term has been defined and adapted to fit a range of circumstances. A particularly relevant definition of local sustainable development comes from the International Council for Local Environmental Initiatives (ICLEI, 1994):

»Sustainable development is development that delivers basic environmental, social and economic services to all residents of a community without threatening the viability of the natural, built and social systems upon which the delivery of these services depends«.

Sustainable development is based on the »holy trinity« of integrating economic, social and environmental concerns. In Figure 1 these three dimensions are exemplified as different aspects of sustainable urban management with the goals attractive environment, equality and profit (economic prosperity). While »think global, act local« is the catch-word of sustainability discourses, in reality local action is influenced by various processes of multi-level governance. EU, national and regional sustainability goals and plans have a great bearing on how local plans are developed and implemented.

Focus and aims

The focus of this work package has primarily been the social and environmental aspects of urban transformation. These are not viewed as isolated from economic and institutional development, but a central issue is how different aspects of development are linked. The goal of sustainable development emphasizes that societal development must be satisfactory from environmental as well as economic perspectives, which necessitates integrated assessments of plans and developments.

The aims and goals of this work package have been to:

- Identify crucial interlinkages between environment, social structure and economic restructuring.
- Evaluate the social and environmental development of various city regions, and particularly how social and environmental problems are related to the transformation (and crisis) of the cities and evaluate examples of handling these problems.
- Identify essential elements in successful revitalization strategies to improve the social and environmental situation in the city regions.

These aims should be understood as closely linked. Identification of crucial interlinkages between economic transformation, social structure and the environment is important for identifying essential elements in successful strategies. The central task of this work package has been analysis of the

social and environmental effects of the economic, social and institutional transformation (WP1) and how a successful economic revitalization (WP2) can be combined with a positive social and environmental development.

The studies of the work package

Comparative studies of the development in the different city regions have been the primary tool for reaching these goals. This work package has primarily been based on a joint case study of researchers from KTH, Nordregio and University of Copenhagen on »Sustainable development of MECIBS cities« (Anderberg et al., 2005), which focussed on the handling of the goal of sustainable development in connection with development strategies and management of land and environmental resources in the MECIBS cities.

The case study included five thematic sub-studies:

- Driving forces for sustainable development
- Sustainable development strategies and priorities
- Institutional capacity for sustainable development
- Revitalization projects and sustainable development
- The environment as an opportunity to improve the image of the city

Via comparative studies, interviews and discussions with city representatives, a common aim of these studies has been to address institutional capacity, integration, regional collaboration and public participation issues that often may present both opportunities and obstacles in connection with development strategies and revitalization projects. The studies focussed primarily on a selection of MECIBS cities (Jüterbog, Kokkola, Lappeenranta, Nakskov, Nyköping, Salo and Sillamäe) based on the interest of cities for sustainability issues, but some broader overviews concerning problems, challenges, land conversion projects and plans and policies have also been made. This study has been supplemented by a study on national sustainable development strategies in the Baltic Sea region (Ruotsalainen, 2005) and various supplementary studies and materials from other parts of the MECIBS project (primarily the Urban Profiles report) as well as some supplementary studies.

Summary

The report consists of four papers. *The first paper International programmes and national strategies for sustainable urban development* presents an overview of international and national initiatives, which in various ways influence policy development at the local level. Among the most significant international initiatives that have implications for European cities are Local Agenda 21, European Sustainable Development Strategy, the Sixth Environment Action Programme, the EU Urban Thematic Strategy, the Lisbon Strategy and various other EU initiatives on related issues. Such international and national sustainability initiatives are increasing local governments' awareness of their responsibilities and possibilities to develop more sustainable urban policies. The EU and national sustainable development strategies

are particularly important since they often have strong connections with funding and support programmes. Despite important differences between the Baltic Sea countries, they share to a large extent similar problems and sustainable development priorities. Priorities are often related to improving environmental legislation and management, service sector development, sustainable forestry, agricultural environmental problems, energy and transport, and balancing regional disparities. In both international and national sustainable strategies regional and local authorities are particularly stressed as key actors for the implementation of the strategies and realization of the goals. They are to improve planning procedures, public participation and integrate the different dimensions of sustainable development in their actions. Spatial planning procedures, development plans and Local Agenda 21s are frequently emphasized tools for making sustainability work in practice at the local level. Through such measures, regional and local authorities may provide healthy and pleasant living environment for their inhabitants.

The second contribution *Social and environmental challenges in the MECIBS cities* provides an overview of the problems, challenges and motives for sustainable development initiatives in the MECIBS cities. Many cities are facing similar problems and challenges in terms of social and environmental development. Most MECIBS cities have witnessed dramatic economic changes and share problems related to economic transformation such as long-term unemployment after closing of important industries, limited labour markets and social exclusion of marginalised groups. There are many worries concerning population development, particularly insufficient in-migration and an increasing share of elderly people and. Eastern and western cities have in general very different starting points. In the east the transition has been more sudden and turbulent, while Western cities have had a longer history of economic transformation with ups and downs, and they have more resources and more developed social security systems. The most common environmental problem concern contaminated soils, especially when former industrial or military areas are converted into residential or recreational use. Other widespread problems are connected to surface and ground water quality and waste management.

The third paper *Sustainable development plans and activities in MECIBS cities* looks into sustainable development plans and activities in the cities and focuses particularly on interesting examples of voluntary proactive action. Internal driving forces consist of plans and strategies, political support, initiatives by groups or individuals and active support from local stakeholders and the public. The more powerful internal driving forces a municipality has, the wider variety in sustainable development initiatives exists and it is easier to integrate sustainable development into municipal planning. Sustainability management is a political process. Achievement of sustainable development requires good political ideas and initiatives for change, collaboration, formation of networks, sufficient allocation of resources and organisational stability, long-term leadership, commitment and support to enact changes in decision-making at all levels. The prerequisite for enhancing sustainability thinking is strong leadership and commitment in the city governance.

The most visible active efforts and concrete results in relation to sustainable development are found in connection with land conversion projects of former industrial, harbour and military areas. The MECIBS cities show several good examples of a combination of land use conversion and sustainable development initiatives. This does not necessarily mean that »sustainable development« is particularly stressed in individual projects, but their outcome is often positive in terms of social, economic and environmental development of the city. National policies and state and sometimes EU financing play often a vital role for such activities, but the success in terms of integration of sustainable development goals is very much dependent on the local initiative and ability to find investors and implement plans. Many cities face a shortage of investors in relation to land conversion and redevelopment needs. This brings serious constraints to the sustainable development ambitions and actions. Opportunity taking, to be able to respond quickly, efficiently and in a flexible way is a necessity for most municipalities and they are generally well aware of that. In small economically weak municipalities, there is a much more urgent need of success and that initiatives pay off, than in more wealthy and industrially stronger municipalities that also can afford to be more selective. The inspiring developments in Nakskov are e.g. very dependent on a unique mobilization of resources and competence, and on encouraging positive results to keep the focus.

There is widespread recognition of the potentials of green profiling among the MECIBS partners. Many cities use their nature areas, opportunities for outdoor recreation or stress their clean environment and high environmental standards in PR and marketing. However, environmental and sustainable development concerns are mostly regarded as a necessity for a modern municipality, but not as a profiling issue for everybody. Only in a few cities, sustainable development is understood as an important competitiveness factor. These cities use their achievements for attracting potential investors and movers. For these cities, investors are a more important target group. Nakskov wants potential investors to see the potentials of being related to the emerging green profile of the region, while Salo uses the green profile as a way showing a generally advanced and modern region that may attract technologically advanced businesses. They are aware of the risks of exaggerating, and do show concrete results.

The final paper *Opportunities and Challenges in Regional Sustainable Development* summarizes findings concerning essential elements in successful projects that are to combine social and environmental improvements and discuss problems and challenges for sustainable development activities. An essential element in successful projects to improve social and environmental situation is »ecosystems thinking« with a search for synergies and solutions that may have both positive social and environmental effects and be economically feasible. This is an important aspect of Nakskov's successful strategy to deal with change. Everything in the community is seen as a resource, its people, land and even waste. Kokkola also provides good examples. Another vital tool is cooperation and networking that may give opportunity for sharing of ideas, experience and competence. An interesting example under way is the Baltic Sea Solutions Network that may increase

the capacity of all participating regions to become more efficient and competent in both environmental practice and in dealing with industry.

Policy integration in the municipalities is strongly dependent on institutional capacity, which consist of knowledge, relational resources and mobilization capacity. Furthermore, the institutional capacity for sustainable development appears to be dependent strong leadership and commitment in the city governance. In many cases also, there are examples of a strong and dedicated »agents of change«, who through his personality as innovative thinker, organizer and communicator has been able to get support for his/her ideas

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International programmes and national strategies for sustainable urban development

Arto Ruotsalainen, Lisa van Well and Stefan Anderberg

Since the birth of the term in the Brundtland report (WCED, 1987), it seems to have become nearly universally acknowledged that »sustainable development« is a priority for all levels of governance. A growing number of high-level international conferences on sustainability-related issues have shaped the international policy environment and catalysed a process of policy development at various levels. (Mehra, 1997) This chapter presents an overview of the most important international initiatives, which influence policy development at the local level. A special focus is on the national sustainable development strategies in the Baltic Sea region, which have been the subject of a particular sub-study in project (Ruotsalainen, 2005). The latter analysis pays particular attention to the challenges and priorities in the different countries' sustainable development activities.

Earth Summit and Local Agenda 21

The Earth Summit, also known as United Nation's Conference on the Environment and Development, was held in Rio de Janeiro in 1992. It was the largest and most celebrated international conference ever organised by the UN. The summit resulted in five official documents, of which the Agenda 21: the Earth's action plan, was by far the most ambitious and perhaps most important. This document covers actions in 40 different areas and identifies local authorities as one of the nine major groups whose participation is vital to realising sustainable development (Mehra 1997:29-30). Two-thirds of the actions in Agenda 21 have been estimated to require the involvement of local governments. Chapter 28 of the Agenda 21 is devoted solely to local authorities, stating that:

»Because so many of the problems and solutions being addressed by Agenda 21 have their roots in local activities, the participation and cooperation of local authorities will be a determining factor in fulfilling its objectives. Local authorities construct, operate and maintain economic, social and environmental infrastructure, oversee planning processes, establish local environmental policies and regulations, and assist in implementing national and sub-national environmental policies. As the level of governance closest to the people, they play a vital role in educating, mobilizing and responding to the public to promote sustainable development«.

A Local Agenda 21 process should emphasise collaboration between the authorities and the community. Public involvement is not only seen as a way to keep the public informed but also as a measure to utilise the social capital of local stakeholders in the making of local development strategies:

»Each local authority should enter into a dialogue with its citizens, local organizations and private enterprises and adopt »a local Agenda 21«. Through consultation and consensus-building, local authorities would learn from citizens and from local, civic, community, business and industrial organizations and acquire the information needed for formulating the best strategies. The process of consultation would increase household awareness of sustainable development issues«.

In Europe more than 5 000 LA21's have been implemented in 36 countries. LA21 has proved to be a well functioning measure for addressing public awareness, waste reduction and biodiversity. It has increased interdepartmental co-operation and stimulated public participation (ICLEI, 2002). A review of the LA21 experiences in eight European countries (Satterthwaite, 1999) suggests that the implementation of LA21 requires both internal and external driving forces. An active and positive attitude from the central government and well established national and regional environmental policies have undoubtedly positive effects on the municipal level. Furthermore, active national initiatives to disseminate information on Local Agenda 21 have been the most significant external factors. Important internal factors for the LA 21 implementation were:

- Previous municipal involvement in environmental and sustainable development pilot projects
- A previous history in cross-national environment and development alliances, e.g. The European Sustainable Cities-campaign
- Previous history with co-operative management regimes
- Active individual initiators for local sustainable development action
- Perceived possibilities for coupling LA21 with the creation of new jobs (Satterthwaite 1999:17-18)

The Aalborg Charter

The European Sustainable Cities and Towns Conference was held in Danish city of Aalborg in 1994. Today, over 2000 cities have signed the Aalborg charter and committed themselves entering into Local Agenda 21 processes and to develop long-term action plans towards sustainability. The charter states that the cities have a central role in ensuring sustainable development whilst meeting the challenges in cooperation with all other spheres of government. This demands that the cities take a more energetic and integrated approach to local policy making, harmonising environmental, social, cultural and economic objectives. Each city is different and therefore has to find its individual ways towards sustainability. The cities should integrate the principles of sustainability in all their policies and make the respective strengths of cities and towns on the basis of locally appropriate strategies.

The European Sustainable Cities and Towns campaign is at the moment moving on from Charter to commitments. The draft of 2004 Aalborg commitment noted that European cities are increasingly subject to the:

- Combined pressures of economic globalisation and technological development
- Fundamental economic change

- Man-made and natural threats to our communities and resources
- Challenges concerning the creation of employment in a knowledge-based economy, combat against poverty and social exclusion, securing effective protection for their environment, responding to demographic changes and managing cultural diversity

EU initiatives for sustainable regional development

During the MECIBS project, all Eastern European Baltic countries with exception of Russia and Belorussia have become EU members. EU is since long the most important forum for international cooperation in the areas of environment and sustainable development. Through its support programmes, the EU plays an important role for development activities everywhere in Europe. The implementation of the common legislation (Aquis Communautaire) and different EU standards bring in general more stringent rules and ambitious standards and goals in all countries. Other EU programmes and goal formulations have mostly only indirect influence at local and regional levels, but their effect is strengthened by EU funding programmes. EU-supported projects must be well anchored in different norms and goals of various EU policies.

At the EU level, environmental activities and legislation have been of growing importance since the first Environmental Action Programme was launched in 1973. An Environmental Title was amended to the Treaty by the Single European Act in 1987, and the common environmental legislation widened and accelerated up to forming of the union in 1993. In the 1990s, the position of the EU environmental policy has gradually been strengthened, and the instruments have been widened and now include:

- Legislation – primarily directives to be implemented by the member states
- Voluntary agreements
- Economic instruments
- Financial support programmes
- Information campaigns
- Research, technology and development programmes

The goal of sustainable development was first introduced in the Maastricht Treaty in 1992 and since the Amsterdam Treaty in 1997 it is one of the fundamental goals of the union. The 6th Environmental Action Programme (2002-2012) is based on a thematic, rather than sectoral, approach. (Wilkinson, 2004) There is a particular Urban Thematic Strategy in the programme. Urban environment became one of the profile areas of EU environmental activities during the 1990s. The Expert Group report on the Urban Environment: European Sustainable Cities (1996) was particular important for setting the agenda for urban development in Europe. It formulated e.g. some basic principles and goals for setting, managing and monitoring sustainable practices (cf. Chapter 4):

- Urban Management, including a range of tools for managing sustainability
- Policy integration-vertically and horizontally
- Ecosystems thinking, with a social dimension
- Cooperation and Partnership: Learning by doing and by example, networks

The Thematic Urban Strategy (EC, 2005) builds further on this basis, but one may observe a move of emphasis from visions and goals toward governance challenges such as integrated planning and participation. This is also in line with overall theme of the 6th Environmental Programme, which concerns introduction of strategic and integrated approaches including (Wilkinson, 2004):

- Integrating the environment into other EU policies
- Closer collaboration with businesses and consumers
- Empowering and influencing individual citizens
- Promoting integrated spatial planning
- Better research, data, indicators, assessments and evaluations

A consequence of the increasing emphasis on integration has been that sustainable development is not only a mandate for environmental concerns and directives. The Cardiff Process of 1998 emphasized that environmental integration is also a duty for the Council of Ministers and the sectoral councils were all required to integrate sustainable development into their policy areas. This is also a challenge for many regional and local authorities. In a similar manner, social welfare concerns must also be horizontally integrated into policy areas. The Lisbon/Gothenburg process is an important inter-governmental forum for the goals and principles of the EU regarding sustainable growth. The primary aim of the Lisbon Council was that the EU is to become the most competitive knowledge based and sustainable economy in the world. The Gothenburg Council of 2001 increased the emphasis on the sustainability aspect and reiterated the need of including ecological sustainability into any equation of regional development.

The EU has limited competence concerning planning issues, but the European Spatial Development Perspective (EC, 1999) has formulated broad guidelines and norms for spatial planning in the Union. These are summarized into economic and social cohesion, conservation of natural and cultural heritage and balanced and effective competition across the community territory, reflecting the three pillars of sustainable development.

National strategies for sustainable development in the Baltic Sea Region

The Earth Summit also announced a call for all countries to develop national strategies for sustainable development (NSSDs), where they should translate the ideas and commitments of the Earth Summit into concrete

national policies and actions. A strategic approach for sustainable development at the national level calls for:

- Linking long-term vision to medium-term targets and short-term action
- Horizontal linkages across sectors, so that there is a coordinated approach to development
- Vertical spatial linkages, so that local, national and global policy, development efforts and governance are all mutually supportive
- Genuine partnership between government, business, and community and voluntary organizations, since the problems are too complex to be resolved by any group acting alone. (OECD 2002)

Strategic approaches can make »win-win« solutions possible and help efforts to preserve environmental diversity.

Comparison of national strategies in the Baltic Sea region

The countries have used different approaches for developing the national strategies. The definition of sustainable development from the Brundtland Report has most often been used as a starting-point and all strategies refer to global challenges and international commitments. The NSSDs are framework strategies with the purpose to mainstream approaches across sectors and spatial levels. Sustainable development is highlighted as a corner stone for political reform in particularly Germany and Norway. By implementing these strategies, the transition countries are aiming at reversing negative environmental, social and economic trends and raising the living standards of their citizens toward the average EU level.

Challenges

The NSSDs tackle a wide range of environmental, social and economic issues. Almost all national strategies mention combating climate change as one of the country's main global responsibilities. Global responsibility is especially emphasised in the strategies of Denmark, Germany, Norway and Sweden. Increasing transportation, road traffic in particular, and its contribution to the global climate change and negative impacts in urban areas are of growing concern all around the Baltic Sea. The use of chemicals is another issue of general concern. Transition countries are facing particular environmental challenges due to obsolete large-scale industry, inefficient energy production and insufficient municipal infrastructure. Even if the emissions have been reduced, the economic development may increase pressures on the natural landscape.

Social sustainable development challenges such as unfavourable demographic trends, falling birth rates and aging population are given special attention in Finland, Sweden and Germany. The strategies address in general worsening dependency ratios and growing needs for funding of social services, pensions and health care, and call for more child-friendly social policies. Threats of social exclusion are brought up by Lithuania and Sweden. In Lithuania, low employment rates in rural areas and an underdeveloped social security system are challenging social development and local labour markets and education system are not able to react fast enough to the pres-

asures set by economic restructuring. Furthermore, the differences in the health status between urban and rural population is significant. In Sweden, integration of young people into the society, unemployment, mental illness and long-term dependency on social security benefits are considered as future challenges.

Common social and institutional challenges in relation to the goal of »sustainable development« are public involvement and lacking cross-sectoral and cross-disciplinary cooperation. Other issues include the problems of limited environmental awareness, and that actors do not adequately emphasise the implementation of sustainable development principles. Poor cooperation and inadequate resources for implementing proactive measures are also underlined as barriers for sustainable development.

The most frequently mentioned challenge regarding sustainable economic development is to find ways to decouple economic growth from impacts on environment and human health. However, very few new solutions are mentioned. Development of more environment friendly production methods, renewable energy resources and more efficient energy consumption, sustainable use of forests and other natural resources are common measures to achieve more sustainable economy. Investments in human and social capital and in R&D activities are needed to meet the rapid and continuing structural changes in society and economy and the challenges set by economic globalisation.

Regional disparities and imbalances are highlighted as challenges particularly in Finland, Sweden and Lithuania. Dramatic out-migration from some areas results in the under-use of existing, fully operative infrastructures, while new investments are needed in in-migration areas. Mass-migration from rural areas may also lead to deterioration of urban living environments, and there is often a need to tackle social segregation, lack of housing and inadequate public transport in growing urban areas. There is also widespread concern for the viability and development of the countryside, and the needs to diversify the rural economy without endangering bio-diversity, environmental quality and landscapes.

Priority areas

Most of the countries have identified 4-8 key focus points or priority areas for sustainable development action. Sectoral priorities are often related to:

- Government, e.g. improvement of environmental legislation and management
- Development of the service sector
- Forestry: sustainable economic use of forests and increasing their recreational value
- Agriculture: decreasing the loss of fertilizers from agricultural process
- Energy: increasing the use of cost-effective, ecologically sound and efficient technology; reduce greenhouse gases
- Transport: Promotion of public transport, creation of competitive alternatives to road traffic

Among cross-sectoral objectives, the management of climate change is the most often mentioned issue, e.g. minimising impacts on environment and climate of energy production. Environmental health linked to energy use, growth in transport, promotion of healthy food and quality of urban planning are brought up in most strategies. Improvement in education and training is often a priority area. Multidisciplinary research and innovation are to support the development of sustainability tools, but are also viewed as a future competitive advantage in the global economy.

Territorial issues are addressed in most of the countries, although different levels are targeted. Finland, Lithuania and Sweden emphasise the need for measures to balance regional social and economic disparities. Sustainable rural development is particularly highlighted in Finland, Germany, Lithuania, Norway, Poland and Sweden, while sustainable urban development is a priority in Denmark, Germany and Norway. In Finland and Denmark, the need to improve the co-operation between local authorities and the public in connection with land use planning is stressed.

The differences between the countries in terms of sustainable development priorities are not very large. The most distinct common trait in the new EU member states is that employment and poverty elimination are regarded as particular priority areas. These countries also stress the importance of cultural diversity and national traditions.

Implementation – roles of different actors

Inter-ministerial working groups have typically been responsible for the preparation of the strategies. National sustainable development councils have in most countries the responsibility of the coordination of the strategy implementation, and are also expected to facilitate the participation of social partners in the implementation.

The national government has the main political responsibility for the implementation as the strategy objectives should be implemented through state institutions and decision-making at all levels should be integrated. All NSSDs call for shared responsibility. All societal actors, including regions, municipalities, individuals, schools, media, businesses, NGOs, churches and scientific communities, should participate and take responsibility. This approach puts a lot of pressure to the authorities since they are to provide adequate conditions for public participation.

The roles and responsibilities of regional and local authorities are discussed in almost all NSSD documents. Since they manage substantial parts of the specific environmental and spatial planning activities and are close to the public, their role is very important. They should also have good opportunities to involve their citizens in active debate on local planning. Spatial planning procedures, regional and local development plans, which take all dimensions of sustainable development into account, and Local Agenda 21s are often-mentioned tools for making sustainability work in practice at the local level. Through these measures, regional and local authorities may provide healthy and pleasant living environment to their inhabitants. A sustain-

able development approach in local policy making should also facilitate the inclusion of social partners and public participation in the decision-making processes, fulfilling the needs of local democracy. Although the local authorities in many countries have powers to prepare development and land use plans, the inclusion of sustainable development aspects in them has proved to be challenging especially in small municipalities. Therefore, central governments should stimulate exchange of experiences and launch national initiatives to provide concrete support for sustainable development implementation at the local level.

The implementation instruments for the national sustainable development strategies are quite similar in all the Baltic Sea countries. National governments are to create legislative basis that supports sustainable development. Economic instruments, market-orientated measures, such as environmental taxes, tradable quotas and subsidies, and budgetary support and regulation should assist legislative measures. Central governments are aiming at implementing the NSSD through integration of sustainable development objectives in sectoral policies. Some countries, e.g. Belarus, Germany, Lithuania and Sweden, promote the creation of broad strategies and programmes to overcome traditional sectoral boundaries. In addition to legislative and administrative instruments, promotion of research, education and information should stimulate involvement of the businesses and the general public in the sustainable development processes.

Conclusions

International and national sustainability initiatives are increasing local governments' awareness of their responsibilities and possibilities to develop more sustainable urban policies. Among the most significant international initiatives that have implications for European cities are Local Agenda 21, European Sustainable Development Strategy, the Sixth Environment Action Programme, the EU Urban Thematic Strategy, the Lisbon Strategy and other EU initiatives on various related issues. The EU and national sustainable development strategies are particularly important since they often have strong connections with support programmes.

Despite important differences between the Baltic Sea countries, the countries to a large extent share similar problems and sustainable development priorities. Priorities are often related to improving environmental legislation and management, service sector development, sustainable forestry, agricultural environmental problems, energy and transport, and balancing regional disparities.

In both international and national sustainable strategies regional and local authorities are particularly stressed as key actors for the implementation of the strategies and realization of many of the goals. They are to improve planning procedures, public participation and integrate the different dimensions of sustainable development in their actions. Spatial planning procedures, regional and local development plans and Local Agenda 21s are

often-mentioned tools for making sustainability work in practice at the local level. Through such measures, regional and local authorities may provide healthy and pleasant living environment to their inhabitants.

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Social and environmental challenges in the MECIBS cities

Stefan Anderberg, Arto Ruotsalainen and Lisa van Well

There are large differences among the MECIBS cities in terms of population size, economic wealth and administrative capacity. The cities have also very different starting points in terms of their recent development and severity of problems, but at a general level all of them face similar challenges in terms of finding sustainable development paths in a dynamic and globalising world. A large part of the MECIBS cities are struggling with demographic, social and environmental problems. Most of these problems are related to economic changes of the city and their regions. This chapter presents a short overview and comparison of the problems social and environmental problems of concern in the different MECIBS cities.

Many of the MECIBS cities that are in the process of structural transition have pressing problems that span the horizon of sustainability issues. Table 1 presents some of these typical problems sorted after the three dimensions of sustainable development. It is often difficult to distinguish between these three dimensions because the problems are closely interlinked. For instance the loss of a vital industry to a city may lead to unemployment, which in turn can lead to homelessness, crime and drug problems, and exclusion of citizens. Furthermore it may be linked to problems with abandoned industrial sites (brownfields) such as soil pollution. Lost incomes may further lead municipal deficits make it difficult to provide municipal services such as elderly care or childcare or retraining of unemployed people, as well as hindering the modernization of infrastructure provision.

Table 1. Typical problems in the MECIBS cities (Urban Profiles Report).

Economic	Social	Environmental
Municipal deficits	Aging population	Brownfields
Loss of industry	Greater needs in	Poor water/waste provision
Unemployment	child/elderly care	Industrial pollution
Low income levels	Homelessness	Eutrophication of watercourses
	Excluded citizens	
	Crime/narcotic problems	

Demographic and social challenges

Population development is perhaps the most important factor for the economic development in a region. An increasing and young population, often linked to high birth-rates and large in-migration create generally favourable conditions for economic growth and expansion of social services. However, all over Europe with exception of very special cases such as Ireland and Iceland, there is low or negative natural population growth and migra-

tion play a decisive role for population change in different regions. Most regions can at best achieve a relatively stable population and age structure that give foreseeable incomes and planning conditions. Regions and municipalities with decreasing population and particularly decreasing economically active population in working age have often problems to continuously adapt expenditures and service levels. In all countries in the Baltic Sea Region, there is an increasing divergence in terms of population development between metropolitan regions with in-migration and higher birth-rates due to a younger population, and the dominating parts of the countries with low birth-rates and increasing share of elderly people.

Demographic development is an issue of major concern in all MECIBS cities, but the situation differs. On the hand, there are cities with important in-migration such as Salo, Lappeenranta, Nyköping, Norrtälje and Randers. Most extreme is Salo, where young people move in and where child-care and other social services for young families an important issue. Norrtälje and Nyköping are a bit special cases with increasing commuting to Stockholm as well as a growth of elderly people. On the other extreme, almost all cities in the transition countries have experienced dramatic population decreases. Even if out-migration has been stabilized, the number of inhabitants mostly continues to fall due to natural population decrease. The aging problem is perhaps most dramatic in these cities, but also in the Nordic cities it is an issue of increasing concern. As consequence of industrial closures, limited economic dynamism and a labour market, many cities experience problems with large groups of long-term unemployed, high numbers of people on social welfare, increasing poverty, drug abuse and homelessness. The problem of exclusion of citizens is often related to such groups, but in Scandinavia (e.g. Lappeenranta, Nakskov, Herning-Brandekast and Nyköping) this problem often concerns integration of immigrants.

Environmental challenges

In most MECIBS cities, local environmental problems are not perceived as a very pressing issue. Many cities describe the environmental situation as generally good and advantageous. However, at a closer look, there is a large selection of environmental issues of concern. Table 2 presents the local environmental problems in selected MECIBS cities. The most common problem is the question of contaminated soils, especially when former industrial or military areas are to be converted into residential or recreational use. Water problems are another important problem area, dominated by ground and surface water quality. Water issues will probably be even more important in the future and local authorities have a significant role in water resource maintenance. Other mentioned issues concern traffic, air quality, agriculture and urban dispersal.

Challenges with abandoned and underused areas

The restructuring of cities become visible in the spatial structures of the

Table 2. Local environmental problems and challenges in selected MECIBS cities.

City	Environmental problems
Jüterbog	<ul style="list-style-type: none"> • Contaminated soils in former military areas
Kokkola	<ul style="list-style-type: none"> • Occasional air quality problems • Risk of groundwater contamination due to large chemical transportation on unprotected groundwater areas • Agricultural waste water emissions • Contaminated soils in former industrial areas • Relation between green areas and urban development • Dispersing urban structure
Kuldiga	<ul style="list-style-type: none"> • Lack of strategic plan for waste disposal • Water supply issues • Inadequate public education and involvement in solving environmental problems
Lappeenranta	<ul style="list-style-type: none"> • Problems with badly polluted soil and disposal when former industrial areas are converted into residential areas • Questions of land-use on the shore areas of Lake Saimaa • Possible conflicts resulting from infill urban development • Dispersing urban structure
Nakskov	<p>»The municipality does not experience environmental problems as such« (The Industrial and Environmental Park Development has dealt with some necessary priorities: cleaning-up the industrial harbour areas, taking care of polluted soils, increasing waste treatment efficiency)</p>
Nyköping	<ul style="list-style-type: none"> • Nutrition leakage to the sea and to some lakes • As a logistic centre there are some noise and emission impacts caused by transportation
Salo	<ul style="list-style-type: none"> • Increasing amount of blue-green algae is hindering recreational activities on sea areas • Some areas with contaminated soil- Growth of the city increases traffic in city centre- Dispersing urban structure
Sillamäe	<p>»The environmental problems have been solved«. However, there are issues concerning:</p> <ul style="list-style-type: none"> • air pollution (dust emission) from oil shale power plant • water supply network needs renovating

cities and in the uses of city areas and the surrounding landscapes. All MECIBS cities have witnessed dramatic economic and land use changes during the last decades. As a result of partly connected restructuring processes, they all have a wide range of examples of areas and facilities, which are in decline, have been left semi-used or unused, have got new uses or are being transformed. The major categories are inner city areas, industrial areas, harbour areas, military areas and neglected nature areas e.g. in connection to former military, industrial or agricultural areas, cf. Table 3. These lands, empty areas and unused facilities, can be a strategic resource in a city's development. The conversion of important areas offers some unique opportunities to combine social, economic and environmental development goals and to contributing to an increase of quality of life in the cities. However, it can be quite costly, risky and difficult for cities to manage such areal transformation. All cities have limited resources and capacities, and successful transformation is to a large extent dependent of demand, investments or financial support.

Table 3. Different types of redevelopment areas and revitalization projects in the MECIBS cities.

Inner city areas	Almost all MECIBS cities. Restoration of historical centres (Chojnice, Kuldiga, Jüterbog)
Industrial areas	All MECIBS cities
Harbour areas	Kokkola, Norrtälje, Nyköping, Vyborg, Kronstadt, Randers, Nakskov, Sillamäe
Military areas	Norrtälje, Nyköping, Kronstadt, Kuldiga, Jüterbog
Nature and rural landscape development	Often connected to former military areas Jüterbog (Fläming Skate) Salo

Motives for sustainable development

Which are the motives for sustainable development action in the MECIBS cities? Table 4, based on the city-interviews, attempts to illustrate the wide variety of development priorities. The table is not a definite listing of issues that the municipalities perceive as sustainable development priorities. They are defined more precisely e.g. in Local Agenda 21 processes or in environmental programmes. This table should rather be considered as an effort to explain the complexity of sustainability and the challenges in finding interlinkages between different dimensions sustainable development. The economic priorities concern revitalization of the labour markets, and conversion and redevelopment of different areas. Life quality aspects such decreasing poverty and social exclusion, but also improvement of education, culture, participation and access to natural areas can be found among the social challenges. The environmental challenges concern the same as above, e.g. land contamination, water, traffic and air quality. Some priorities or needed actions are not solely local, but they may be of great importance for the city. One example is the emissions from power plants in Estonia and their impacts in Sillamäe, another that some cities (Nakskov, Jüterbog, Sillamäe) have a great need for better transport infrastructure for realizing their development goals. However, the dominating focus is at the local level.

Conclusions

Despite important differences between the cities, many MECIBS cities are facing similar problems and challenges in terms of social and environmental development. Most MECIBS cities have witnessed dramatic economic changes resulting in severe social problems with long-term unemployment. Many share problems related to economic transformation such as long-term unemployment after closing of important industries and limited labour markets and social exclusion of marginalised groups. There are many worries in connection with population development such as inadequate immigration and increasing share of elderly people. Eastern and western cities have in general very different starting points. In the east the transition has been more sudden and turbulent, while Western cities have had longer history of economic transformation with ups and downs, and they have more

Table 4. Motives for sustainable development initiatives in selected MECIBS cities.

City	Economic Priorities	Environmental Priorities	Social Priorities
Jüterbog	Re-use of brown fields, e.g. two new high-quality residential areas City centre maintenance and development. Development of tourism and recreation.	Clean up of former military and industrial areas	Life quality aspects for the development of a residential town, including maintenance and development of education, social and cultural services.
Kokkola	City centre development and sustainable urban traffic	Surface and ground water protection; City centre development and sustainable urban traffic	Improve employment; Sustainable values; Public participation and awareness (also in city administration) in environmental issues
Kuldiga	Economic assets of sustainable cultural preservation; Conversion of former military and industrial areas	Capitalization of natural surroundings to economic and social development; Waste disposal and water management	Improving quality of life; Access to natural areas; Inadequate education and involvement in the solving of environmental problems
Lappeenranta	City centre development and sustainable urban traffic; Utilization of Lake Saimaa and region's specific geomorphology as pull-factors	Surface and ground water protection, waste management; City centre development and sustainable urban traffic; Land use questions in the shore areas; Purification of contaminated soils in former industrial areas	Improve employment; Getting greater political and administrative support for LA21
Nakskov	Vitalization of labour markets and industry (decrease poverty and the dependence on economic transfers of the region)	Making the city more attractive, especially the harbour area and industrial »backyards«; Waste management	More jobs to prevent social exclusion, poverty and segregation
Nyköping	Development of residential areas Increase the output from Skavsta airport	Development of sustainable and attractive housing environment; Mitigating environmental impacts of the logistic centre development; Eutrophication of surface water	Getting greater political support for LA21
Salo	Managing population growth; Linking environmental assets and knowledge to region's current economic strengths, image building; City centre development and maintenance of compact urban structure	Taking better advantage of city's coastal location; Cultural landscape management; Surface and ground water protection; City centre development and maintenance of compact urban structure; Contaminated soils	Decrease rootlessness of newcomers; Increasing environmental knowledge
Sillamäe	Development of new harbour area	Environmental inventory; Management and renewal of rundown areas; Emissions from power plants (also a regional problem); Waste disposal and water management	Fighting poverty and social exclusion Integration of city citizens into Estonia

resources and more developed social security systems. The most common environmental problem concern contaminated soils, especially when former industrial or military areas are converted into residential or recreational use. Other widespread problems are connected to surface and ground water quality and waste management. The motives for sustainable development are closely linked to the needs for an economic revitalization as well as the social and environmental challenges.

Sustainable development plans and activities in MECIBS cities

Arto Ruotsalainen, Lisa van Well and Stefan Anderberg

International and national sustainability initiatives are increasing local governments' awareness of their responsibilities and possibilities to develop more sustainable urban policies. But how are these high-sounding goals in these programmes influencing concrete action? How are cities working with combining different kinds of goals in their development initiatives? This chapter is looking into sustainable development plans and activities and sustainable development initiatives in connection with land conversion projects in the MECIBS cities. Interesting examples, based on voluntary proactive action that address sustainable development try to combine sound environmental development with social and economic development are particularly focussed. The chapter is primarily on interviews in the cities.

Sustainable development strategies and plans

Approaches to sustainable development are likely to be different in different cities. City administrations vary in terms of their local responses, development processes and planning techniques. What the cities have in common in their »implicit wish-lists« is the necessity to maintain good social and environmental services in order to be attractive, to attract in-movers and to diversify the economic base increase job opportunities.

The Green Valley Project

The Green Valley Project is an EU-supported comprehensive programme on sustainable development of the Salo region with a particular emphasis of establishment of a »sustainable information society«. It consists of the following parts:

- Environmental strategy of Salo Region with visions and goals
The operational model of environmental management has the goal to create an operational mode and administrative culture for the public sector.
- Ecologically sustainable planning focuses particularly on establishing a good example of an eco-efficient and ecologically housing area in the newest residential area, Vitannummi.
- Landscape management and advancement of biodiversity in cultural environment focuses on promoting the respect of the region and improve consciousness of the cultural landscape among local actors and inhabitants
- Training and development programme of environmental technology
- Environmental database and area profiles focuses on constructing a digital environmental database on all 11 municipalities of Salo region.
- Environmental platform eSalon – A digital service of environmental issues has been established at the internet that is open for information and material from the private and the public sector and civic organisations. The goal is to serve in addition to local inhabitants also people outside the region, who have planned to move to the region or want environmental information from the region. Through environmental platform visitors can have access to environmental database meant for open delivery. Environmental platform will be developed as a general web site of environmental issues of the region.

Table 1. Driving forces for sustainable development in selected MECIBS cities.

City	External driving force	Internal driving force
Lappeenranta	International initiatives; National legislation; Examples from other municipalities and businesses and industry	No internal political nor administrative support
Salo	National level initiatives and legislation; Examples from industry and businesses and other municipalities	Green Valley-project: widening region's expertise from ICT to environmental expertise, connecting hi-technology and sustainable development; Support from local stakeholders and politicians; Also other sectors than environmental unit involved in the process
Kokkola	International objectives; National level initiatives and legislation; Important to get feedback from regional and national forums; Examples from industry and businesses and other municipalities	Strong environmental unit; Local Agenda project group: cross-sectoral working group, representatives from all municipal administrative units; »Every self respecting city should have an agenda«; Support from the politicians and city administration
Nyköping	International Objectives (Agenda 21 efforts); EU policies; Swedish Environmental Code; Regional Environmental Goals	Environmental Policy/ Environmental Plan (1998) with long-term goals, measures and measurable sub-goals (Internal); SEA of Comprehensive Plan (internal); Environmental planners and AG21 coordinator; Public opinion
Kuldiga	EU policies; National Environmental Goals; Regional Environmental Authority in Kuldiga	UNESCO project; Environmental School in Kuldiga; Environmental Planners and other planners
Nakskov	National level initiatives Examples from industry and other municipalities; Increasing environmental concern in the wider society.	Sustainable business development – a selected strategy for local economic growth; Unanimous strong support from the municipal leadership

Municipal sustainable development plans can generally be divided into two categories: Internal plans concerning the municipalities own works with public infrastructure, municipal administration, schools, other public activities and external plans which deal with the dissemination of the municipality's sustainable development goals to businesses, educational facilities and the public. External plans are often in the form of Local Agenda 21 documents. This chapter deals primarily with the internal plans and examples of voluntary action of the municipalities.

Table 1 provides an overview of driving forces, both external and internal, for sustainable development. In this overview of selected cities, it should be noted that there is a particularly strong political commitment and support in Salo, Kokkola and Nakskov. It is not surprising that there is correspondence between such internal sustainable development driving forces and »voluntary« sustainability action, cf. Table 2. The more powerful internal driving forces a municipality has, the wider is the variety of sustainable development initiatives.

MECIBS examples

Salo

The city of Salo is best known for its high-tech industry and as the town of Nokia in particular. The city vision emphasises multi-layered cityscape as well as safe and pleasant living environment. Access to nature, rural areas, closeness to the sea and lively city centre are seen as foundations for Salo's

Table 2. Examples of engagement of local environmental authorities in »voluntary« environmental or sustainable development action in selected MECIBS cities.

City	Type of action, networking and co-operation
Jüterbog	<ul style="list-style-type: none"> • Redevelopment of former military areas and installations • Soil contamination inventories and clean-up- Ground water clean-up and protection • Cooperation within the ARGEREZ network, particularly on brownfield clean-up and development • Participation in a regional sustainable development project with emphasis on involving in a development dialogue (Life quality in small and medium-sized cities)
Kokkola	<ul style="list-style-type: none"> • Regional and international environmental protection projects • Environmental auditing • Environmental employment, especially for the youngsters: rehabilitation of protected areas, building of outdoor routes • Establishment of recycle centre • Educational material, e.g. for waste management • Communication strategy, active participation in school, village meetings, use of local media, environmental unit's own »newspaper« • Environment week: promoting public interest towards sustainable development and environmental issues • Cooperation with Kokkola's youth centre and Nature School Villa Elba
Kuldiga	<ul style="list-style-type: none"> • Projects with school children raising money for environmental concerns • Programmes and events for children and adults at the environmental school in Kuldiga • Photo exhibition
Lappeenranta	Limited resources, voluntary action mostly dependent on external funding, e.g. KEKE-Saimaa-project
Nakskov	<ul style="list-style-type: none"> • Symbiosis projects for more efficient waste and energy management, involving both the municipalities and local industry • Recycling centre • Regional and international environmental management projects • International collaboration on sustainable business development • Environmental auditing • Advisory service for small industry • Active mobilization of citizens
Nyköping	<ul style="list-style-type: none"> • "I Love Östersjön", an exhibition, that travels around the municipality to discuss issues of the Baltic Sea and the problems of over fertilization • Environmental engagement in schools (one school winning a national contest)
Salo	<ul style="list-style-type: none"> • EU-funded projects; e.g. Green Valley: TV and radio programmes about immediate environment and sustainable development • Natural environment and vegetation mappings • Construction of recreation areas close to the city • Environmental workshops and employment of youngsters (particularly those who are in danger to be excluded) in environmental protection projects
Sillamäe	<ul style="list-style-type: none"> • Local agenda plans • Inventories of environmental quality • Investments in waste water treatment

attractiveness. Although Salo has defined 13 headline objectives and indicators under the housing and environmental strategy, the real meaning of sustainable development in Salo comes according to local politicians, NGO

and municipal authorities, from the Green Valley-project. (cf. box p. 206)
The Green Valley is a comprehensive project for sustainable development that covers the whole Salo region (Salu and 10 neighbouring municipalities). The region has also taken an active role and launched concrete projects to promote sustainable development.

The Green Valley Project is a good example of a comprehensive and modern sustainable development programme. It contains some concrete innovative initiatives connected to both planning of housing areas and landscape, education and information diffusion and communication. Even if the programme is only under way, and most of the expected results are in the future, it already provides a good basis for showing that the region is a forerunner in sustainable development matters.

Salu's sustainable development initiatives have been dependent on the local politicians. The initiator of the project was the Mayor of Salu, who viewed it as important to combine environmental issues and economic development issues and to launch discussion of sustainable development initiatives between different actors. The Green Valley management group includes chairpersons from the city council and the city board, the mayor, the heads of urban and environmental planning, representatives from local and regional business organisations and the local press.

Kokkola

Kokkola is an active city in terms of »voluntary« environmental action and initiatives towards more sustainable urban development. The city has signed the Aalborg charter and recently launched the making of LA21 for Kokkola. Both actions indicate a political commitment for enhancing local sustainable development. Major local driving forces for sustainability are administrative and political support, a strong and innovative environmental unit in city administration as well as local persons as initiators. The municipal environmental unit was often mentioned in the city-interviews as an important internal driving force.

The municipal environmental administration is large in relation to the size of the city. It was a clear strategic choice of the former Mayor to take environmental issues seriously and build up this unit. In the beginning of its activities, the city leaders involved a representative from this office to all activities. A special unit for environmental auditing was set up that provides expertise in environmental matters to other sectors of city's administration and even outside it. When the harbour of Kokkola is preparing environmental permits they order it from the environmental auditing unit.

The city of Kokkola has been very active in environmental employment for about a decade. In the beginning of the 1990's there were almost 150 persons working with employment allocations. At the moment the environmental unit is a part of an organisation, which employs about 50 persons in different projects. By doing so, the unit has had a practical tool for environmental protection activities. The environmental unit has also started Kokkola's nature school and is taking care of the practical transportation needs

of the school. Another part of the city's environmental employment group prepares networks for out-doors exercises and manages protected areas. Other voluntary activities of the environmental sector in Kokkola include establishing networks for out-doors exercising.

As LA21 secretariat, the environmental unit has the responsibility to promote sustainable development projects. The Local Agenda 21 process was considered as a serious effort to launch sustainable urban management and cross-sectoral discussion of Kokkola's future. The project group for LA21 enhances inter-disciplinary thinking and debate of city development, since it has representatives from city's each administrative sector and two politicians from city board.

As a result of the Local Agenda 21 process, which started in 2002, the city of Kokkola has prepared an action plan for sustainable development. It defines sustainable development policy, goals, objectives and measures in six locally significant themes. One of the cross cutting themes has been public participation and involvement of both inhabitants as well as public and business sectors. Special attention has been paid to wide publicity and field-work. One example here is the utilisation of existing contacts and organisations especially in the rural areas. The municipal authorities have realised, that sustainable development is too vague concept in order to raise discussion and public participation in village meetings. Therefore they have risen up very practical issues, like sewage water management, in order to rouse public interest and after that provided information of LA21 process in general. The environmental unit also participates in various regional projects promoting environmental protection as well as in some significant international cooperation projects such as the cooperation with the Kvarken Council.

Land conversion and sustainable development

There are many interesting projects and activities in connection with the land conversion efforts in the cities. The economic transformation brings no doubt new opportunities. The closing of activities of particularly formerly closed areas such as harbours, military and industrial zones have in several cases been very positive for the cities. Their attraction has increased with new attractive locations for commercial and industrial companies, housing or other activities and new recreational opportunities have been opened up for the citizens. This has given opportunities for increased standard of living, in terms of less polluting activities and a greener and more accessible environment.

MECIBS examples

Nakskov – The Environmental and Industrial Park

Nakskov is a prime example of a MECIBS city that can get things done. After having experienced great structural change and loss of employment with the closure of an important shipyard in the 1980s, the city has proactively attracted the Vestas Windmill factory and established a business

development area (Nakskov Environment and Industrial Park) in the Stensø area on and around the former shipyard. While unemployment is still high in the region, municipal leaders are confident that Nakskov is steering the right course on its way to sustainable growth and development.

Nakskov's major priority is to attract industry and combine industrial activities with a sound environmental approach with a particular focus on flow management. Nakskov is aiming to be a centre for environmental industry and the municipality tries to build on this in connection with »the Environment and Industrial park«. The waste dump in this area has been reshaped to a modern recycling station and concert arena, and there are several projects and plans under way, built on flow-thinking, that have a potential to become strategic examples showing that environmental concern also can be economically and socially profitable. The biosymbiosis in connection with a new biomass remote heating plant, based on garden and park wastes. The plans on an industrial symbiosis with heat and waste exchanges between different industries, built particularly on water wastes from the large sugar plant, have a potential to result in less waste and easier waste handling as well as important savings in terms of heat and water for the involved industry. The Stensø development shows not only good examples of ecosystems thinking resulting in more efficient use of energy and handling of waste, but also for its application of multipurpose thinking and to make use of different types of resources in more efficient and innovative ways. This can be exemplified by the connected development of social programmes such as *Aktivering Syd* (cf. chapter 4), which is playing a vital role in the development of the waste recycling station, but also to make the area more attractive and accessible through the combination of the waste station and public feast and concert place. The business development department plays a central role as creator of ideas, initiator and negotiator with different partners. Before being further developed, all ideas and projects are assessed by a technological consulting company for assuring the validity and the realism of different ideas and getting independent cost estimates.

Jüterbog

Jüterbog is the most dramatic example of a military conversion area. Most of the municipality consists of former military areas. Until the early 1990's, about 70-80.000 Russians (troops with families) lived in the area and when they left whole towns were abandoned. The enormous amounts of land and buildings are rather a problem than an opportunity in this small municipality. To make proper inventories, clean-up contamination, remove houses and ruins involve costs that are far above what this municipality can carry. Most of the former military areas are categorised as nature areas, but in general they are not very accessible. In such old army training areas some contamination must be expected. Besides some obvious hotspots, such as the tank tanking centre, there is no overview of how safe these areas are and what may be hidden in the ground. Only a small part of the former military buildings have been restored and turned into attractive housing, while most of the barracks and installations are left as ruins. Therefore, Jüterbog has had to look for all kinds of opportunities to redevelop and make use of these areas. An important step to increasing the access for outdoor life outside

the city has been the establishment of the »Fläming skate«, a system of bike and skate routes in the region, which pass Jüterbog. Some areas in the periphery of the municipality have been offered to wind power development. As a part of this deal, the wind power company contributes to setting up an eco-biological agricultural centre, which can become an attraction for exhibiting alternative and ecologically sound methods in agriculture and horticulture. The combination of wind power, ecological farming, large nature areas and outdoor recreation may form important corner stones for strengthening Jüterbog's ambitions concerning a green and sustainable development.

Green image strategies

A positive image of a city and a region attracts people, investors and enterprises to come and provides incentives for them to stay. Many cities are struggling with »image problems« connected to an industrial past, poor and ugly housing, social problems, crime, limited variation and supply of cultural activities or a poor environment. There are many examples of where such negative images are exaggerated and it is a challenge to improve and change the image of the city, particularly in the eyes of outsiders. High-quality environment may be used as a regional asset in the competition between cities and regions. Environmental awareness and environmental quality have during recent years become a more important element in connection with competition between metropolitan regions (Matthiessen et al, 2004)

Among the MECIBS cities, there is much evidence that these thoughts have caught attention. Many MECIBS cities consider a poor image in the eyes of particularly outsiders an important problem. It is often stated that negative assessments are unfair and not true in relation to the present situation or recent developments. There is often a frustration over such prejudice, that media tend to help maintaining these negative images. It is very difficult to come through with messages of slow positive changes, while industrial closures or single crimes receive fat headlines in the national media and help maintaining negative images of crime, pollution, dissatisfaction, lack of initiative, or environmental pollution.

In many MECIBS cities, there is an awareness that sustainable development and environmental concern is important and that cities may benefit from sustainability initiatives and stressing their nature assets and environmental concern in connection with marketing. A green image can be an important tool for increasing the attraction of the city. The Finnish and Swedish cities emphasize generally the beauty of their regions with lakes, forests and coasts in their PR activities. There are also other examples of cities that market themselves as important centres for outdoor recreation, e.g. swimming, hiking or skating. Some cities also stress their clean environment and high environmental standards. But even if many cities have both environmental and sustainable development ambitions and activities, it is still rare that these are combined with explicit ambitions for a green profiling or marketing. However, there are some important developments under way.

Nakskov's Sustainable Business Strategy

The most explicit ambitions to use green profiling to attract industry is found in Nakskov. Particularly in connection with the transformation of the development of the »industry and environment park« in the Stensø area, sustainable development and innovative environmental activities and ambitions are used for attracting investments. A well-functioning environmental management is the necessary basis and the environmental industry and the emerging symbiosis activities give extra weight for the green profile. The green profile is supported by a general strategy of sustainable development of the municipality. The local agenda 21 has been integrated in the development plan of the municipality, where sustainable development is the starting point. This brings generally ambitions to live up to being a green and sustainable municipality. Beside the different projects in connection with the development of the industry and environmental park and waste and energy management in the municipality, there are also important active efforts in the municipality help small industry to improve their environmental performance and engage citizens in sustainable development. The PR activities have not been the highest priority so far; they are primarily focussing on existing industry and potential investors, secondly on local citizens and increasingly on collaborators abroad. The on-going developments are not very well-known outside the region and there is not very much information available in English on the internet. This reflects probably a necessary priority setting in a small municipality with limited capacity. The ambitions in Nakskov to use the sustainable business strategy and the achievements for active green profiling are also further developed in connection with the »Baltic Sea Solutions« network.

Salo's Green Valley Project

The Green Valley Project of Salo can also be viewed as the first steps towards a green profiling of the municipality, particularly due to its emphasis on communication. This programme has a broader focus than Nakskov's. It is much more directed toward citizens and the regional management, and PR and information is more integrated and ambitious. For example, the internet is used as a part of project and it is much easier to follow the project and to find the important environmental ambitions and activities in the municipality. On the other hand, this strategy and activity is perhaps not as central as in Nakskov.

Conclusions

Although the approaches to promote sustainable development differ from city to city, many cities are facing similar problems, challenges and opportunities, also in terms of environmental matters and sustainability. Important internal driving forces consist of plans and strategies, political support, initiatives by groups or individuals and active support from local stakeholders and the public. The more powerful internal driving forces a municipality has, the wider variety in sustainable development initiatives exists and it is easier to integrate sustainable development into municipal planning.

Successful proactive sustainable development is dependent on local initiative and driving forces. Sustainability management is a political process. Achievement of sustainable development requires good political ideas and initiatives for change, collaboration, formation of networks, sufficient allocation of resources and organisational stability, long-term leadership, commitment and support to enact changes in decision-making at all levels. The prerequisite for enhancing sustainability thinking is strong leadership and commitment in the city governance.

The most visible active efforts and concrete results in relation to sustainable development are found in connection with land conversion projects of former industrial, harbour and military areas. The MECIBS cities show several good examples of a combination of land use conversion and sustainable development initiatives. This does not necessarily mean that »sustainable development« is particularly stressed in individual projects, but their outcome is often positive in terms of social, economic and environmental development of the city. National policies and state and sometimes EU financing play often a vital role for such activities, but the success in terms of integration of sustainable development goals is very much dependent on the local initiative and ability to find investors and implement plans.

Many cities face a shortage of investors in relation to land conversion and redevelopment needs. This brings serious constraints to the sustainable development ambitions and actions. Opportunity taking, to be able to respond quickly, efficiently and in a flexible way is a necessity for most municipalities and they are generally very well aware of that.

In small economically weak municipalities, there is a much more urgent need of success and that initiatives pay off, than in more wealthy and industrially stronger municipalities. Wealthy municipalities can also afford to be more selective in terms of projects and choosing opportunities. Nakskov has developed a more proactive sustainable development strategy than can be found elsewhere. In connection with the Environmental and Industrial Park, there are inspiring examples of applications of ecosystems thinking and of connecting sustainable environmental development with business development and social programmes. However, the Nakskov developments are very dependent on a unique mobilization of resources and competence and on encouraging positive results to keep the focus.

In some of the most proactive cities, sustainable development is understood as an important competitiveness factor. These cities use their achievements for attracting potential investors and movers, but they are aware of the risks of exaggerating, and do mostly show concrete results. For these cities, investors are an important target group. Nakskov wants potential investors to see the potentials of being related to the emerging green profile of the region, while Salo rather uses the greening strategy green profiling as a way to show a generally advanced and modern region that may attract technologically advanced businesses. It is still too early to evaluate the results of these strategies. Their success will depend on the development trends in a broader society.

Other MECIBS cities are generally aware of the potentials of green profiling. Many cities use their surrounding nature, opportunities for outdoor recreation or stress their clean environment and high environmental standards in PR and marketing. However, environmental and sustainable development concerns are mostly regarded as necessary for a modern municipality, but not as a profiling issue for everybody.

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Opportunities and challenges in regional sustainable development

Lisa van Well, Arto Ruotsalainen and Stefan Anderberg

In this chapter, particularly interesting aspects of the analysis of activities in the MECIBS cities are summarized. The basic questions concern: which are essential elements in successful revitalization projects to improve social and environmental situation in the MECIBS cities? Which are the opportunities and challenges? This is exemplified by highlighting different activities and processes in the MECIBS cities. The structure of the chapter has been inspired by some of the basic principles of the European Sustainable Cities Project («European Sustainable Cities»: Expert Group on the Urban Environment report (1996:9-10)), European Commission Ecosystems Thinking with a Social Dimension, Cooperation and Networking, and Policy integration. At last institutional capacity is addressed as a fundamental challenge for making successful sustainability efforts possible.

Ecosystems thinking with a social dimension

Ecosystems thinking with a social dimension characterize the city as a complex and intertwined system, constantly in a state of change and transition («European Sustainable Cities» 1996:9-10). It includes not only physical flows of waste, water and traffic, but also human flows, such as employment opportunities. Many MECIBS cities employ this type of thinking, but most of them only implicitly. Interesting examples are found in Nakskov and Kokkola.

Nakskov – Aktivering Syd

One important aspect of Nakskov's successful strategy to deal with change has been its »ecosystems« thinking. Everything in the community is seen as a resource: people, land and even waste. A small, but vital project that exemplifies this ecosystems thinking is Aktivering Syd. This project provides activation measures for the most marginalized groups in society- the chronically unemployable, substance abusers, and people with multiple social and mental problems who would not have a chance of finding work in a traditional employment setting.

Aktivering Syd operates in a variety of projects for the community. When the project was launched in 1999 the first task Aktivering Syd had was to clear the old shipyard and to prepare for the operations of the Park. This task included collecting, recycling and redistributing any reusable materials. Since then Aktivering Syd has built its own quarters/workshop in the old shipyard and has constructed and currently maintains a new 70,000 km² recycling station and engaged in a recyclable glass sorting programme. So far 600 citizens have gone through the program and currently it employs

around 20-25 people on a regular basis. Of the 600 participants about 100 have found regular employment.

The project is funded mainly by the municipality of Nakskov, but the state compensates approximately 45% of these costs. Management and administration are placed under the municipality's supply services (Utkvitne Interview, November 2004). Within the project, all aspects of sustainability are addressed and the synergies among them are explicit to the city leaders. It activates the so called "worst cases" in society, who are offered a chance to learn new skills work in teams and understand the value of being active in the community. Participation is voluntary, but most find that by engaging in work their self-esteem is greatly boosted. One of the social manifestations of this project is that there has been a decline in local criminality. (Christensen, interview, 2004) Also environmental aspects are in focus. The waste recycling center has cleaned up a contaminated site on the old shipyard and built a modern recycling center to facilitate easy dumping and sorting. The glass sorting facility does a thorough job of sorting all types of reusable glass. In tune with the multi-purpose aim of the center the waste center is concert arena.

This strategy »saves a bundle of money« (Christensen, interview, November 2004) with the welfare recipients performing the jobs that are normally carried out by the municipality or private companies. The glass sorting activity was launched in order to cut down on Nakskov's waste expenses. It is hard to deem if this project is totally self-financing, but in any case, the social and environmental benefits are sufficient to outweigh any minor economic loss.

It is stressed as important that the municipality does not become too reliant on this form of cheap labour, as the goal is that this is a temporary program and the aim is to get people out (into the conventional labour market) as soon as possible. (Christensen, interview, 2004) Aktivering Syd's location in the Environmental and Industrial Park make it possible for several industries there to be able to recognize and recruit qualified workers. About 20-30 former clients have obtained work at Vestas.

Kokkola – Kokkotyö and the Nature School

One programme that also typifies the linkage between social and environmental aspects is Kokkotyö in Kokkola a foundation has been established in connection with the central services sector of the city administration but also with links to technical and the environmental and social units to create employment opportunities for the least advantaged social groups. This foundation, which is largely externally financed, operates 10 various workshops for repairs, maintenance etc., and a recycling center (operative on a large scale since 1990). Because these activities are under a foundation, rather than the operations of the municipality, they fall outside of the Act of Public Procurement and thus the foundation is able to employ the long-term unemployed for these tasks (Hagström, interview, Kokkola, November 2004). This has greatly helped reduce youth unemployment.

The Nature School is also a programme that integrates environmental concerns and unemployment concerns. Young people are employed for these purposes. The work is split up so that the simple jobs (such as planting) are performed by those least qualified, while a few professionals lead the work. The unions and companies that otherwise perform these tasks, have nothing against this, since they see those in the programme as potential employees that are gaining experience within the municipality and doing jobs that otherwise would not be done (Hagström, interview, Kokkola, November 2004).

Cooperation and partnership: Learning by doing and by example, networks

As a principle of sustainable urban development, cooperation and partnership is one of the most vital tools for sustainable urban management («European Sustainable Cities» 1996:2). Urban cooperation can take many forms, either within the framework of national programmes or EU projects or in city-to-city initiatives. The MECIBS cities provide some examples of such cooperation; the most interesting is the emerging Baltic Sea Solutions network.

Nakskov – Baltic Sea Solutions

The Baltic Sea Solutions initiative launched by Nakskov in cooperation with the inter-municipal network in Lolland-Falster is a cross-border network throughout the Baltic Sea Region with the goal of boosting sustainable growth and transnational cooperation between public administration systems (Baltic Sea Solutions: Synergy to Prosperity). Dealing with globalization and outsourcing as opportunities to be grasped, rather than problems to be solved is an important part of the network philosophy, and this philosophy mirrors that of Nakskov. Baltic Sea Solutions had its Kick-off Conference in Nakskov in November 2004 and participants included the MECIBS cities of Vyborg and Chojnice.

As part of this project, the municipalities in Lolland-Falster have created the Operational Knowledge Centre (OKC) with expertise concerning strategies for revitalization of former military areas and various Local Agenda 21 packages. A unique part of this networking effort is the creation of what is the »tool box« for dealing efficiently with attracting new industries and creating the conditions for businesses to flourish. This tool box is based on the administrative organization of Nakskov itself and is operative at both the regional and local levels to present information such as:

- Specific technical data and logistics
- Information regarding staff potential
- Educational topics
- Possible financing schemes, including: Potential regional financing support

(Baltic Sea Solutions: Synergy to Prosperity. Brochure)

Baltic Sea Solutions not only builds institutional capacity in the Baltic States; it is paramount for Nakskov's development opportunities as it strengthens Nakskov's position not only among neighbouring municipalities, but also throughout the Baltic Sea region. It also works internally as a platform for Nakskov's own programmes and brings an added dimension of credibility to the programmes and ideas that are »exported« further.

Policy integration

Policy integration is often emphasised as a prerequisite for successful policy implementation as well as lack of policy integration can explain that policy goals are not achieved. The policy integration analysis focus on the multi-level aspects of sustainable governance by examining vertical integration among governance levels and horizontal integration among sectoral policy areas to achieve sustainable and synergetic development (»European Sustainable Cities« 1996:2). This analysis focussed mainly on Kuldiga and Nyköping.

Vertical integration

Vertical integration is the effects that policies, norms and efforts from various levels of governance have on the local level (Böhm 2001:4). Sustainable development practices at the local level are influenced by a variety of exogenous and endogenous factors at the supra-national (as in the case of the EU), national and regional levels. The characteristics of these factors vary from »hard« legislative aspects such as EU directives reformulated as national policy regulations, national competition laws, as well planning & building and environmental codes on the national level, and regional growth plans at the county level in some countries. These set the framework for what is possible and feasible in connection with local development strategies. However, there is another set of more »soft law« non-binding factors that set the stage for what is »desirable« to achieve in regional development strategies that are both equitable and sustainable. Included in this set of factors are both normative goals and processes for achieving these goals.

Sweden-Södermanland-Nyköping

Södermanland County, in which Nyköping comprises the second largest municipality in terms of population and the largest in terms of area, has developed a comprehensive set of environmental goals, including regional goals, sub-goals, indicators and current conditions, all being deeply engrained in the sustainability discourse. These goals follow closely the 15 national goals as depicted in the Swedish Environmental Code of 1999 (Miljöbalken, 1999). These 15 national environmental objectives include reduced climate impact, clean air, natural acidification only, a non-toxic environment, a protective ozone layer, a safe radiation environment, zero eutrophication, flourishing lakes and streams, good-quality groundwater, a balanced marine environment and flourishing costal areas and archipelagos, thriving wetlands, sustainable forests, a varied agricultural landscape, a magnificent mountain landscape, a good build environment. The county has reformulated and weighted the goals differently to reflect the unique geographical situation of

Södermanland County. These goals are thus very focused on environmental sustainability.

The national government has given the responsibility to all counties to draft their own Regional Growth Programmes. The Regional Growth Programme of Södermanland (Regionalt tillväxt program för Sörmland 2004-2007) is primarily a plan for sustainable economic growth and labour market expansion. While the programme takes up the social aspects of sustainability in the form of social equality regardless of ethnic background or gender, it has very little to say about the environmental dimension of sustainability.

In terms of vertical policy integration, Nyköping has competently integrated the goals of the EU, national and regional environmental sustainability. For instance, according to the Agenda 21 coordinator, the main guidance of preparing Agenda 21 and defining sustainable development is the Swedish Environmental Code. But this may be due to the fact that this activity is legally regulated. There is no encompassing sustainability plan in Nyköping that integrates the three pillars of sustainability as at the national level, as this is so far only a voluntary exercise on the behalf of municipalities (Interview with Agenda 21 Coordinator, Nyköping, November 2003). The Regional Growth Programme aids the social dimension in Nyköping's sustainable development work in their plans for economic growth at the county level.

Latvia-Kurzeme-Kuldiga

In Latvia there is no specific national guiding policy document for sustainable development, but the National Environmental Policy Plan for Latvia approved by the Government in 1995 and revised starting in 2002 (to accommodate EU membership) contains many principles of sustainable development. The major goals in this plan concerns improvement of environmental quality, biodiversity protection, sustainable resource use and integration of environmental policy into »all branches and fields of life« (The Latvian Department of Environmental Projection)

Some of the points developed in the NEPP are also included in Regional Development Policy of Latvia, particularly the need for Latvia to adhere and follow international efforts of sustainable development, but there is some doubt about how much weight the sustainability argument carries in economic development policy. (Green Liberty)

Even in terms of economic regional development policy, the national level aims are not always carried down to lower levels and there seems to weak linkages between the state and local level when it comes to sustainable growth issues. Mayor Edgars Zalans of Kuldiga (Interview, 15 December 2003) believes that development in Kuldiga is possible but the government must have an implementable development strategy. Most EU and national funding goes to the Riga area and the other large cities and the government seems to have no general understanding of the concept of polycentric spatial development.

Kuldiga is in terms of economic sustainability, to a great extent dependent

on the Latvian state to realize the potential of the city as the center of the Kurzeme region. One development strategy is to become a center for regional administrative activities. The state has already decided to locate the State Income Tax Office to the city and Kuldīga has also a brand new regional hospital. Yet it seems that the national level is not so interested in Kuldīga. Although the town is located in the very center of the region and there is good accessibility to Liepāja and Ventspils, the main transport corridor from Riga to Ventspils does not cross Kuldīga. Senior Project In order to achieve greater economic and social sustainability the town needs to focus on retaining its population and providing the needed services and infrastructure. But the question is if sustainability can be upheld without the necessary support from regional and especially the national level?

Horizontal policy integration

Coordinating policy sectors and planning areas to achieve the goals of a sustainable development strategy is not a straightforward task- at the European level or at the local level. Yet with the goal to produce synergies among the three aspects of sustainability, it is necessary to create novel means of at least coordinating, if not integrating, diverse policy and planning sectors such transport, competition, agriculture, environment, culture, etc. This is particularly reflected in the call for sustainable economic, social and ecological development, yet the tools to integrate these areas are still few and far between.

Balancing objectives

Nyköping has met the structural change incurred from the decline of its traditional manufacturing industries with a proactive focus on quality of life and natural nautical surroundings and logistics opportunities. Nyköping's marketing campaign to attract businesses and residents defines the city image by the Swedish key words »Livet, havet, navet« or life quality, the sea and the (transportation) hub. This marketing slogan very effectively links the economic, social and environmental dimensions of sustainability as the selling point for the city. But in practice there appears to be two governance simultaneous discourses: the market/economic discourse focusing on urban growth and housing construction and the sustainability discourse with the focus on development and cohesion. (Veylon, 2004) Through discourse we understand the »way of talking that applies to a certain group of people« (Orrskog, 2002). The gap in the discourses is characteristic of post-modern societies composed of a plurality of cultures, opinions and beliefs (Healey P., 1997).

The market discourse focuses on development strategies such as creating a logistics center with the focal point being Skavsta Airport (a primarily private owned company and host to low-price giant Ryan Air) and plans for rail and road logistic hubs. Part of this discourse has to do with the quality of life strategy, primarily in terms of the building and construction industry and attracting businesses and potentially 500 new residents a year from the Stockholm region with the lure of lower housing prices.

The sustainability discourse emphasises the close connection to nature and

the archipelago as a selling point for the municipality and the social benefits that can accrue from small-town living in the periphery of the Stockholm/Mälaren functional labour market. This is based largely on the environmental plan and on Agenda 21 work and gains momentum via the rural surroundings of the town and the many green and protected areas.

The above is an example of how the three pillars of sustainability are intimately related and easily come in conflict with one another if not structurally managed. But the structuring of goals in a sense is a democratic, political activity, rather than a planning decision. According to the Agenda 21 Coordinator in Nyköping, environmental issues have been marginalized on the part of politicians (Interview, Agenda 21 Coordinator, Nyköping, November 2003). As Nyköping has few pressing environmental problems there seems to be a vacuum from the political side. Most environmental initiatives/strategies come from the municipal administration rather than the politicians. Politicians tend to take the special natural surroundings and attractive situation of Nyköping for granted, as the focus of the city is very much on growth and attracting residents. The natural environment could be used to an even more explicit degree as a marketing tool for the municipality.

Is it possible to mediate between the market and the sustainable discourses and to build any consensual knowledge regarding the norms and interests of various parties? Perhaps one solution could be to include to a greater degree environmental and social interests into strategies for economic development. However, this may be difficult for structural reasons. Environmental planning is a long-term process and should be seen in at least a 10-15 year perspective and such long-term goals do not fit very well into the one-year perspective of municipal budget planning (Interview, Agenda 21 Coordinator, Nyköping, November 2003).

Institutional capacity for sustainable development

Achieving sustainable development as more than a rhetorical exercise, but rather an opportunity for development, demands not only a political will and mandate, but also the institutional or organizational capacity to achieve the integration of social, environmental and economic aspects. While it may be a simple task to rhetorically integrate the three pillars of sustainable development in guiding documents or policy statements, it is quite another thing to actually wield the institutional capacity needed to manifest the strategies. As the Agenda 21 Coordinator of Nyköping asserted, there is much talk of »sustainable development« in the municipality, but so far there are few tools to implement it. (Interview, Agenda 21 coordinator, Nyköping, November 2003.)

For analytical purposes, institutional capacity can be divided in three major components; Knowledge resources, relational resources and mobilization capacity (De Magalhaes C., Healy P., Madanipour A., 2002).

Knowledge resources refer to »the flow of knowledge of various kinds

between stakeholders in a locality, and the learning process that takes place as knowledge is exchanged« (De Magalhaes et al 2002: 55-56) as well as the frame of reference and the openness or learning capacity of stakeholders.

Relational resources refer to »the quality of relational networks brought into the governance process by the stakeholders« (De Magalhaes, et al 2002:56), thus the social networks including their integration and functioning.

Mobilization capacity refers to »the capacity of stakeholders to mobilize knowledge and relational resources to act collectively at the level of the city/region/neighbourhood for some common goal«, as well as techniques to realize this. Mobilization is often stimulated by »skilled change agents«. (De Magalhaes, et al 2002:57-58)

Kuldiga

Kuldiga's development strategy is double-pronged. On one side the city is lobbying to become a regional administrative center and on the other side it is seeking to achieve status as a UNESCO World Heritage Site. The recent challenges faced by Kuldiga have been the rapid downsizing or liquidation of industries and the change in property rights, when Latvia gained independence. In recent history Kuldiga has never been a major industrial center; the town's image has been more based on its cultural heritage as one of only three culturally protected towns even during the Soviet era. The city center has retained its historical architectural heritage of older wooden buildings. The UNESCO project will aid in boosting the city's cultural image and hopefully make the city more apparent and important at a national level.

Kuldiga is facing a particular challenge: How to increase economic viability and sustainability, while profiling the city in terms of the natural and cultural surroundings. Not only has architecture of the old town been protected, through the center of the town runs the Venta river (and Europe's widest waterfall), the area around which is nationally protected both historically and environmentally. This makes the job of planners and exploiters somewhat complicated (District Planer, Interview, Kuldiga, December 2003).

Knowledge resources

Concerning frame of reference aspect for knowledge resources, the main document is the Development Programme of the Planning District, which consists of 12 sector reports: Tourism development, transportation, raw materials, settlement structure, cultural heritage, agriculture, forestry, ground water, surface water, landscapes, natural protection and administrative reforms. In municipal planning, sustainable development is taken into consideration in planning documents and the principle is heeded to in various planning areas (Planning Department, Interview, Kuldiga, December 2003). The action plan for the environment is part of the planning process and also includes land use. Kuldiga's environmental planners are very knowledgeable and seem to have it relatively easy gaining the ear of politicians and development planners for issues pertaining to the natural environment, perhaps just because nature and culture are realized as such important assets of the city.

In Kuldīga the frames of reference for integrating the three aspects of sustainability appear to be in place, largely due to the unique situation of the city and its history of sustainable integration. However, the problem is how to make the city more liveable, rather than a museum piece, and to encourage small businesses to move in and stimulate economic sustainability. Many of the buildings in the old town are derelict and many in need of major renovations. These buildings are privately owned and owners are generally lacking the funds to make these renovations, particularly since there are stringent regulations regarding materials that can be used, due to the protected status of the buildings. It is obviously not an option to tear down old buildings and start from scratch. Many of the houses still do not have access to water and sewage, nor do they have efficient heating systems, with wood being the preferred fuel since it is cheaper (Planning Department, Interview, Kuldīga, December 2003).

Relational resources

These types of resources deal with social networks both within and without the city and how they function in achieving the strategies. In the case of Kuldīga's UNESCO strategy, this is very much a case of network functioning. The idea for the UNESCO application came from a representative of the UNESCO Commission in Paris when she visited Kuldīga. A plan was drafted by the municipality and sent to the national UNESCO commission in Riga for national nomination. The UNESCO bid is quite dependent on the support it gets at the national governmental level. A seminar was given last summer including experts from Lithuania, Germany, France and Sweden regarding the UNESCO plan.

If Kuldīga is granted World Heritage status, this will mean little in the way of money up front (other than possible increased tourism revenues), but it would be of great importance for »putting Kuldīga on the map«, both internationally, and maybe even more importantly, nationally (Interview, Planning Department, Kuldīga, December 2003). This national and international relation would also boost the image of the city and increase its economic development chances. As the editor of the local newspaper said, being granted World Heritage status would further help with national and EU financing (Editor of »Kurzemnieks« Interview, Kuldīga, December 2003). It would also further solidify the existing linkages between economic, social and environmental sustainability.

Kuldīga definitely has several international links for dealing with merging of sustainability issues, but sometimes these networks and learning relationships in themselves are not enough to actually make a difference in the institutional capacity. For instance, several years ago two of the planners in Kuldīga attended a workshop in Sweden on environmental planning. However when they got back they did not get any support for implementing or mobilising what they had learned (Planning Department Interview, Kuldīga, December 2003). They believe, none the less, that this situation is now changing.

Mobilisation capacity

Mobilisation capacity is perhaps the most important aspect of institutional capacity as it entails structures for collective action and techniques to intertwine knowledge with relational resources (De Magalhaes, et al 2002:57-58). One aspect of this is the degree of public participation and support given to strategies and plans. Although the degree of public participation in Kuldiga is not high, the public generally supports the UNESCO project, environmental awareness is high and people are proud of their city (Planning Department, Interview, December 2003). However some residents of the old town worry that World Heritage Site status will greatly increase their costs of living and make the renovation process more difficult. The city cannot force private owners to renovate and there is not really the desire to redevelop the old town for higher income living. There is the firm belief in Kuldiga that the old town should retain a mix of socio-economic residents, while still making it more attractive to investors (Planning Department, Interview, Kuldiga, December 2003). This goal precludes knowledge in the form of environmental (particularly infrastructure) indicators and conditions, as well as the capacity to know the problems and values of the stakeholders involved.

Nakskov

Knowledge resources

Nakskov has extensive knowledge resources for sustainable development within the city administration. What is interesting is that while the persons dealing with sustainable development (and in Nakskov this is a broad spectrum across all areas) may not be formally, academically educated as environmental planners or ecologists, or even experts in social issues, they still constitute a wealth of real-life knowledge about how the city, as a theoretical ecosystem works. This attests to the fact that knowledge resources do not have to be formal, extensive or brought in from the outside in order to be effective. Nakskov's business development unit consists of only a few persons, but the number of innovative ideas with an ecosystems perspective produced by the unit seems to be endless. Even more important is that the Municipal Director seems to have the ability to recognize the more feasible and profitable of these ideas to put into action.

Relational resources

Nakskov's success in integration all of the elements of sustainability within projects and recognizing the economic potential of sustainability was essentially born out of crisis. With the closure of the shipyard in the 1970s the municipality realized that drastic measures needed to be taken and the entire community rallied around the erection of the Environmental and Industrial Park and the wooing of Vestas into the municipality. This was possible due to the tradition of consensus, both within the local political sphere and the working routines among the administration.

Nakskov also has a much decentralized city administration. Rather than the traditional three levels of administration, there are only two in Nakskov. In this structure, the Municipal Director only makes decisions as to the leaders or heads of each »business«, be it a school, library etc. The head of each of

these entities then takes command of the operations, thus reducing the need for the administration or politicians to micro-manage many of the services of the municipality. This makes decision-making within the city administration much more effective and frees up valuable time for politicians to make strategic decisions about the future development of the city (Skonberg and Ries Müller, Interview, Nakskov, November 2004). However, in order for such a system to work there must be well-functioning routines and communicative channels in place.

In 1994 this decentralised system reduced the number of municipal administrators. For one or two years there was much political debate concerning the system. At first the Social Democrats, who have been in power for 84 years, were split in their opinions of the system. Now there is a broad consensus among all political parties as to the advantages of the decentralised system. All of the units («businesses») are controlled and monitored by the appropriate municipal committee. But on the whole, politicians spend much less time digging their fingers into the operations of the services offered by the municipality.

Administrators have been politically delegated far-reaching responsibilities and this ensures that decisions can be made very quickly and effectively. Decisions regarding the establishment of a new industry in Nakskov, for example, can be made within 24 hours (Utkvitne, Interview, Nakskov, November 2004). This makes the city attractive to potential investors as they see that there is much decisive power in Nakskov. In fact, the system could be characterised more so as a network rather than as a method of horizontal or vertical decision-making. And it is perhaps just this that gives the city its character of ecosystems thinking (Skonberg and Ries Müller, Interview, Nakskov, November 2004).

In fact this system works so well, that there is now an attempt to «export» some of these ideas within the Baltic Sea area within the Baltic Sea Solutions Programme, thus boosting the external relational resources of Nakskov to other regions and cities experiencing similar challenges and opportunities.

Mobilization capacity

Nakskov certainly possess the ability to mobilize its knowledge and relational resources and have several «skilled agents of change». Contrary to some other MECIBS cities, sustainable development is less of a rhetorical exercise in Nakskov and more of an action plan, both intentionally and accidentally. Much of this is due to the decentralized decision-making system that allows administrators greater day-day decision-making power. In fact one local politician went as far as to say that without this decentralized capacity it would have been impossible to instigate programmes such as «Aktivering Syd» or initiate and run the Environmental and Industrial Park (Pedersen, Interview, Nakskov, November 2004).

Conclusions

An essential element in successful projects to improve social and environmental situation may be »ecosystems thinking« with a search for synergies and solutions that may have both positive social and environmental effects and be economically feasible. One important aspect of Nakskov's successful strategy to deal with change has been its »ecosystems« thinking. Everything in the community is seen as a resource, its people, land and even waste. A small, but vital project that exemplifies this ecosystems thinking is Aktivering Syd project that provides activation measures for the most marginalized groups in society. A similar programme is seen in Kokkola with the Kokkotyö. With the Nature School programme Kokkola was also early out in integrating environmental concerns and unemployment concerns.

Another vital tool is cooperation and networking that may give opportunity for sharing of ideas, experience and competence. An interesting example under way is the Baltic Sea Solutions Network that may increase the capacity of all participating region to both more efficient and competent in both environmental practice and in dealing with industry.

Policy integration in the municipalities is strongly dependent on institutional capacity, which consist of knowledge, relational resources and mobilization capacity. Furthermore, the institutional capacity for sustainable development appears to be dependent strong leadership and commitment in the city governance. In many cases also, there are examples of a strong and dedicated »agents of change«, who through his personality as innovative thinker, organizer and communicator has been able to get support for his or her ideas.

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NETWORKING

Lappenranta – Kaukas papermill

Urban and regional networking

Andreas P. Cornett

Introduction

The purpose of Work-Package 4 is to analyze the linkages of cities and regions in a broader regional and economic perspective, and to provide insight into the environment in which the processes of transformation and revitalization take place. Of particular interest are the following:

- City-hinterland relations (i.e. economic linkages, migration and commuting)
- Changes in the regional economic base
- Participation in international systems of production
- Regional impacts of integration and globalization
- International cooperation of cities and regions in the BSR

In the initial phase of the WP-4, special attention was on the problems related to regional impacts of integration and globalization of the economy. In particular the change in the international production system and the increased use of international sub contracting affects the economic base of cities and regions. For the second-order cities of the MECIBS project these tendencies will often create external dependencies of the industrial base and the regions economic opportunities, since the core units in the production chains usually are located in the centre-areas or abroad. Among other issues this section will address challenges and opportunities of for medium-sized cities in a period of increasing internationalization and interregional competition. After a brief presentation of this issues within the framework of economic development in an international, regional and local perspective in section 2, section 3 will provide and macro-economic overview of economic interaction in the Baltic Sea Region. Section 4 will provide a brief conceptual outline linking the regional and local development issue to the overall changes in the international production system. Section 5 to 7 provides a closer look on the regional impacts of changes in the production system in the outsourcing as well as in-sourcing regions.

Networking as a tool of economic development

Core elements of the networking approach are nodes (i.e. cities or regions), linkages (physical or virtual channels for transactions) and flows (i.e. trade, financial transaction or knowledge transfer). WP-4 aims to provide a framework for a broad analysis and discussion of the significance of networking for the process of transformation and revitalization of cities and regions. A central element in this endeavour is to facilitate cooperation and knowledge

Nature of Problem		
Solution	Proximity	Functional linkages
<i>Proximity</i> • economic • social • political • cultural	Local initiatives to deal with problems of restructuring or revitalisation, e.g. unemployment initiatives in Jüterbog (cf. Sec. 1)	Baltic Sea Solution network for outsourcing etc. (cf. Case 1)
<i>Functional linkages</i> • economic • social • political • cultural	Regional economic change caused by decline of traditional industries, e.g. HBIA-business development agency response, cf. Case 3)	Internationalization of the textile chain (cf. Case 2)

Figure 1. Typology of networking.

transfer across the whole Baltic Sea Region for the benefit of all participating actors.

This is in particular of importance with regard to the »city in the region concept« and the elaboration of analytical tools enabling the group to deal with challenges derived from changes in the international production system. Figure 1 sketches four possible analytical outcomes seen from the participating entities.

Based on the above-sketched framework WP-4 concentrates on functional linkages, i.e. regional business development, innovation systems or new production systems and international division of labour.

Specific sectors and regions are investigated with regard to physical, spatial, economic and knowledge impacts as well as »proximity« based networking.

The issues analyzed in this section are closely related to work conducted within other work packages and case studies of the MECIBS-project. In particular the issues addressed in the thematic umbrella 'Socio-economic Development and Structural Relations' are central for the understanding of the problems discussed in this section, cf. Figure 5. Specific examples are presented in text boxes to illuminate networking and the local experiences with transition processes.

The Nakskov project on Baltic Sea based cooperation for outsourcing is an example of functional linkages with major focus on economic issues. The various unemployment initiatives in Jüterbog cover a wide range of socio-economic issues in a proximity setting; cf. the first section »Transformation«.

Economic integration and economic linkages in the BSR

Economic transition on the regional and local level depends to a large extent on the overall development in the national and international context. For the eastern part of the BSR the process of catching up on the income

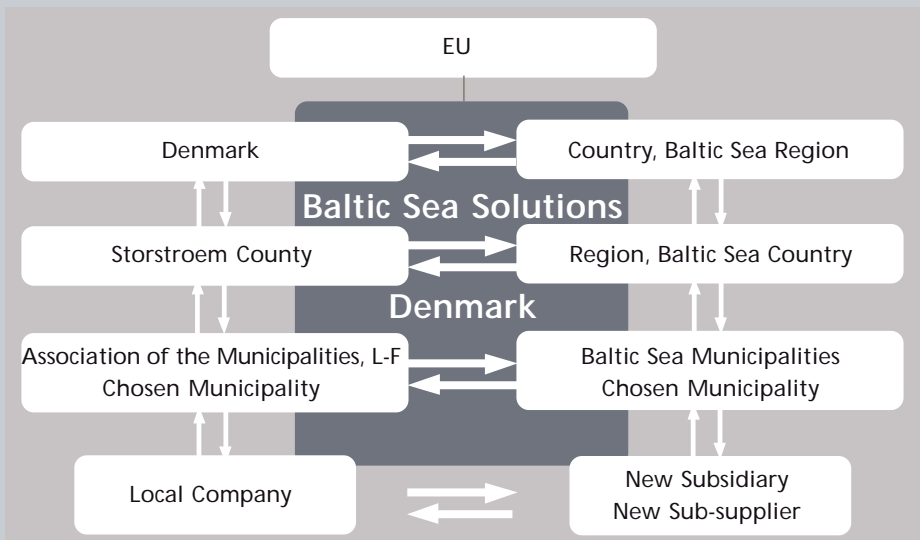
Case 1: Facilitating outsourcing as a business development strategy

Gunnhild Utkvitne & Andreas P. Cornett

The Islands of Lolland-Falster and in particular the western part with the city of Nakskov has suffered from industrial decline the last decades. The most prominent example was the closing down of the ship-yard in the 1980's. Today the area is used for an Industry and Environmental Park, and the city has been able to attract new industries, i.e. representing firms related to the growing Danish wind-energy cluster.

In a network perspective the new initiative taken by city representatives aiming to become a mediator and pivotal actor in the ongoing outsourcing process in the Danish and West-European manufacturing industry is of particular interest. The »Baltic Sea Solutions (BaSS) – a facilitator of in -and outsourcing in the Baltic Rim Region« is a project aiming to assist companies with their outsourcing plans to the Eastern part of the BSR. BaSS is acting as a transnational broker, facilitating communications and smoothening administrative hurdles that may impede new investments – the obvious partner for businesses.

The Baltic Sea Solutions represent a network through which public administrations can exchange knowledge and experiences that can help optimize administrative procedures in order to become more competitive in the global and European Economy. BaSS is a cross-border based networks among public officials at various levels (cf. figure below).



The overall idea is that mutually binding co-operation speeds up the stakeholders' decision making processes, and thus the best climate for establishing SMEs in the participating regions. The network covers collaboration on local, regional and national public levels. Being aware that multifarious political systems do not easily collaborate – the BaSS network is based on the specific administrative functions directly involved when facing external business approaches.

BaSS main field of action can be summarized as follows:

- Double Advice
- Attract and Facilitate New Business Establishments – Insourcing
- Facilitate Outsourcing Within the Baltic Sea region
- Attract and Facilitate New Foreign Direct Investments in Partner Regions

Strategic Development Planning:

- Revitalization of Former Industrial Complexes
- Optimization of Public Administrative Systems
- Develop Strategic Master Plans for Sustainable Development
- Assist with Local Agenda 21 Strategies

level requires not only political and economic reforms, but also excessive economic growth to reduce the gap. One source of growth is the strengthening of economic ties on the regional level, i.e. participating in the international division of production. A successful integration (cf. the next section) of the national economies is a necessary condition for regional and local development. The growth record for the new EU-members in the BSR is reported in Table 1 below. In the process of developing economic relations trade is usually the first type of link between independent economic units and therefore it is also often the most sensitive indicator of changes in the economic environment. The problem related to this project is that networks of trade hardly can be identified on the regional or local level, at least not in official statistics. Nevertheless, the local impacts can be considerable. The redirection of foreign trade was also a first and most significant change after the dissolution of the CMEA in 1991.

Table 1. Economic growth in the Baltic States and Poland.

	1995	1996	1997	1998	1999	2000	2001	2002	2003E	2004P
Estonia	4,3	3,9	9,8	4,6	-0,6	7,3	6,5	6,0	4,7	5,5
Latvia	-0,9	3,7	8,4	4,8	2,8	6,8	7,9	6,1	7,5	6,0
Lithuania	3,3	4,7	7,0	7,3	-1,8	4,0	6,5	6,8	8,9	6,5
Poland	7,0	6,0	6,8	4,8	4,1	4,0	1,0	1,4	3,7	4,5
CEEC 9	5.4	4,7	4,9	3,6	2,8	4,0	2,5	2,5	3,7	4,3

Note:

E: estimates, P: projections

CEEC-9: Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia & Slovenia

Source: EBRD 2004, Table A 1, p.16

Table 2 illuminates this process based on intra-regional trade-flows for the BSR. The most important trend is that the Baltic Rim region is the dominant foreign trade partner for the smaller economies only. Considering the nature and the size of the German economy, the importance of the Baltic Rim as a geographical region diminishes further. With regard to future trends of trade, the three Baltic States will probably move toward a trade pattern more similar to the Nordic countries and find their historical place in the regional trading system (Laaser & Schrader, 1992).

One driver behind the increasing intensity of trade between the eastern and western part of the BSR is the development of strong linkages within the international system of production, both in an industrial and firm perspective. Foreign direct investment is a strong indicator for this tendency. FDI can be the result of barriers to trade (i.e. the case of the automobile industries investments in Brazil or Mexico in the sixties or many joint ventures with state trade countries before 1990), or they can be the result of an integrative process beginning with trade and ending up in the creation of an integrated system of production. Since the BSR is in a process of fast removal of trading barriers, foreign direct investment is used as an indicator of more formalized international integration of the economic systems¹.

¹ For an assessment of firm behavior concerning intra-regional FDI, see Snickars & Bourennane (2000)

Table 2. Share of intra-regional trade as pct. of total trade of Baltic Rim countries since 1992.

	1988	1992	1996	2000	2003
Denmark	39.8	48.7	42.5	40.9	42,2
Estonia	...	92.0	68.8	55.1	63,8
Finland	51.3	41.7	35.2	49.3	34,2
Germany (FRG)	13.5	8.6	9.3	9.6	9,4
GDR	24.6
Latvia	...	61.8	48.8	45.9	37,5
Lithuania	...	57.8	46.1	33.3	51,4
Norway	35.2	35.9	36.9	65.6	36,8
Poland	46.7	47.4	48.2	29.7	47,4
Russia	34.1	18.9	21.5	75.2	20,9
Sweden	37.5	35.5	32.2	39.4	34,0
Baltic Rim	26.5	17.9	18.9	19.9	19,3

Note: Figures based on exports to Baltic Rim countries as pct. of total exports. All figures are based on reported imports from receiving countries. Danish exports to Sweden 1992 are based on Danish exports. For 1992 some figures are missing for former state trade countries. 1998 figures based on export to GDR and SU. Figures for GDR trade with Germany and SU 1988 are based on German sources and converted to US-\$ based on annual average exchange rate at Frankfurt (ultimo 1987 and 1988). Source: IMF 1995, 1998, 2001 & 2004. Statistisches Bundesamt 1991.

Table 3 summarizes the FDI inflow to the eastern BSR. Unfortunately the data are not available on the regional level or the cities and regions participating in the MECIBS project². In particular Estonia has received a con-

Table 3. Foreign direct investment (net inflow in millions of US-\$).

Year	Poland	Estonia	Latvia	Lithuania	Russia
1992	284	80	n.a.	n.a	n.a
1995	1.134	199	245	72	1.460
1996	2.741	111	379	152	1.656
1997	3.041	130	515	328	1.681
1998	4.966	574	303	921	1.492
1999	6.348	222	331	478	1.102
2000	9.299	324	398	375	-463
2001	7.000	350	300	439	216
2002	3.789	153	388	714	-48
2003E	3.675	688	289	467	-200
2004P	5.000	600	300	500	2.000
Cumulative inflow 1989-2003	42.316	3.192	3,328	4.008	7.304
Cumulative inflow 1989-2003 per capita US-\$	1.105	2362	1,435	1.163	50
In pct. of GDP 2003	1,8	8,3	2,8	2,6	0,0

Source: EBRD 2004, Table A.8 p.24

² Interviews within the MECIBS-project have indicated that all cities would like to receive a larger share of FDI. A study within the USUN-project (Snickars & Bourenname (2000) based on a survey of Nordic companies proved the strong concentration of FDI in the metropolitan areas of the eastern BSR.

siderable amount compared to the size of the population. But also Latvia, Lithuania and Poland received more than 1000 US-\$ per capita. Measured as percentage and GDP Estonia still has the lead in 2003.

The figures for Poland and Lithuania are significant lower per capita, but not measured by absolute figures. In particular net inflow to Lithuania has increased in the late 1990s. Poland and Russia, the two transition economies not fully being a part of the BSR, are of course the largest net receivers of FDI, with Poland as the largest target.

Regarding the flows of FDI the pattern is similar to trade, but the figures must be used carefully due to methodological problems involved in the process of data collection and the period of the flows. Nevertheless, the Nordic countries and Germany are important sources for FDI inflows to Poland and in the three Baltic States (cf. Cornett 2001, pp.22f). This can be considered to be at least a weak indication of increased participation in the regional system of divisions of production due to the fact that most trade barriers has been removed or are in the process of becoming obsolete. In particular with regard to the regional dimension FDI seems to reinforce spatial concentration at least in the Baltic States. Overall, it is only possible to evaluate FDI patterns in a regional context based on national statistics for the smaller states in the region. I.e. the strong position of the German economy, and in particular of the non Baltic Rim part, has to be taken into account. FDI and trade flows analysed on the macro-level are only rough indicators for processes on the regional or firm level. In particular, it seems difficult to estimate the intensity of the linkages between firms and regions across borders. Interviews with Danish textile representatives indicates that a considerable part of the integration of the production system takes place with independent suppliers (sometimes owned or managed by West Europeans) rather than subsidiary companies owned by the western mother companies. From an eastern BSR development perspective this can be taken as an indication of the strength of the integration of the production system and indicate a risk of an only temporary engagement³.

Concepts of regional change and development

Globalisation and regional integration has influenced the spatial dimensions of economies, and altered the regional distribution of firms and employment. One major consequence is that adjacency seems to be less important today with regard to location of firms belonging to the same system of production. The importance of international trade has increased tremendously during the last five decades and has roughly speaking grown twice as fast as the production since the 1950s. Apart from that, other types of international linkages has gained importance, i.e. direct foreign investments (FDI), and in the last decades also the trade with service across the border. This is probably the fastest growing segment of international commercial exchange,

³ Within the textile industry the first move-outs from Poland and the Baltic States have been registered. See also WP-4 Case 2.

and of growing political importance due to the ongoing debate on the European Communities proposal for a »service directive« opening up for cross-border service provision according to home-land rather than target-land standards. The latter has been a major concern in Western Europe since the eastward enlargement 2004. These trends obviously also affect the Baltic Sea region with regard to international changes as well as intra-national changes. In particular the latter can have potential adverse effects on small and medium-sized cities and their hinterlands.

A starting point of an analysis of these trends has to be found in approaches to international regional integration in order to form an explicit spatial perspective on economic, social and political integration and theories of regional development in a more narrow sense supplemented by concepts of interaction and networking. The theories of economic integration provide an approach for a comprehensive analytical framework of understanding of change and development in regional systems. Usually, there is a strong correlation between geographic adjacency and strong economic ties. In economic theory this has not always been a part of mainstream economic thinking and analysis (Tichy, 1998). The aim of this section is to outline a framework to understand the impacts of economic integration on regional development. Regional integration is an ambivalent notion, varying from a very general concept that describes cooperation between nations or regions, to very specific social theories of human or organizational behaviour, or if economic integration is addressed more specific just synonym with liberalization (Rodnik 2002).

For our purpose we have to highlight the spatial dimension of this complex process. Spatial integration is not a common used phrase, but rather a kind of summarizing description of a comprehensive notion dealing with and overall assessment of regional changes. Among the features covered by the term »Spatial integration« are:

- The development of specific geographical defined systems of production such as industrial district, cluster of industries, or systems of innovation;
- A system of urban networks defined according to specific functional linkages;
- The availability of a relevant regional infrastructure linking the analyzed area together, and
- Last but not least, the intensity of intra regional flows relative to the outside flows can be considered to be the »conditio sine non quo« whether we talk about a spatial integrated area or not

In particular the last condition is restrictive. In this notion, the concept of spatial integration has to be understood as the most far-reaching concept of integration. In this analysis, the spatial concept is not merely a consequence of the physical environment, but also the result of economic and political integration⁴.

⁴ Other work-packages of the MECIBS-project also highlight social and cultural aspects of integration on the local level.

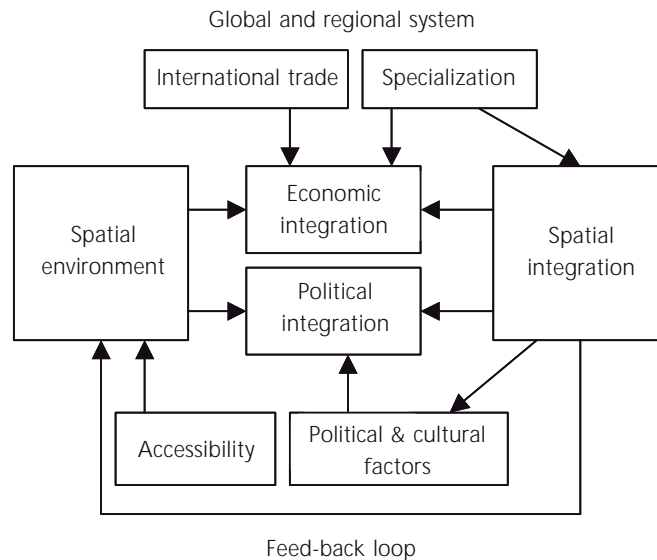


Figure 2. Illustrating the concept of spatial integration.
Source: Adopted from Cornett 2002.

In a BSR or regional perspective we have strong evidence that political and economic integration is »powered« by spatial proximity and adjacency, but at the same time political and economic integration reinforce the other aspect of spatial integration, accessibility i.e. through the Trans-European Net proposals for the development of traffic infrastructure.

Figure 2 sketches the most important aspects of a comprehensive framework focusing on the main factors leading toward spatial integration and the impact of this process on the future development through a feed-back mechanism reinforcing accessibility. The final result could be a kind of »network based« (spatial) theory of integration (Gidlund 1990, p145ff).

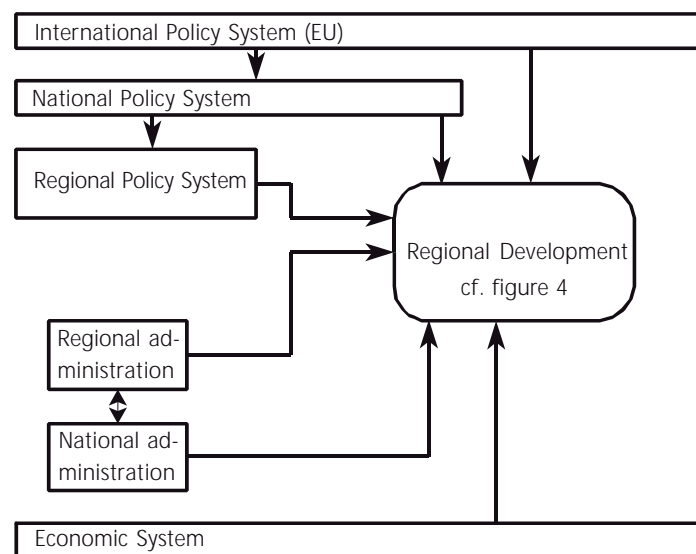


Figure 3. Regional Development Determinants in a Spatial System context.

The system outlined in Figure 2 describes a framework of analysis for a specific regional subsystem. The result of the process »spatial integration« has to be seen in a dynamic perspective bound together by the indicated feedback loops in the lower part of the figure.

The next step on the conceptual ladder is to step down to the regional level conceptualizing the driver of regional development and competitiveness. The regional development and the regional response to external challenges has to be seen in a systematic, but regional specified context taking external as well as internal factors into consideration. Of particular importance are linkages between cities and their immediate hinterland.

Changes in the international economic system and processes of globalization and integration affect the regional systems of production. Some regions suffer from the changes, for others the reorientation opens new opportunities, at least in the short run. The analysis of regional and local impacts of the restructuring of the economic system in the BSR is focused on the impacts of organizational changes in the regional system of production driven by the development of economic networks and linkages, i.e. trade FDI and in particular in and outsourcing. In particular the latter has important consequences for local and regional development through employment and income effects. On the macro-level economic development is linked to the linkages and networks of the cities to external partners and in particular their hinterlands. Main focus is on development issues related to in and outsourcing of production and employment. The consequences of these new production systems have to be discussed from both a western and an eastern point of view.

In addition, we have to take »re-outsourcing« into consideration. The latter deals with the local and regional impacts of the first examples of western companies moving production facilities out of the BSR region into areas with lower production cost.

Regional and local implications of changes in the international system of

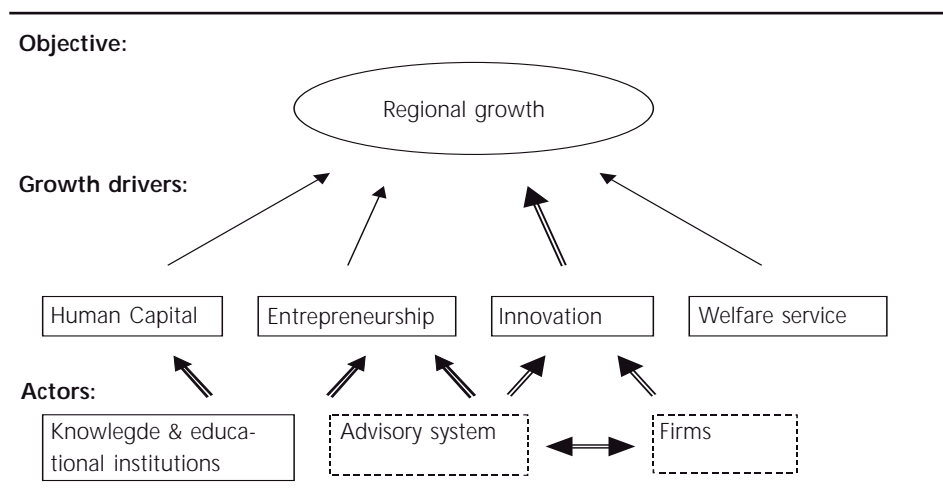


Figure 4. A regional growth model.

Source: Modified figure based on *The Ministry of the Interior and Health 2004*, p. 28.

production have huge impacts on the existing economic base of cities and regions, and new strategies for regional growth are required. Figure 4 summarizes growth-drivers and key actors in this process.

Regional and local implications of changes in the international system of production

The development of new systems of production has significant impacts on local and regional development in a broader societal context. Within the MECIBS-project the issue is addressed on several levels, with particular reference to inter and intraregional transformation, cf. Figure 5 below.

Throughout the MECIBS-project there are examples of cities and regions facing adverse effects from the relocation of production sites or suffering from restructuring of old industries. The most obvious examples can of course be found in the former central planned economies both in manufacturing (i.e. Sillamäe or Narva in Estonia) and in areas formerly dominated by agriculture, i.e. the Bauska region in Latvia. In both cases only a minor part of previous employment has been maintained in the revitalized or new companies. Unemployment and commuting has been the consequence for the former work force. Compared to the loss of income, the opportunities created by insourcing from Western Europe has been rather limited and will not necessarily last⁵.

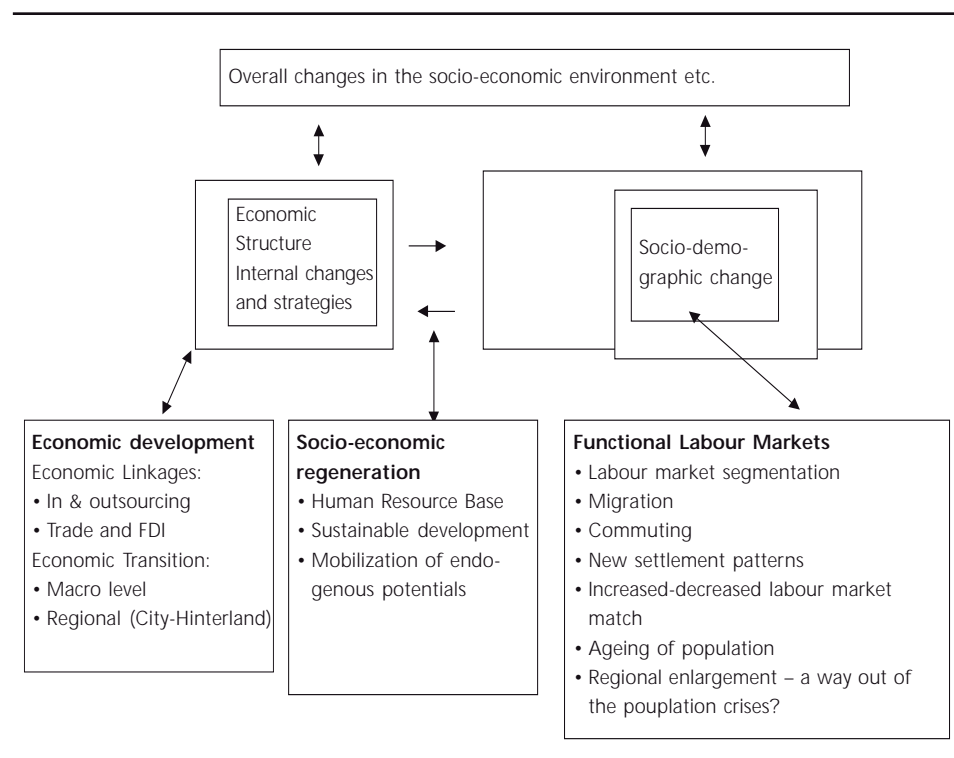


Figure 5. Impacts of economic change: An analytical set-up for a multi-level analysis.

⁵ For an analysis of the internal development as well as the external dependencies of the Lithuanian furniture industry see Dumciuviene & Kvainauskaite 2004.

Impacts of industrial restructuring and changes in the international division of labour are also visible in the western part of the BSR; even the development often has been more gradual. Examples are Randers and Herning in Denmark. Both cities have undergone huge changes in the economic base during the last two decades. In particular the Herning area is of interest since the textile cluster in that area has been able to move on the value chain away from physical production toward marketing, design and the logistics of textile⁶.

Local impacts of outsourcing – preliminary results from a Danish Survey

In spite of the fact that changes in the production chain are not directly a result of networking between cities and regions; it often is the economical most salient indicator for changing relations between regions and industries in the commercial field. Increasing attention has been on the impacts of outsourcing on industrial production and employment in Western Europe. The Danish Economic Council has recently highlighted the issue in a national perspective, and despite the measurement problems the internationalization of manufactory is evident, cf. Figure 6 below.

Outsourcing can be defined in many ways, but the crucial element is the relocation of physical production or other functions previously located within a firm's facility in the location under consideration. This means that outsourcing is not necessarily an international phenomenon, but can also take place within a country (cf. Jürgensen & Banff 2004). Obviously, international outsourcing is the political most controversial part in the age of globalization.

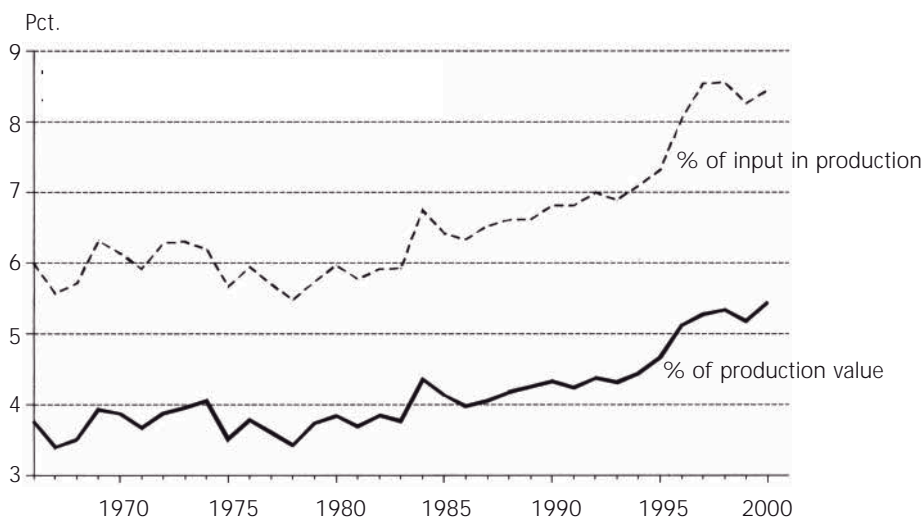


Figure 6. Outsourcing as percentage of value of production and as percentage of use in production.

Source: Danish Economy Fall 2004, p.138.

⁶ Within the MECIBS-project Kokkola in Finland is an interesting example of a total different path of development for a former textile area, nowadays a city with a total different industrial structure.

Outsourcing is an ambiguous concept and the only common denominator seems to be that it deals with changes in the economic (production) chain⁷. According to the Danish Economic Council Fall 2004 (p. 60), the total loss of jobs by outsourcing in the manufacturing industry was approx. 3800 in 2001 which has to be compared with the total job-turnover of 260,000 in Denmark. In this perspective, outsourcing is of rather limited importance⁸. Nevertheless, the consequences can be very serious on the local and regional level. Here, the most important consequences related to the process of outsourcing are the impacts on employment and income in cities and regions. In this perspective, an analysis of how vulnerable regions and municipalities are in this process is required. As a part of the MECIBS-project a statistical survey of Danish municipalities and labour market region was conducted to illuminate the local aspects of this process (Cornett et al., 2005). The purpose of this study is to shed some light on the regional impacts based on a hypothesis that in particular jobs in manufacturing will be the target of outsourcing from small and medium sized cities in the immediate future⁹. Starting point for the analyses are the following hypotheses:

- Labour intensive industries will have the highest risk
- Unskilled labour will be the most exposed group on the labour market
- Industries not producing consumer durables or investment goods are more exposed to outsourcing
- Locally based companies will be more reluctant to outsource all employment than subsidiaries

The concept of the analysis is based on the assumption that the regions with high scores on the above-mentioned variables will be the most vulnerability regions with regard to loose employment and income. More specifically, the areas are analysed (municipalities and commuting area) with regard to:

- Industrial structure
- Education
- Size of companies
- Type of products (consumption vs. investment goods)

⁷ The following definitions are quoted in Economic Council 2004 (p. 124) to illuminate the variety of concepts used in recent Danish surveys of outsourcing.

(i) Strategic use of external resources to maintain activities, previously maintained internal.

(ii) When a company in a process of reorganization or rationalization transfers core competencies to co-operators (Forum for outsourcing 2004).

Purchase of intermediates abroad (Tænketanken Fremtidens Vækst).

A company transfers products produced within the firm to subcontractors or purchases new products/services from subcontractors (AERådet 2004).

A company transfers a function or process to an external outside the company (Rambøll Management 2004).

⁸ According to a recent study, Denmark as a whole is benefiting from outsourcing mainly due to cost saving and the alternative value produced by the workers laid off in the process. The reason is that the Danish labour market is relative flexible compared to other European countries (Politiken, April 27, 2005).

⁹ The reason for focusing on manufacture is among other that we expect that the outsourcing of service and back-office functions probably will be more important in center-regions than in MECIBS-type locations.

Table 4. Selected manufacturing industries' share of employment in Danish commuting areas in 2002.

	Food etc. 1509	Textile etc. 1709	Wood etc. 2009	Chemicals etc. 2309	Nonmetallic products 2600	Basic metals etc. 2709	Furniture etc. 3600	All industries
Employment according to industry, Location in % of all employed 2002:								
Ringkøbing	2,0	1,2	4,2	0,6	0,1	20,8	0,8	26571
Holstebro	6,8	0,8	3,4	2,0	0,3	8,9	2,4	44887
Herning	4,6	5,8	4,7	0,4	1,0	9,4	2,7	65876
Skive	3,9	0,1	3,9	0,5	1,7	10,1	4,5	26442
Viborg	3,1	0,5	2,5	0,5	1,0	13,6	3,1	57340
Randers	3,0	0,5	3,7	2,1	0,6	9,7	1,3	49605
Vejle	5,7	0,4	3,3	2,3	0,9	9,0	3,7	132701
Kolding	3,7	0,3	2,9	2,4	1,5	10,3	0,9	99484
Århus	2,3	0,5	2,6	1,2	0,4	6,1	1,3	263817
Nak-Nyk F	6,5	0,2	3,7	1,7	0,4	17,2	1,5	46440
Denmark	2,9	0,4	2,4	1,9	0,6	6,7	1,1	2734390
Note:	1509 Mfr. of food, beverages & tobacco 1709 Mfr. of textiles, wearing apparel & leather 2009 Mfr. of wood products, printing & publ. 2309 Mfr. of chemicals, plastic products etc. Italic: MECIBS-city				2600 Mfr. of other non-metallic products 2709 Mfr. of basic metals & fabr. metal prod. 3600 Mfr. of furniture; manufacturing n.e.c. All industries: Includes all types of employees.			
Source:	Danmarks Statistik, Statistikbanken							

With regard to the MECIBS-regions¹⁰ the results of our analysis is rather mixed: Within the commuting area of Herning, manufacturing has still a stronghold in textile, but also furniture and basic metal processing is relatively important. In particular, the former is threatened by relocation, and also in the latter industry outsourcing takes speed. Within textile, locally based and labour intensiveness is strong and the level of education is relatively high, which makes the industry more robust¹¹. Metal processing seems to be relatively stable with regard to outsourcing threats due to low wage sensitiveness. Generally, in locally owned enterprises the capital labour ratio is below the national average and the level of education is on average.

Nakskov Nykøbing Falster commuting area is the most peripheral region in the analysis and faces high risk due to a low capital-labour ratio and a low level of education in the dominant industries.

With regard to Randers the picture is more scattered. Metal processing is a large industry characterized by a high wage rate and high level of education among external owned firms. The indicators point each way according to our initial hypotheses. Wood and paper etc. is relatively specialized with a relative high wage rate and an educational level on average, which indicates sensitiveness to outsourcing.

¹⁰ For details, see Cornett et al. 2005.

¹¹ The crucial point with regard to textile is that most low-skilled jobs have moved abroad and the figures now reflect the successful transition of the industry.

In a general development perspective, the results of the regional risk analysis of local impacts of outsourcing are:

- Industries with high labour/capital ratio are more sensitive to outsourcing
- Low-skilled labour dominated industries are more vulnerable than high skill dominated
- Local vulnerability is mainly determined by the industry mix in the particular area
- Outsourcing can contribute to the maintenance of industries (and regions) competitiveness through upwards movements of branches in the value chain, i.e. the textile industry in the Herning-Brande-Ikast region of Denmark, cf. also text box below

Case 2: In- and outsourcing: Examples from the Danish Textile Industry

One company (not a typical textile firm), considering itself as part of the medico-sector): The interviewed company stressed that the employment in Denmark has been relative stable despite of ongoing outsourcing. The motivation for outsourcing is rather mixed based on market access, lower labour cost and recently also recruitment problems in parts of the Danish textile sector. In the fall 2003, the employment of unskilled end semiskilled labour in Denmark was relative stable, but the growth took place abroad. Currently the company has subsidiaries in East and West Europe and overseas. As far as possible, local managers are in charge to run of the subsidiaries. The time horizon is long (unlimited) so in the short run there seems to be no risk for re-outsourcing.

The long run expectation is that the conceptual and marketing function will stay in Denmark, but with regard to blue-colour employment productivity and competitiveness are the only criteria. At the time of the interview the blue-colour- white-colour ratio was approx. 1 to 1 in Denmark.

Also the second interviewed company stressed that they did not intend to move all production out of Denmark. The company, active mainly in the B2B sector stated that they planned to stay for a longer period (»will stay until retirement«) in their new Lithuanian location. They aim to become integrated in local community similar to the Danish pattern. The subsidiary is mainly managed from Denmark, but is an integrated part of the company's value chain. Most products are sold from Denmark. They have no intention of reducing employment in Denmark. The central factor for establishment was the good location in Lithuania close to the east-west motorway in Lithuania. Among the reasons to move to Lithuania was shortage of labour in DK and the lower wage costs.

The third interviewed company followed the traditional entrance mode for many companies entering foreign markets. The first step was to outsource to sewing companies in Poland. Three years later, a joint venture was established and after another 5 years, the company was the sole owner of the business. Also this company has no plans to move to other (cheaper) locations.

The company has strong roots in Denmark and will remain in DK with central functions like marketing and product development. The company do not have to show the same social commitment in their new locations in Poland and Lithuania, which probably also is a consequence of the lower marked presence. Local spin-offs in the insourcing countries are limited. A main obstacle has to be finding in the bureaucracy and language barriers. The company has mainly local managers to run the subsidiaries.

The last interviewed company has no subsidiaries abroad of its own, but uses subcontractors for production, at first in Poland and now in the Ukraine. The latter was established by cooperation partners from Poland. The company has only outsourced

physical production. A small part of production (less than 5%) is still done in Denmark. Printing, marketing, design and some logistics are in Denmark. According to the company most of the former employees found new work in the region. The company has participated in a Nordic project to prepare outsourcing. It has no recent plans to go further east with outsourcing. The main reason not to establish an own daughter-company was that they felt that they did not have the required competencies in-house at that time, and later, a joint venture with the Polish partner was the best choice. The relationship to the sub-contractors is close, but not exclusive since they also produce for other companies. Raw materials (fabrics sold by the metre) are purchased in Denmark, other European countries and overseas (India). Practical and logistical problems are limited, due to own organization of transports etc., but bureaucratic and language barriers cause some problems.

Surprisingly, potential EU membership is not decisive for the choice of production site. In the long run it is expected that the own production will be reduced further so the company will move totally toward a sales and marketing business.

Various comments:

One of the interviewed persons expressed the opinion that when all production in the textile industry has moved abroad (the far east) the base for the textile related machinery industry in Europe will also erode due to the loss of knowledge.

As long as the dye works are still in Herning area, the knitting machines and the cutting out of fabric will still take place in the region (note the dye work filed for bankruptcy winter 2005).

Several of the interviewed managers report that other companies have a more opportunistic attitude toward their host regions and are already on the move to the southeast or China looking for cheaper locations.

Typically, local integration is low despite the use of local service providers and craftsmen. One company considered to buy local packing materials.

Globalization and local development: the case of textile and the HBI-region

Traditionally, the textile industry has been protected against external competition in most industrial countries for many years, but as of January 1 2005, the Multi Fiber Agreement is faded out, and trade restrictions are more or less removed. In spite of the exemptions for textile, trade with textile products played an important role in the Danish bilateral trade relations within the BSR, also before the Baltic States and Poland became formal members of the EU 2004. The reasons are many (cf. Illeriis 2000), but most important were low production costs due to low wages, the availability of a skilled labour force, and probably most important, the closeness to the markets, and the outsourcing firms in Western Europe. The latter is the main competitive edge of the East European transition economies compared to low-cost producers in Southeast Asia. Due to fast changes in fashion, short delivery time is essential for competitiveness.

This unique combination of advantages is one reason for choosing the textile sector as an illuminative case for the analysis of the impacts of the re-integration of East and Central European countries into the traditional We-

stern system of production. The second is the geographical concentration of the Danish textile industry. The case study of the structural changes in the Danish textile industry in the aftermath of the break down of the iron curtain illuminates how the adaptation process takes place not only in the transition economies, but also in Denmark. The particular structure of the Danish apparel and textile business and the geographic concentration¹² (almost 50% of the industry is located in few municipalities in Central Jutland, cf. next section) enables us to analyse not only overall changes, but also the regional impacts of changes in the competitive environment.

The outsourcing of production from the Danish core region of the textile industry accelerated from the beginning of the 1990s (Illeriis 2000, p. 61). The impact on employment and structure of the textile industry in the Herring-Ikast area, the closest Denmark comes to an industrial district (cf. Hansen 1991) was tremendous as the figures at the end of this section will prove.

Figure 7 summarizes the development of textile trade between Denmark and the two most important target countries for the outsourcing of Danish textile industry, Poland and Lithuania. The impressive growth in the textile trade reflects the outsourcing of production as well as the change in the international division of labour taking place in the North European textile business. A closer look on the composition of the trade flows can shed new light on the nature of the restructuring process.

The analysis of textile trade between Denmark and Poland reported in Figure 7 proves an extensive growth until the turn of the century. The decline since 2000 is probably related to reoutsourcing and changes in the logistics of the value chain i.e. control and quality check is now conducted outside Denmark. Nevertheless, textile is still an important factor in the bilateral trade between Denmark and Poland. With regard to Lithuania, the trend is the same but on a much higher relative level. Textile is the single most important commodity in the bilateral trade between Denmark and Lithuania

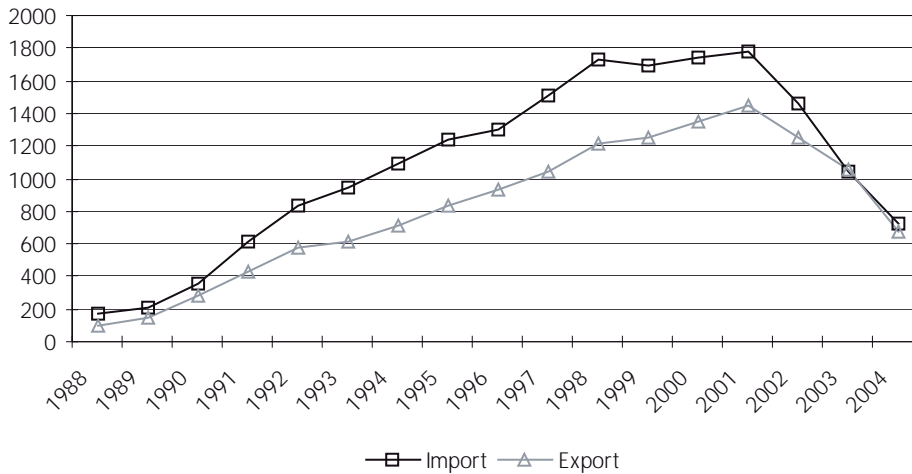
Comparing imports and exports between Denmark and Poland we found a slightly higher concentration of commodity groups in Danish exports than imports¹³. The most interesting is that the latest figures for 1999 seem to reflect a change with respect to the dominating commodity groups. In many respects, the trade figures illuminate the point made by Illeriis (Illeriis 2000, p.60):

»It is primarily the sewing work which has been outsourced: This means that the Danish firm typically still buys woven cloth or carries out the knitting work, organizes the dyeing and cutting operations in Denmark, ships the

¹² For an overview of the textile industry in Central Jutland before the major changes took place in the first half of the 1990s, see Hjalager (1990)

¹³ For a detailed analysis of the fast growing periode of textile trade see Cornett 2002.

Poland



Lithuania

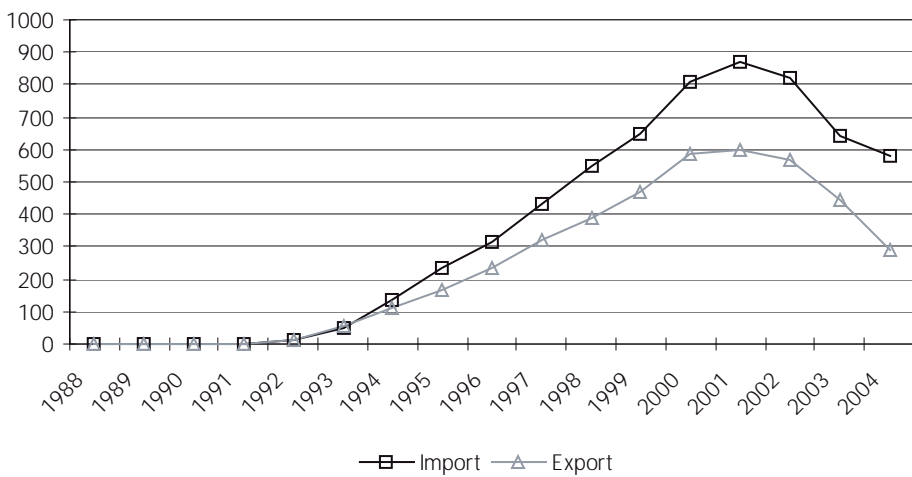


Figure 7. Trade in Textile between Denmark and Poland and Lithuania (Mill. DKK).
Source: Danmarks Statistik Statistikbanken 2005.

pieces to Poland or another transition country where they are sewn (but remain the property of the Danish firm), and has the clothes transported back to Denmark where they are quality controlled, finished and marketed».

According to an interview with the Federation of Danish Textile and clothing (April 2003), the overall pattern summarized in the quotation still holds, but even more physical production has been moved out of Denmark, cf. also WP-4 Case 3. Without overstating the statistics it seems as if the pattern has changed with regard to Poland toward a more balanced system of trade, measured by group of commodity (cf. Cornett 2002). This could be taken as an indication that Danish companies are still doing the marketing, design and control work, but that many of the raw materials no longer are shipped from Denmark.

The Danish-Lithuanian trade follows the same pattern. Overall, the analysis of the textile trade between Denmark and the two countries seems to support the tendency mentioned in the introduction that the Danish textile in-

dustry has undergone a significant structural change toward a more high value adding industry and less labour intensive. In the next section, the impacts of this change on the regional production system of the core district of Danish textile industry are analysed.

The increase in the textile trade between Denmark and in particular Poland and Lithuania has not been without consequences for the textile branch in Denmark and in particular in the core of the Danish textile area, the county of Ringkoebing in the center of Jutland. The centre of the textile industrial district is the municipalities of Brande and Ikast and the city of Herning. Figure 8 below summarizes the decrease in employment in Denmark and in the core area of Danish textile industry. In Denmark, employment in textile was reduced by more than 50% from 1993 to 2004, but in the core area of the textile industry the employment was reduced to 52% of the 1993 level.

From a regional perspective point of view the change of job content and qualification of the remaining labour force and the increase in productivity is probably more important. This is primarily a consequence of the upward shift in the value chain of the textile sector in the area and a coordinated private-public sector effort to increase the level of qualifications within the branch. Figure 9 and 10 below illuminate the successful structural adaptation of the industry. Apart from the figures belonging to Denmark as a whole, the trends reported are also valid for the core area, probably to a higher extent, since many textile chains have their headquarters in the BHI-area.

Case 3: Business development policy in HBI: How local business responded to outsourcing

The textile cluster in Herning Brande Ikast Aaskov

Peter Weiglin & Andreas P. Cornett

Within 10 years from 1993, employment declined by 54% and the number of textile companies was reduced by almost 50%. As it can be seen from the main text the area responded on these challenges by diversification and in particular by restructuring of the value chain within the industry. This proactive response was also supported by a proactive regional business development policy. The key to a successful transformation was to increase the productivity of the firms in the region by taking advantage of the opportunities the new production system offered.

Among the instruments and measures used are:

- Creation of attractive environment for higher and further education, i.e. the development of the TEKO-centre offering vocational and further education for all types of functions in the textile and apparel.
- Promotion of in-service education to safeguard vocational training and skill development
- Creation of knowledge centres and the establishment of a strong pattern of cooperation between industries and knowledge centres; i.e. HIH development and the linkage to universities outside the region. In particular Birk-Centerpark has a pivotal role in this strategy.
- Exploration and development of information and communication technologies and competences in the public sector.

Finally the business development strategy has embedded the many of the recommendations forwarded in the analysis of regional competitiveness for the Ministry of the Interior (Copenhagen Economics & Inside Consulting 2004).

In particular, the long lasting tradition for local entrepreneurship has been a stronghold for the region, and the established local networks and the strong local commitment of companies and entrepreneurs have contributed to the successful transformation not only of the textile sector (see figures in the main text), but also to develop a broader and sustainable economy based on old traditions and new competencies.

Last, but not least, in a community perspective efforts have been made to create new adventures for the citizens, to make the area a more attractive place not only to work, but also to live in.

According to Figure 9, the value of production has only decreased modestly and gross value added in the textile business has remained almost stable in fixed prices despite the fact that employment has been reduced significantly.

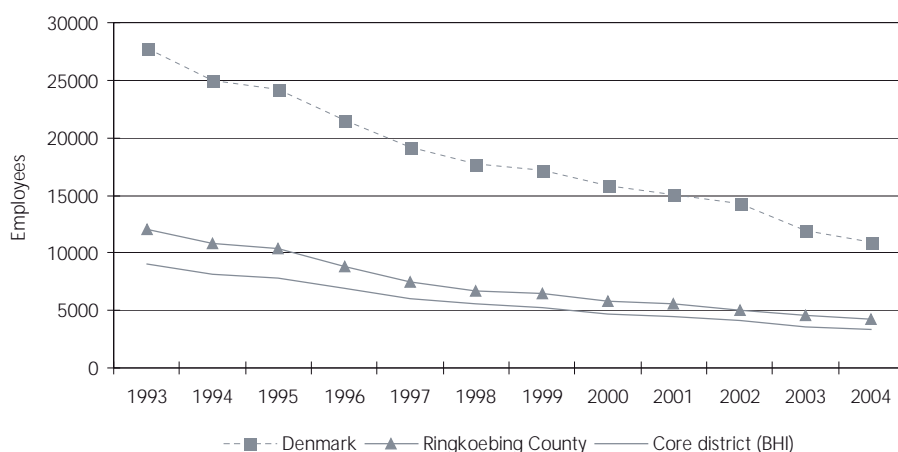


Figure 8. Employment in the Danish Textile Industry.

Source: Danmarks Statistik, Statistikbanken 2005.

Note: Core district: Brande, Herning, Ikast.

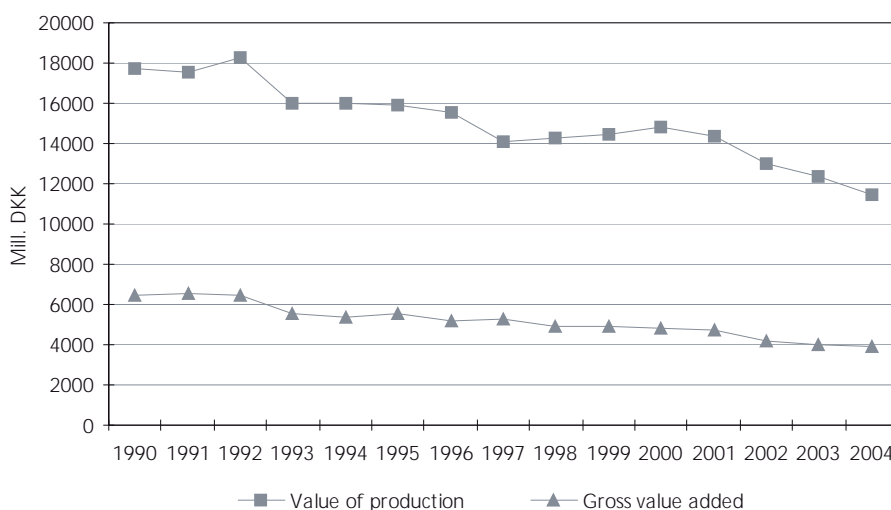


Figure 9. Production value and gross value added for the Danish textile industry since 1990 (Mill. DKK, 1995 prices).

Source: Danmarks Statistik, Statistikbanken 2005.



Figure 10. Gross value added and value of production per employee in the Danish Textile Industry (1995 prices).

Source: Danmarks Statistik, Statistikbanken 2005.

This was only possible by a significant increase of productivity and output per employee during the period, cf. Figure 10 above.

The reason for this successful process of restructuring has to be found on both the firm and industry level and in the cooperation of public authorities and educational institutions in the area. The textile design school is probably the single most important example, but proactive adaptations of regional development initiatives from abroad like the business links system (Ministry of Industry, 1995) or the strong local involvement in the business community are important features of the industrial district. This has contributed to an extension of the economic base of the region beyond textile and related services. The result is also an overall good employment record with low unemployment and in some areas shortage of skilled labour.

Within the textile branch, significant changes in the value chain took place during the nineties and the process has continued until now. In this system, the Baltic Rim transition economies got a significant role in the nineties and became a part of the value chain of the textile industry in the centre of Jutland, and according to the interviews reported in WP-4 Case 2 the countries seem to be able to maintain and develop there role further.

Summary and perspectives

The findings of Work Package 4 are based on general considerations regarding networking and economic development and more specific studies of the impacts of economic integration on particular regional production systems.

With regard to networking on the macro-level, the main actors are companies, public authorities other agencies in the fields of business development, educations and research. Cooperative networks between cities and regions

can be useful in the process to establish joint strategies to react upon external challenges. Networks can contribute to improve capabilities of participants and open up for new strategies not available for single actor, i.e. the Baltic Sea Solutions.

Networking is also an appropriate measure to evaluate strategy proposals and ideas. Discussing ideas and proposals within a network of partners dealing with similar development issues can contribute to strengthen and clarify ideas. Within the MECIBS-project, the preliminary discussions of a 55+ university proposal initiated by the city of Randers are a good example.

On the micro-level, internal networking between different actors and stakeholders can contribute to the establishment of sustainable solutions for city development and revitalization. Examples within the MECIBS-project are the unemployment initiative in Jüterbog, but also the transition process in the Sillamäe region anchored in a free economic zone proposal and the Silmet Plant on the industrial site of industrial conglomerate is an obvious example.

With regard to the regional impacts of outsourcing a distinction has to be made between insourcing and outsourcing regions. In particular, the former issue has been investigated in Work Package 4.

Outsourcing regions

With regard to existing industries, the most important recommendation is to support a process of extending the value chain of the firm, i.e. to support upstream and downstream functions rather than physical production. Key competencies to develop are: design, production logistics and marketing and distribution management (MECIBS-example: Textile cluster in HBI).

Business development policy should give priority to companies based in the local community rather than subsidiaries and »screwdriver plans«, as well as the future potentials seems to be better for companies selling their products under their own brand rather than subcontractors (MECIBS-example: Textile cluster in HBI vs. outsourced industries located in the old shipyard industrial park of Nakskov.

A general policy to improve the overall level of competence (education, research and development facilities) will strengthen a regions' ability to restructure the economic base. A good example is BIRC Estate in the Herring area.

Finally an appropriate strategy is the widening of the industrial base of a city or region, i.e. to diversify the business portfolio (MECIBS-example: Kokkola). In principle, strategies will depend upon the specific characteristics of the industrial base of a region, i.e. the mix of production and services, and the linkages of the local business to other sectors or production systems. Figure 11 sketches the possible risk profiles depending on cluster-linkages and participation in different production system.

Companies industrial affiliation	»Cluster integration«	
	Threatened cluster	Stable cluster/low risk
Industry with high outsourcing risk	- -	+
Industry with low outsourcing risk	-	++

Note. - negative regional impact, + positive/neutral regional impact

Figure 11. Regional implications of outsourcing depending on firms' affiliation to clusters or production systems.

From a regional point of view the perspective of Figure 11 is that an industry/firm not can be evaluated without examining the specific networks or linkages the firm is a part of. A firm belonging to a high-risk industry can have good perspectives if the firm is integrated in a growing and vital production chain.

In-sourcing regions

Policy recommendations are very similar to outsourcing regions, but in particular it is important to:

- Avoid industrial mono-structure and enclave industries with few or no linkages in the local area.
- Avoid dependency to one or few partners if possible.
- Expand the level of competencies in the local area to enlarge the value added in the region.

This can also become a shelter against the threat of (re-) outsourcing. At least one example from the furniture industry in East Germany had so far resisted the temptation to move production to Poland.

With regard to which types of companies in-sourcing regions should target, the above figure can be used as a first guideline to avoid the risk of re-outsourcing.

Overall the conclusions of the investigations conducted within Work package 4 points toward large potentials of further co-operation and integration within the BSR for small- and medium sized cities and their Hinterlands. So far only few promising projects have been launched. The need for proactive co-operation will probably increase in future when competition from outside the BSR becomes more fierce, not only within manufacturing industries but in a broader business and regional development perspective.

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RECOMMENDATIONS



Policy options and recommendations

Niels Boje Groth (ed.)

Introduction

In this final section, policy options shall be discussed and recommendations suggested. The first chapter, »Strategic Conduct« reveals common findings and recommendations of the project, focusing on four elements of local strategies: Goals and visions, the (changing) role of the medium sized cities, the challenges from the outside world and the cooperation with relevant partners. The following chapter, »Plans, Policies and Projects«, presents policy options and recommendations in a topical order related to the case-studies of the project. In the final chapter, »National and International Policies«, focus on the need to widen the room for local actions, the need to tailor regional policies to the type of regions in question and the need to further develop the instruments often used by the cities during restructuring.

It should be acknowledged that there are no general blueprints for policies and projects within the field of urban restructuring. What is needed in each city is dependent on the specific local situation, the key actors and their power relations, local culture, environment, specific needs, policy and support frameworks, personal and economic networks, all of which play an important role in shaping individual activities and projects. However, the MECIBS project has confirmed that experiences from certain projects can still be very helpful in improving local practices elsewhere, as long as they are adapted to specific local conditions.

The recommendations were drafted by the authors of the case-studies, jointly edited and commented by the city partners at the task force meeting in Jüterbog, April 2005, and at the final MECIBS conference in Nyköping, June 2005.

Strategic conduct

Strategic conduct is a rather new however maturing phenomenon in the MECIBS cities. Formerly, cities were inclined to carry out national strategies during the formation of the welfare state. Now, actions of the cities have changed from the mere accomplishment of national strategies to responding on local unforeseen impacts of the restructuring of the welfare state. Hence, cities have been enforced to develop and carry out own strategies. They have shown an impressive capability to form and conduct strategic action and to forge new paths that surmount bottlenecks of legal regulations, public opinion and traditions of political and administrative conduct. However, it is still needed to consider how to expand the possibilities for local strategic action further.

Thus, it is recommended that ...

R01:

The possibilities for strategic action should be adjusted to the new challenges of municipal decision-making. Cities should consider bottlenecks that occur due to local traditions of political-administrative behaviour, and national governments should consider needs for expanding legal rules and frameworks for local action.

Local development strategies set goals and visions for the future. They have to match the challenges from the outside world, the position of the city and the network of stakeholders (cf. Figure 1). Therefore, strategic conduct is based upon the considerations of the strengths and weaknesses of the city, the challenges and trends confronting the city, and the co-operation with neighbouring cities, agencies and companies.

Plans and projects are the outcome of strategic conduct. However, strategic conduct itself is a product of plans and projects. This is the case when sudden transformations (e.g. the closure of a large plant) confront the city with new challenges from the outside world and enforces the city to innovate new not yet trodden paths.

Lessons from the MECIBS cities

- Strategies and business policies do not rely solely upon written documents, since they are carried out and created from practice, based upon common and often tacit understandings. Thus, to understand how cities respond to transformation, case-studies, dialogues and in-situ observations are needed.
- To match problems imposed by large single events, small and medium sized cities have shown an increasing and impressive capability to take risky decisions. Risky decisions have re-vealed a number of bottlenecks of legal nature and concern from the general public.
- Local capacities to facilitate change at the local level and the strength of local potentials are often underestimated.

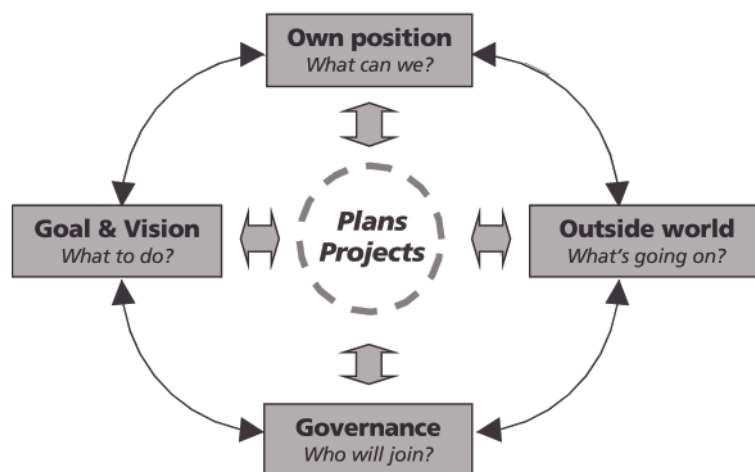


Figure 1. Elements of strategic conduct.

- Urban transition is often initiated by individual projects rather than driven by policies.
- Processes of rapid and radical economic and social transformation have been the starting point for new modes of organisation and creative initiatives for urban regeneration. What cities do is turning the focus from solving problems to exploiting opportunities.
- To accept failures of projects is crucial, as is the ability to correct and even to replace unsuccessful projects with new ones. This is only made possible by committed staff backed up by unified and committed city councils.
- To monitor risky projects and encourage innovativeness, changes in the formal and informal organisation are needed, and especially changes in the informal decision-making culture.
- Rather than functioning just to serve the interests of local business life and local organisations, local authorities are forming networks and new partnerships in a policy-matching manner. Such partnership networks are found in relations with railway companies, national agencies of road construction, universities, housing companies and neighbouring municipalities.

Toward the edges of rules

Nakskov had to give up an agreement with a local company on exchanging equal amounts of energy between a private bio-cleaning plant and a district heating plant due to taxation of the gross flows of energy. Norrtälje set up a commercial development agency in order to establish a more independent platform for transformation of the former military base into an educational campus. Nyköping has been trialed due to an advertising agreement with Ryan Air. Although the agreement concerns advertisements aimed at potential passengers of the airline company, it was claimed that the advertising agreement should have been based upon an open tender.

Own position

It is crucial to properly understand one's own position, i.e. the nature of problems facing the city, how the problems are related to the specific type of city as compared to other cities and the scope for local action. Thorough analysis of development problems and political commitment is important to ensure that strategies are aimed at the right issues.

Cities may take action in order to fight general trends of restructuring. However, in most of the MECIBS cities, it is possible to identify a single or limited number of crucial situations that provoked the cities to take action. Often, these situations are two-sided. On the one hand, they create problems for the city.

The closure of a large company is a major challenge for a city. However, the situation also creates new opportunities. Thus, when a large company is closing down, it leaves buildings and an empty site which can be developed for urban renewal purposes, especially when located in the central parts of the city. In some cities, the opportunities are more evident than in other cities. The extent to which problems are turned into opportunities depend very much on the ability and creativity mobilised by the city.

Attitude

Changes of attitude are a starting point for strategic conduct:

Nakskov: »We decided to wait no longer for solutions from outside, we realised that we had to do it ourselves«.

Randers: »We turned the business organisation from interest protection to competence management«.

Nyköping: »We made quite a radical changeover which at that time was discussed quite widely«.

Norrtälje: »The city council acts as the *Norrtälje party*«.

R02:

Cities must mobilise their own capabilities for restructuring, rather than relying on initiatives from outside. Mobilising own capabilities often require changing own attitudes and organisational structures as well. This is a challenging situation, and no single solution exists.

Organisation

No common organisation is to be recommended, due to the variety of local organisations and the different conditions of interaction between key actors. However, it should be acknowledged that decision-making and the entrepreneurship of individual staff are crucial.

Thus, it is recommended ...

R03:

To simplify and to accelerate decision-making processes in order to match decision-making of private enterprises and in order to stimulate entrepreneurship and commitment, e.g. by decentralising decision competencies.

Outside world

Several statements from officials and politicians in MECIBS cities reveal that the acknowledgement of the dependency of the outside world was a turning point for conducting strategies.



Outside world

Norrtälje: »For some years, we have conducted *outside-world analysis* in order to deal with increasing dependence on Stockholm«.

Randers (chairman of the business council): »People do not understand the challenges imposed upon our firms by the surrounding world. This is a problem, since outsourcing is something we have to take seriously«.

Nakskov: »We want to develop as a gateway for Eastern Europe in the area of environmental expertise«.

Nyköping: »Suddenly, you see things you didn't see earlier. We are now realising that we are part of Europe«.

Attitudes and structural trends

Interaction with the outside world is about forces imposed upon the cities. But it is also about the attitude of the cities towards the outside world.

R04:

It is recommended that cities explicitly face the relations to the outside world and, hence, regularly conduct »outside-world-analysis«.

From a global perspective, medium sized cities are affected by similar trends of globalisation and by structural changes of society. From a regional perspective, these general trends and forces have different impacts and demand different policy responses in different kinds of regions. Three kinds of regional settings, scopes for action, roles and strategies were identified (cf. Table 1).

In metropolitan regions, the scope of planning is open and optional because cities in the hinterland of large national or regional capitals may play new roles in the urban system: as centres of their own and as »metropolitan suburbs«. It should be acknowledged that »metropolitan suburbs« are something else than usual suburbs, since the former are created by regional enlargement of labour market whereas suburbs of the 1970s were created by housing shortage in industrial centres leading to growth of small villages on the outskirts.

Several options are open to cities in the metropolitan regions, as is the question of their role and identity. If the cities suffer from de-industrialisation and hence lose their role as industrial cities, they might compensate by embracing a number of new functions as centres for dwellings, culture and sport and for new kinds of business, and hence taking up new roles at the metropolitan housing, culture and labour markets. MECIBS cities in this position are e.g. Randers, Nyköping and Norrtälje.

Table 1. Urban restructuring in three regional settings.

Position of the city	Scope	Role & identity	Strategies
Metropolitan region	Optional	Changing	»Suburbanisation« Event centres
Independent region	Focused	Clarifying	Modernising economy Specialisation / clusters
Peripheral region	Restricted	Renewing	Restoring impacts of change

Cities in self-sustaining regions tend to focus upon the transition of the economic base of the city and the region. Weak diversification of the economy may hamper renewal and transformation. However, such regions tend to meet the challenges of globalisation by functional and economic specialisation and to emphasise their role in the global economy. Thus, they tend to reaffirm rather than shift their identity, and their strategies are focused upon modernising the local industrial milieu.

Often self-sustaining regions are characterised by potentials for developing polycentric urban systems via urban networking. MECIBS cities in self-sustaining regions are Kokkola, Lappeenranta and Herning.

Peripheral cities are usually smaller and hence, most vulnerable to economic transformation. Often these cities are characterised by out-migration, ageing and low-skilled labour force. Their strategy is to restore the impacts of change and to renew their reputation as cities for industrial production and if possible to develop a tourist economy.

Within this scope, the peripheral MECIBS cities have focused upon restoration and improvement of industrial sites and their infrastructure. One MECIBS city of this kind is Nakskov.

It is recommended that ...

R05:

Those cities now becoming integrated in the labour and housing markets of national and regional capitals examine the changes of regional urban relations and explicitly consider what role to play in the regional markets of labour, housing, education, culture and events;

The following actions are suggested for further consideration:

- Support the image of housing and settlement areas
- To keep up the standards of amenities – a pull-factor
- Stimulate small and medium sized enterprises
- Accentuate the role as service centre

R06:

Cities in self-sustaining regions thoroughly examine the options for modernizing the regional economy in order to cope with increasing globalisation of labour. Two different options have been dealt with by the MECIBS cities:

- Enhancing the educational level and flexibility of the labour force (i.e., the Danish model) and
- Establishing framework conditions for specialising regional competencies (i.e. the Finnish model).

The risks of further specialising the economy should be considered. Therefore, options for diversification of the economic structure as well as options for decreasing the dependency of big companies are relevant.

National policies should sustain development strategies formed by regional agencies (bottom up). Potentials for enhancing regional polycentricity should be exploited.

Finally, the cities should consider to:

- Support an image as housing and settlement areas
- Hamper eventual out-migration to the large cities
- Stimulate regional enlargement

R07:

Peripheral cities should focus upon the quality of the local labour force and hence the options for developing local companies as well as attracting new industrial production suited to the skills of the local labour market. National policies should focus upon framework conditions for vocational training, assistance for restoration projects of industrial sites and projects for sustaining new and alternative social economies. National assistance is needed to solve administrative and legal problems for carrying through alternative projects.

In remote labour markets the following issues should be considered:

- Diversification of the economic structure
- The vulnerability and dependency of big companies
- To stimulate small and medium sized enterprises
- To stimulate preconditions for endogenous growth, a better population structure, in-migration and new ideas.

Breaking the urban hierarchy

Some cities are not represented by the typology described above. Salo is situated just 50 km from the regional capital of Turku. However, Salo has developed as a powerful industrial centre hosting e.g. Nokia Mobile Phones, Ltd. Rather than being integrated into the labour market of Turku, Salo has built up a strong labour market of its own. Somehow, the relationship between the larger and the smaller city is turned upside down: About 2000 people from Turku and environs commute daily to Salo, whereas only 500 people from Salo and environs commute to Turku.

Policy interplay

Within several policy areas, the MECIBS cities are responding individually to structural trends and sudden events from the outside world. However, when cities respond to strong national or international policy programs, the local responses are more or less mimetic reflections of the goals of eligible program areas. This is especially true for national and EU environmental programs.

In regional policy, the interplay between the national and the local level has developed from state support to companies to support for framework conditions conducive to business development; hence, demanding more local responsiveness and local creative and unique initiatives.

Goals and visions

Role and identity

Urban transformation has to do with the role and identity of cities. Therefore, the question of future role and identity is often part of the visions and goals formed by the cities.

Cities in the metropolitan regions often choose explicitly to take up new roles in the regional urban system, e.g. to take on the role of »metropolitan

Strategies driven by visions

When cities are hit by sudden events, solutions are initiated by visions rather than by sober analysis of problems. This was the case when Norrtälje and Nyköping responded to the closure of their military base. Norrtälje created a vision for an education campus and Nyköping a vision for a commercial airport. In Naskov, the closure of the shipyard became a very concrete problem, paralysing the city for more than 10 years. Following the »mourning« period, however, the city responded because of the concomitant shift of policy-administrative regime and an incoming investor, VESTAS by creating a vision of a new industry and environment park.

suburbs«. This role includes the development of new housing policies but also other urban policies focusing upon the general attractiveness of the urban environment.

Regional centres try to revitalise or modernise their current role as centres of production and as regional centres, whereas peripheral cities are usually left with the option of defending their current role as e.g. an industrial city.

Goals versus visions

It has become part of our common understanding that strategies are the outcome of thorough analysis of structural trends and policy considerations regarding goals, options and visions for the future.

However, medium sized cities usually respond to events that occur suddenly or they try to solve very concrete and specific problems rather than monitoring structural trends.

The experiences from the MECIBS cities reveal that the monitoring of sudden events and concrete problems calls for visions and new concepts for the city. It is crucial that problems are turned into opportunities; for example, that an abandoned industrial or military site can be converted into a business park, an education campus or a site for industrial symbiosis. This is why goals often are replaced by concrete visions and concepts in forming strategies for urban restructuring.

Governance

The need for new approaches to urban transformation includes new forms of organising local governance.

In some cities, new strategic leadership seems to be directly related to shifts in the local political and administrative regimes. General lessons are difficult to draw, since very capable local leadership was found in cities having a strong mayor, in others with a strong team of staff or in still others cities with a unified city council.

Some changes in the formal organisation were observed, however. New departments were developed for urban strategy or for public marketing. In addition, we can observe a pronounced decentralisation of municipal administration, the result of which was the speeding up of decisions and competences.

In all cities, new forms of co-operation, partnerships and networking were established. These new kinds of co-operations are formed in order to achieve development goals rather than the protection of partner interests. Thus, an important criterion is the matching of partners with the tasks to be fulfilled.

It is recommended that ...

R08:

Cities should explicitly try to fine-tune the political-administrative system to handle the problems of urban transition i.e. to handle change and restructuring, in addition to the traditional tasks of carrying out the social and public services. Rather than forming co-operations in the interest of local organisations, cities should carefully consider co-operation with the companies and organisations best suited to carry out plans and projects and use NGOs as a tool for initiating new activities.

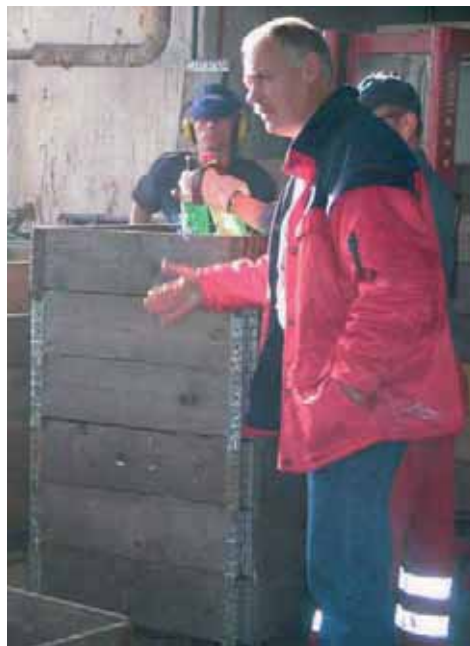
Plans, policies and projects

Socio-economic regeneration

Social and economic exclusion is a big problem for most towns experiencing decline or transformation. In particular, towns in post-socialist countries (as Jüterbog, Kuldiga and Sillamäe) and cities marked by the traditional dominance of older and labour-intensive industries (such as Nakskov and Lappeenranta) are affected by problems of transformation. The recommendations in this paragraph particularly address cities experiencing socio-

Left: Crane and wing. The municipality of Nakskov transformed the area of the former shipyard into a high-tech industrial estate for environmental industries and a recycling park with cultural facilities.

Right: Waste recycling. The qualification and integration centre, Aktivering Syd, has been actively involved in the revitalisation process and runs a couple of recycling projects. (Photos: Thilo Lang).



Entrepreneurship is a matter of concern in most MECIBS cities

Some years ago, SAAB in Nyköping launched tenders for the formation of new sub-contractors within the production of spare parts. However, the efforts were almost negative. According to SAAB, this is due to the lack of entrepreneurial spirit in Nyköping.

The situation is different in Norrtälje, where the large number of second homes has created the possibilities for the formation of a number of small companies in service, repair and handicraft. In Nakskov, the entrepreneurial spirit is considered low due to a long-standing wage-labour culture first established at the large estates and continued by the labour relations at the large industrial plants within e.g. sugar production and ship building.

Herning, the Danish centre for textile production, is well-known for its entrepreneurial spirit, which is considered responsible for the development of former textile handicraft into modern textile companies.

NGOs can help develop entrepreneurial education programs as an investment in the future. Individuals who had participated in entrepreneurial programs during their school years in Sweden and Norway were more likely to become entrepreneurs. About 20% of all former participants become entrepreneurs compared to between 3.1 and 4.5% of those who did not participate in such programs.

economic challenges, such as unemployment, social exclusion and a weak structure of the local economy.

Socio-economic regeneration is about pursuing sustainable economic and social development. It endeavours to re-establish social stability and to reduce social and economic disparities. In particular, potentials of the social economy are of interest as a complement to traditional economic measures. The social economy consists of initiatives in between the private and the public sector, e.g. social enterprises which reinvest their surpluses to achieve social aims and job creation.

Activities within the social and the local economy complement local development policies, which often prioritise external investments. It could be argued that too much faith is given to such policies, since new production facilities can move to new locations to achieve cheaper production costs or for other reasons only a couple of years after having been established.

Thus, ...

R09:

Strategies for achieving socio-economic regeneration should be applied as an integral part of local development policies.

R10:

Municipalities as well as local and regional business development agencies should enact formal decisions for supporting policies and projects relevant to socio-economic regeneration. They should clearly define their own role regarding the promotion of projects linked to community empowerment, locally rooted development, local entrepreneurship, entrepreneurial education and the social economy.

Acknowledging local opportunities for change

The documented examples of socio-economic projects clearly prove the

opportunities and the abilities of medium sized cities to positively react to the challenges of globalisation and transformation.

However, cities must acknowledge that it is crucial to...

R11:

Actively search for new locally rooted economic activities by linking them to local assets; these assets should be considered as opportunities offered by the local (unemployed) work force, the local culture and the local environment.

R12:

Cities must allow room for innovation in entrepreneurial and social projects. Different actors should be integrated as local assets in order to mobilise their forces of creativity, their resources and their abilities.

Networks and entrepreneurial culture

Networking on best practices and promotion of entrepreneurialism are two areas of key importance for socio-economic regeneration. Especially in smaller municipalities, inter-municipal, regional or even national networking is important to facilitate the exchange of ideas and examples of socio-economic regeneration projects.

Thus, it is recommended that ...

R13:

Local decision-makers launch programmes for the promotion of networks of mutual support and good practice in the fields of entrepreneurship, integration and social economy projects.

Creative local entrepreneurs play a key role in the creation of new jobs, and job-creation is still the most important objective for a socially oriented economic development policy. Overlooked, however, are measures aimed at the development of a new entrepreneurial culture.

Therefore, it is recommended that ...

R14:

Local authorities should intensify their entrepreneurial education programmes. Here we should consider the assistance that can be offered by NGOs. Municipalities should be encouraged to make contact with these organisations and network with local schools and educational institutions.

R15:

Local business start-ups should be supported. This may take the form of various »incubator« programmes, or the local authority can provide start-up services in the form of training programs, management consultation, and access to national or European start-up grants, affordable office space and other facilities.

Supporting social economy and community projects

Whilst the social economy cannot replace the formal economy and is



The market place by Salo River. (Photo: Salo, Finland).

limited in its capacity to completely solve problems, social and community enterprises and activation projects can help to improve social integration and employment possibilities.

It is recommended that ...

R16:

Social economy and integration projects should be made part of local social policy and possible starting points for such projects should be identified. In particular, consideration should be given to providing or extending local services, as well as office and meeting facilities and organisational support for such initiatives.

Sustainable development

Economic transformation has generally been associated with major decreases in the amount of pollution due to industrial closures, but this same transformation may also lead to increasing problems with traffic, waste, insufficient infrastructural investment and soil pollution in former industrial zones.

Today, environmental policies are not only concerned with pollution and environmental protection. Environmental concerns are increasingly linked

Green profiles – levers of development

Nyköping has met the structural change incurred from the decline of its traditional manufacturing industries with a proactive focus on quality of life and its natural nautical surroundings and logistics opportunities. Nyköping's marketing campaign to attract businesses and residents defines the city image by the Swedish key words »Livet, havet, navet« or »life quality, the sea and the (transportation) hub«. Nakskov is seeking to make potential investors aware of the region's emerging green profile, while Salo uses the development of a green profile as one way of marketing a generally advanced and modern region that may attract technologically advanced businesses.

with potentials for development. Regions may become more attractive to inhabitants, potential newcomers, business investors and tourists via improvements in their environmental performance and by making more efficient use of land resources, nature areas and brown fields.

Local initiatives on sustainable development are often kicked off by external initiatives and policies, e.g. international initiatives such as Agenda 21 and EU programmes, national initiatives and by the examples provided by other municipalities or from the private sector. As compared to other measures such as business development, branding, cultural policies and urban planning, the sustainable strategies and projects in the medium sized cities form part of national and international policies rather than local ideas. However, the cities have their own interest in integrated protection of the environment as a parameter of growth. On the one hand, the environment is regarded as a resource for the cities as places to live; on the other hand, environmental enterprises are seen as important elements of the urban economy.

Stimulated by national and international initiatives, all cities have some plans and ideas about sustainable development, but the concrete outcome may vary greatly. Western and Eastern European cities have very different starting-points, and direct comparison is a bit unfair, since cities in Finland, Denmark and Sweden have a much longer history of sustainable development initiatives. The recommendations reveal the strong traditional interplay between local, national and international policies.

Thus, it is recommended that ...

R17:

The EU should support local capacity development. The EU may be important for supporting networks for exchanging ideas and concrete initiatives. These activities are more important for small and medium sized cities with more limited contacts. The EU can also stimulate innovative initiatives so as to combine social, environmental and economic development.

R18:

National support programmes and legislation must allow for multidimensional local sustainable development initiatives. Trans-sectoral local measures may often come into conflict with regulations.

In the municipalities, important priorities are to...

R19:

Conceive methods to make Local Agenda 21 into a springboard for concrete economic, environmental and social activities. Local Agenda 21 should be a long-term strategy that is a complement to short-term municipal budget plans. Sustainable projects may be small, but still effective for increasing awareness. Projects that link environmental and employment goals can be particularly effective.

R20:

Promote the status of sustainable development goals and concrete activities by



Circus performance in Lappeenranta, Finland. (Photo: Vesa Mikkonen)

involving powerful administrative and political figures as »skilled agents of change«. Sustainability must be seen as a competitiveness factor.

R21:

Sustainable development activities should not only be the realm of the environmental sector of the city. Rather all urban planning strategies should actively assess social and sustainable growth impacts of restructuring decisions.

R22:

Explore innovative means of communication with the public and private sector. Encourage broad discussions, for instance by inviting various private and public actors to participate in sustainable projects.

R23:

Engage in cooperative projects with other cities and regions, both at home and abroad in order to exchange »best practice« and common challenges.

Cultural policy and urban development

As is also the case in larger cities, small and medium sized cities use cultural policies to achieve not only cultural goals but also urban development, economic and social objectives. Culture in all its forms, whether it be the built heritage, cultural services, projects or events, is often considered to be a soft location factor for attracting investors and tourists as well as new inhabitants. In addition, cultural policies, projects, events and institutions can be instruments for inner-city regeneration strategies and the creation of »cultural zones« within the city.

Cultural policies, projects and events are very diverse in terms of sources of finance, as well as their symbolic value for the city. A vital question is whether local investments in culture should be concentrated on large events and central institutions or spread amongst smaller and more equally distri-

buted public and private cultural projects, particularly in the case of small and medium sized cities, where budgets for cultural affairs are limited compared to those of bigger cities. In addition, the financial resources of cities in the Baltic Sea Region vary greatly between cities in Eastern Europe and those in the so-called Nordic Welfare States.

Findings from the MECIBS cities suggest that lighthouse projects, high-profile events and festivals, and public-private partnerships can be effective in increasing the city's attractiveness and improving the city's image. There is also a tendency to concentrate resources in specific central institutions and projects (see case studies on Jüterbog, Randers and Lappeenranta).

Events and projects as part of cultural policies can be seen as identity-bearing elements and used for image campaigns. Nonetheless, experiences show that smaller cultural projects should not be neglected, and it seems to be particularly important to include local people in cultural policy decision-making processes. The example of Jüterbog shows that social networks can significantly contribute to a cultural policy based on grassroots participation. In Kuldiga, the inhabitants widely support the local authorities' initiative to apply for status as a World Heritage Site, which seems to have had a positive effect on the perception of the city as a whole.

Within the context of local cultural policies, »local creativity« has thus become a key word for holistic urban development strategies aimed at enhancing the creative potential of people, as well as the activation, participation and integration of different segments of the population.

Referring to the results drawn from the study on cultural policies, including the four case studies undertaken in Jüterbog, Kuldiga, Lappeenranta and Randers, it is recommended that ...

R24:

Cultural strategies and investments should be considered as key elements of urban transition, in terms of spatial transition as well as in terms of image transition. Thus cultural policies should go hand in hand with other political policies.

R25:

At the EU level, programmes related to cultural policy should be combined with regional policy and structural funds.

R26:

At the local level cultural strategies and investments must be tailored to the local situations and specific potentials, ranging from the symbolic value of historical assets to the establishment of spectacular event centres. Thus, cities should avoid just copying cultural projects from other cities.

R27:

It should be acknowledged that achieving wider goals of urban development through cultural policies is a matter of creativity, integration of key persons and perseverance rather than just money.



Nyköping in Sweden has signed a marketing agreement with Ryan Air, an air travel company using Skavsta Airport just outside Nyköping as their gateway to Stockholm. (Photo: Municipality of Nyköping)

In some cities, cultural »lighthouse projects« and high-profile events can be effectively used as a location factor to help publicize the city's specific characteristics and to enhance the city's attractiveness. Local authorities should ensure that cultural lighthouse projects are integrated into people's everyday activities in order to become part of the city's life.

Smaller cultural projects should not be neglected within cultural policies, since they give local people the opportunity to participate in the cultural life of the town.

R28:

Local actors should deal explicitly with the question of whether lighthouse projects should be oriented towards meeting the needs of local inhabitants or should be aimed at attracting new residents, tourists and investors.

R29:

The potentials for mobilising local resources and for creating local awareness and consensus should be envisaged. Thus, when offering local people opportunities to become involved in and influence decision-making processes, social networks can significantly contribute to the success of cultural policy.

R30:

Co-operation with neighbouring cities should be pursued in order to ensure that lighthouse projects in different cities complement one another.

City branding

As competition among cities and regions in the Baltic Sea Region intensifies, many local decision-makers choose to strengthen place-promoting activities in order to attract attention and enhance market shares. Today, this promo-

tion goes far beyond simple tourist marketing, and major cities now recognize the potential of attention-making activities like city branding and light-tower projects. Indeed, these activities also take place in medium sized cities, often as a response to increasing competition, but often also as a way to find a city identity which suitably reflects changing socio-economic conditions.

A number of processes influence the identities of cities and actualize the search for clarifying or even changing city identities.

Globalisation and the outsourcing of labour-intensive jobs not only affect the economy of cities but also the identity of cities. In an overt and direct manner the urban identity is challenged when large companies closely connected with the identity of the city, suddenly close down. Also, national administrative reforms can produce radical changes, as has occurred with the closing of large hospitals and military bases. It is not just the urban functions that are lost. Prestigious jobs in the public sector also disappear. Not only is a loss of identity at stake. If the closure of a company leaves empty brownfields in the open and lead to increasing unemployment, a negative image spiral may have started. In other instances, however, closure of companies kick-off new opportunities for urban development on attractive sites located in the inner cities and offer an opportunity to develop new urban attractive images.

Closely connected to globalisation is the general shift from industrial society into a service and knowledge society. Former industrial cities experience irreversible changes of their role and identity. Since the new service economy tends to centralise in the largest cities, small and medium sized cities often experience a loss of identity for which they try to compensate by focusing backwards to the pre-industrial era and to city icons of a past cultural heritage.

The tendency toward regional enlargement intensifies competition among cities in metropolitan regions, especially on the housing market. In order to attract potential residents, cities in the metropolitan areas have conducted city-branding campaigns. For a city located on the edge of the metropolitan region, a successful city-branding campaign can be the ticket to enter the metropolitan labour market.

Thus, cities conduct marketing and branding campaigns. City marketing is about selling measurable and tangible qualities such as physical infrastructure, attractive location, natural assets, cultural light-towers, public services and favourable local taxation. Marketing can be organised by tourist offices and business councils and disseminated via brochures, newspapers, billboards at sporting events and banners on internet portals and other media. City-branding is about promoting intangible qualities, e.g. the »soul« and »spirit« of a city. City branding is thus based on a symbolic construction of a brand, condensing a totality of associations and expectations into a »story« or image of the city.

The need for city branding and marketing varies. City branding is most relevant to cities undergoing changes in their role and identity, such as cities

situated in the metropolitan regions. Peripheral cities are more inclined to market local assets, especially if they try to advertise natural assets for tourism.

For cities considering starting up city branding, it is recommended that ...

R31:

City branding is particularly relevant for cities competing on markets where consumers not only make their choices based on prices, but to a considerable degree make their choices based on emotions and soft factors. This is often the case on suburban housing markets where the »products« are more or less the same. Thus, cities who wish to gain market shares on these kinds of markets should consider adding an emotional level to their promotion work – to make the city into a brand.

R32:

Cities competing on markets ruled by the price-factor should tailor their promotion efforts in a different manner, e.g. highlighting an attractive geographical location, low tax level, cheap labour-force, smooth municipal administration, etc.

R33:

Using internal city branding as a way to strengthen the self-perception of the citizens should be considered by cities marked by depression and a loss of faith in endogenous resources to change things for the better. Focus should be kept on the existing positive and valuable local assets and on how they can be developed further.

R34:

A sense of ownership to a city brand is necessary for internal branding to succeed. Citizens must be able to relate to the symbols and stories that build the city brand. Citizens should have the opportunity to contribute throughout the brand-building process.

R35:

Divergence between what people experience and what has been promised in the branding campaigns should be avoided. Thus, a strong city brand should refer to the whole city and not just a few characteristics of the city and branding ought to be accompanied by real action as well.

R36:

City branding requires long-term commitment on the grounds that it involves a long term effort to yield incremental results. A precondition for successful city branding, therefore, is that decision-makers are not merely seeking short-term results.

R37:

A competent »in-house agency« in the city administration is important in the implementation phase of a city brand.

R38:

Municipalities ought to take notice of the need to explain to their own citizens

why and how city marketing proceeds and how money is being invested in the external marketing of the city.

Branding campaign in metropolitan areas

Randers and Nyköping are situated in metropolitan areas. Both cities are losing former identities as industrial cities, and both cities are trying to enter the metropolitan housing market and take up positions as centres of cultural and sports events. Both cities have conducted branding campaigns. The Randers campaign sought to revitalise a number of forgotten pre-industrial images of the city, whereas the branding of Nyköping highlights three strategic assets of the city: the good life, the sea and the infrastructure.

Urban planning and public participation

Transformation of urban economy and urban functions also means changes in patterns of urban land use. On urban sites, former urban functions close down and new ones appear. The task of urban planning is to facilitate this process of land use conversions.

Land use conversion can cause urban problems, but it may also help initiate new development, especially as concerns attractive urban sites close to the city centre or to the waterfront. The art of urban planning is to identify the potentials rather than dwelling on the problems of an obsolete urban site, and hence, to turn problems into solutions.

Urban transformation requires a new kind of urban planning. During periods of urban growth, urban planning deals with providing available land and rational land use zoning. During periods of urban transition, urban planning focuses on the conversion rather than provision of land and on stimulating

Waterfront development in Randers. Randers is a typical example of a city purposefully developing its central areas towards the waterfronts. On the southern bank of the Gudenå River, a conversion of a former industrial zone into a combined business and city park has begun. (Photo: Kronjylland)



rather than regulating urban growth. Thus, the task of the urban planner has changed from reaction to growth to action for growth.

Some lessons to be drawn:

R39:

Urban planning is an instrument for enhancing and adding new aspects to the urban identity. This includes architectural heritage, urban public space and new architecture. When dealing with urban identity, planners should focus on those urban qualities that are unique to the city. They should try to create a distinct image to the outside and an urban identity to the inside.

R40:

Urban transition makes cities porous and hence open for new urban developments, especially those concentrated within the inner cities. To fully acknowledge the potentials, it is recommended that these potential development points be registered and mapped and taken as points of departure for forming a coherent strategy for urban transformation.

R41:

Reconstruction of existing urban sites should be promoted by planners entering into a dialogue with landowners by drafting and visualising the development options and possibilities of individual sites.

R42:

New housing concepts are being developed to attract households, especially by the cities in the metropolitan areas. The new housing concepts combine the needs of the households with the life style appeals of architecture and urban milieus, e.g. the harbour, the inner city or the open landscape. In peripheral cities, housing follows local needs rather than life-style concepts.

R43:

In-moving families often want to rent an apartment for their initial period of residence to see if they will settle permanently. Therefore, cities should consider providing »first housing« for incoming families.

R44:

Many cities have established or planned for event centres based upon unique concepts. Spatial planning is taking part in making event-centres unique rather than just copies of others.

R45:

The integration of knowledge functions in medium sized cities is a core issue. It involves planning and design of new sites as well as renewal of old ones, business parks, knowledge centres, educational centres, institutions and campuses.

R46:

Urban planning in cities depending on their industrial base must take up the challenges of modernising old industrial areas. This includes the modernisation of infrastructure and of common facilities such as logistics centres and even the

facilitation of industrial symbiosis.

R47:

Transformation of cities has caused changes in the methodology and focus of urban planning. This includes changes of focus:

- From demand to supply
- From functional space to unique space
- From urban expansion to planning from the urban centre and outwards
- From protection of territorial assets to profiting on territorial assets
- From goals to concepts
- From reactivity to proactivity
- From a self-contained actor role to active facilitator in a collaborative network

Finally, it should be acknowledged, that

R48:

Urban planning is a key policy domain for public participation. Especially, new procedures have been elaborated in the MECIBS cities when planning new attractive housing areas e.g. in Salo and Randers.

Business and development strategies

Business policies in cities of transition are changing. Formerly, local business policies focused on services and initiatives in the interest of local business companies, carried out in relatively steady and growing economies. Nowadays, local business life has become deeply involved in urban development strategies, often displaying a change of attitude from the mere protection of business interests to competent inputs to urban development.

Cluster dependence and diversification

Cities situated in economically independent regions often depend economically on special competencies and types of production, hence on clusters. Thus, the fate of these cities is closely connected with the development of the local cluster. Some MECIBS cities have experienced a total closing down of a cluster, whereas other cities have succeeded in upgrading competencies within clusters in transformation.

Due to the vulnerability of one-sided dependency upon a cluster, it has be-

Business development in self-sustaining regions

The city of Herning owes much of its development to the textile industry. Several textile companies developed out of handicraft and smaller companies into a pronounced cluster. During the 1990s, manual production was outsourced to Poland and Lithuania. However, due to a close follow-up of management, design, export, and branding, the textile cluster developed new sectors within the textile industry and in fact increased in economic terms. Much of this success was dedicated to the presence of local knowledge institutions, first and foremost the TEKO school and knowledge centre.

Also situated in an economic region of its own, Kokkola experienced outsourcing of its textile industry. However, rather than developing new functions, the textile industry disappeared from the city and the region. Other clusters have since developed, first and foremost a strong cluster within chemistry, and some of these chemical plants are closely interrelated by symbiotic flows.



UPM group, Kaukas Paper Mill, Lappeenranta, Finland

come more common to consider alternatives to developing and enhancing clusters. One such alternative is to improve the knowledge and competencies in order to match the trends of increasing the overall knowledge base required for successful production and business. Thus, several MECIBS cities are trying to improve local education facilities, often by establishing links with universities.

When cities address clusters, they usually do so in different ways. Besides clusters of specialised production i.e. production clusters, they also address clusters of companies with functional characteristics. For example in the region of Herning, the Midt-Vest cooperation formed a special knowledge and competence centre to assist and further develop what they call a functional cluster of subcontractors.

Finally, some cities try to encourage new kinds of production based upon an idea or a concept. Such a concept was developed i.e. by Nakskov, in its effort to establish an industry and environment park based upon the idea of industrial symbiosis between companies, including public utilities.

It is recommended that ...

R49:

Cities dependent on one or a few production clusters should carefully examine the risks and the development potentials of the cluster, both with regard to the potentials of further enhancing the cluster, and with regard to the risks for future crisis within the cluster.

R50:

If transition of a dominant cluster involves outsourcing of manual production, measures should be taken to upgrade remaining local functions in the value-chain of production (see also R60-R62).

R51:

Cities situated in insourcing regions should carefully consider the risks of being dominated by one large incoming company or by a specific branch of production (see also R64- R66).

R52:

Generally it is recommended to widen and diversify the economic base. Therefore, potentials for developing alternatives to an existing production cluster should be considered. This might include the facilitation of functional clusters and conceptual clusters and the building up of new education facilities (see also R63).

As national and regional policies on cluster development differ substantially in the BSR, it is recommended that

R53:

The national policy frameworks and local achievements of cluster policies in the MECIBS countries should be periodically examined and compared.

Local framework for business development

In concrete terms, the provision of frameworks enabling positive economic development in the MECIBS cities has meant investing in local and regional business parks, knowledge and competence centres, incubators, infrastructure and logistics services. Knowledge centres and centres of competencies are knowledge institutions set up with the purpose of assisting the development of competencies within special branches or sectors of industrial production.

The frameworks needed for business development are relevant to all medium sized cities. However, cities in metropolitan regions tend to focus on new opportunities, whereas cities in self-sustaining regions tend to focus on modernising existing production clusters. Finally, peripheral cities tend to respond to very specific needs of local production.

It is therefore recommended that...

R54:

Local discussions should be arranged concerning the need for knowledge and competence centres.

Due to the variety and complexity of knowledge and competence centres as well as business parks, general recommendations are difficult to elaborate.

Thus, it is recommended that...

Dependency on a big industrial player

Shortly after the windmill company VESTAS successfully established a subsidiary in Nakskov, two subcontractors relocated there as neighbours to the VESTAS plant, one building windmill towers, the other carrying out sandblasting and painting of windmill wings. Due to a merger with another windmill company only a few years later VESTAS cancelled all subcontracting and only reemployed the sandblasting company.

R55:

Knowledge and experience-sharing networks be set up in the BSR focusing on achievements of knowledge and competence centres and how they are funded and organised.

Developing knowledge corridors

In general, development policies in most medium sized cities try to enhance local knowledge and competencies of the companies and the education of citizens. Besides the above-mentioned initiatives to enhance the knowledge base of local production, several MECIBS cities have established centres of education in co-operation with universities and other stakeholders.

Many medium sized cities are not large enough to develop a university of their own. Rather, they co-operate with regional or national universities to establish knowledge corridors, offering a variety of educational programmes, some focusing on the local labour market and others seeking to establish platforms for university education.

Educational programmes oriented towards the local labour market often involve cooperation with local businesses. The cooperation between labour market and education is crucial. Thus, having a large pool of skilled labour can be more profitable for a local economy than having a large pool of highly educated people.

It is recommended that ...

R56:

Cities should take advantage of the growing interests of universities to expand their markets for education and to conduct experimental education offers.

R57:

Medium sized cities should therefore play the role of brokers or mediators of education programmes by establishing local arenas for universities located elsewhere rather than aspiring to host a full- scale university.

R58:

University satellites should be established in co-operation with existing educational institutions.

R59:

Development of polytechnic and vocational education should be considered as effective supplements or alternatives to university level education initiatives.

Regional impacts of economic integration

One of the most important indicators of ongoing regional integration around the Baltic Sea is that very large shares of foreign trade partners of the smaller BSR countries are other BSR countries. A strong driver behind this process is the development of strong linkages within the international system of production. Besides trade, foreign direct investments are crucial for the integration process, i.e. when investments are flowing between countries, regions or cities in the BSR.



Production of mattresses in Chojnice, Poland. (Photo: Søren Smidt-Jensen)

From the point of view of regions and cities, foreign direct investments are tantamount to either out-sourcing of existing jobs or in-sourcing of new ones. In the Baltic Sea Region, out- and in-sourcing is likely to take place in the western and eastern part of BSR respectively, hence contributing to networking and economic integration across the former gulf between East and West BSR.

The immediate impact of outsourcing in a city or region is loss of jobs and hence negative, whereas the insourcing contributes to the creation of new jobs and hence positive. In the longer perspective, outsourcing and insourcing are not just negative or positive, since they give way to new processes which may balance the negative and positive short term effects. Thus, outsourcing regions may successfully upgrade remaining functions in the value chain of production and insourcing regions may become objects of (re-)outsourcing of production to new and still cheaper labour markets. Therefore, business and development policies should not just aim at prevention or facilitation of outsourcing and insourcing, respectively.

While outsourcing may seriously affect the outsourcing city or region, it seems more modestly to influence national economic development. In Denmark, the total loss of jobs by outsourcing was less than 2% of the total job-turnover in 2001.

However, according to most observers, the process of outsourcing is only at the beginning. The first victims were unskilled workers in the manufacturing industries. Now, all types of physical production are at stake, and also service industries are affected.

Central features for outsourcing regions:

- The process continues and spreads to new branches and industries (i.e. furniture, metal processing) and in the longer run also to service. The

latter will probably to a larger extent become a challenge for cities and regions of higher order in the functional system than the MECIBS-partners.

- The process does not seem to stop in blue-colour occupations.
- Target regions for insourcing also outside the BSR are of increasing importance in the future, leaving BSR-regions with new problems or fewer opportunities for economic growth.

Integrative investments

Integrative investments have taken place within several sectors. One example is the investments within the textile sector during the 1990s between Denmark on the one hand and Poland and Lithuania on the other hand.

For insourcing regions in the eastern part of the BSR the major challenges are related to:

- Re-outsourcing problems: In some cases the insourcing region faces the challenge of a new outsourcing wave, leaving the region with new unemployment problems due to opportunistic behaviour of foreign investors.
- High dependency on few foreign companies' decisions regarding the location of production makes the city vulnerable for adverse effects.
- Rather limited skill development related to in-sourced industries.
- Production plants often isolated in the local production system. Enclave industries have usually few regional spin offs.

The policy options for local and regional governments to react upon the threat of relocation of companies are limited, in particular in the case of subsidiaries. Therefore, a strategy to support regional SME's through intensified cooperation and networking in a local context seems to be an optimal response on the local level.

Outsourcing regions

In outsourcing regions, with regard to existing industries, the most important recommendations are to ...

R60:

Support a process of extending the value chain of existing firms, i.e. to support upstream and downstream functions rather than physical production. Key competencies to be developed are: design, production logistics, and marketing and distribution management.

Examples of networking within MECIBS

A macro-level networking Baltic Sea Solutions is being organised at the initiative of Nakskov. The networking brings together several MECIBS cities and other cities in the BSR region with the purpose of jointly addressing the challenges of outsourcing and to promote in-sourcing in the peripheral regions. Preliminary discussions took place to form a thematic network between Randers and Roslagen Campus in Norrtälje with the purpose of elaborating a concept for a 55+ university. Micro-level networking took place within many MECIBS cities in order to deal with issues such as unemployment (Jüterbog).

R61:

Local business development policy should give priority to companies based in the local community rather than subsidiaries and »screwdriver plants«, as well as the future potentials seem to be better for companies selling their products under their own brand rather than subcontractors.

R62:

A general policy to improve the overall level of competence (education, research and development facilities) will strengthen a regions' ability to restructure its economic base.

Finally, ...

R63:

An appropriate strategy is widening of the industrial base of a city or region, i.e. to diversify the business portfolio.

Insourcing regions

Policy recommendations to insourcing regions are very similar to the recommendations to outsourcing regions:

R64:

In particular it is important to avoid industrial mono-structure and enclave industries with few or no linkages in the local area. Local plants should avoid dependency of one or few partners if possible.

It is recommended to ...

R65:

Expand the level of competencies in the local area to enlarge the value added in the region. This can also become a shelter against the threat of (re-)outsourcing.

R66:

Insourcing regions should prepare them-selves to provide a broad local and regional palette of supporting measures for the new companies to integrate them as fast as possible in the local business environment.

Networking

Throughout the MECIBS project networking has become a key issue. On the one hand, networking facilitates in-situ learning. On the other hand it facilitates strategic action. The MECIBS project has contributed to both of these aspects of networking. The project was carried out on different locations in the BSR and it contributed to joint strategies.

The experiences from the projects reveal examples of at least three kinds of networking which should be recommended.

R67:

Networking and in-situ learning is highly recommended when it has to do with urban transition. Three kinds of networking should be considered:

- Macro-level networking: cooperative networks between cities and regions can be used to establish joint strategies to react to common external challenges. Networks improve the capabilities of participants and open up for new strategies not available for single actors (MECIBS-example: Baltic Sea Facility);
- Thematic networking: Networking as a tool to evaluate strategy proposals and ideas – facilitating the discussion of ideas and proposals within a network of partners dealing with similar development issues can contribute to strengthening and clarifying ideas (MECIBS-example: Preliminary discussions of a 55+ university proposal);
- Micro-level networking: Internal networking among different actors and stakeholders can contribute to the establishment of sustainable solutions for city development. (MECIBS-example: Unemployment initiative in Jüterbog).

National and international policies

Some of the above recommendations are addressed to the national governments and international political organisations, although the greater part is addressed to the cities. This is because most of the lessons learned in the MECIBS project are about practical experiences of cities, the value of which is to be exchanged between cities. But we have seen that cities are acting within framework conditions that are set by national governments and sometimes influenced by international political organisations.

Thus, the interplay between the cities as local agents and the nationally determined framework conditions needs a few final comments.

These comments have to do with changes of the role of the municipalities, the regional policies at national and international levels and new instruments for local development.

The role of municipalities

The problems of restructuring have encouraged city councils to take up the role as development agents along with the traditional roles as authorities and providers of public services, amenities and public works. The MECIBS cities have shown a pronounced capacity to take up the role as strategic development agents. When doing so, the city council is often on its own, taking legal decisions in grey zones and making risky economic decisions.

Often cities are met with bottlenecks restricting development oriented decision. This is the case when e.g. claims for public tendering hamper public-private development projects, when rules for taxation hamper symbiotic exchange of technical supplies and when inter municipal tax-equalisation systems offset progress of municipalities lagging behind.

Thus, it should be acknowledged that urban transformation has called for actions founded in local problems rather than national policies. The municipalities are forming their own strategies rather than mediating national policies. Local actions are taken without prescripts, since they match problems rather than rules.

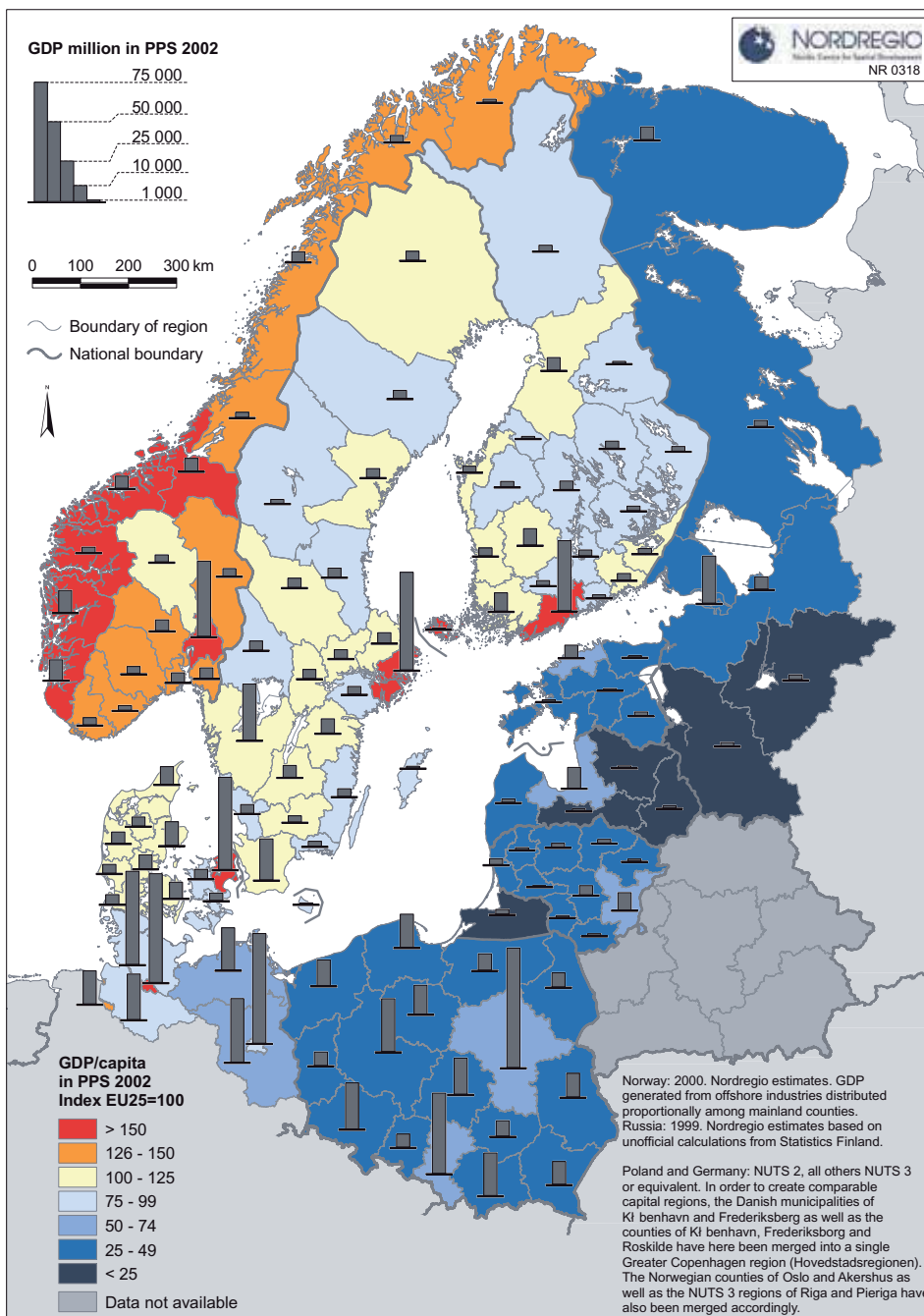
R68:

To facilitate the new self-confident and entrepreneurial behaviour of medium sized cities, national governments should consider explicitly:

- how to develop codes of conduct for the new role of municipal councils as development agents, and
- how to reduce legal and administrative bottlenecks for strategic and entrepreneurial actions, and
- the need to develop new models for building public-private partnerships.

Regional policies

Usually, regional policies are focusing upon regions lagging behind, such as peripheral regions. When facing the phenomenon of restructuring cities, national governments and international political bodies should acknowledge



Gross Domestic Product per capita in 2002 adjusted for purchasing power. The concentration of economic activity in the BSR is substantial. The eleven metropolitan regions (data for Belarus excluded) account for more than a third of the regions' entire production value, although containing only a fifth of its population on a mere 3% of its land area. In 2002 the GDP per capita in metropolitan regions was 1.6 times higher than in the rest of the BSR and this gap is further widening. The east-west economic divide of the region is probably the sharpest in the continental Europe.

that urban restructuring is an impact of general economic trends that has to be dealt with in all kinds of regions, hence not just regions lagging behind, cf. Table 1.

R69:

National governments and international political bodies should develop measures and policies tailored to the diverse nature and problems of urban restructuring in:

- metropolitan regions
- self-sustaining regions
- peripheral regions

In metropolitan regions, national responsibilities for tightening the tissue of traffic infrastructure are needed, whereas measures for modernising the existing economic base are needed in self-sustaining regions. Such measures should be developed in close co-operation with the regions in order to properly match the structural changes within the industrial branches of the regions. Finally, in peripheral regions national policies should be alert to quick follow-ups on crises and creative initiatives to diversify the local economy.

New instruments

The MECIBS project has shown a variety of instruments. Several of these instruments are developed in different kinds of partnerships.

R70:

Governments and international organisations should explicitly try to further develop framework conditions for these instruments, including:

- Knowledge corridors, i.e. local university education established in co-operation with universities
- Knowledge and competence centres to promote strategic competencies of the local business milieu
- Business parks
- Incubators
- Event-oriented facilities and institutions

Cohesion

Most of the case-studies and the above recommendations took as point of departure the cities and the local regions. Finally, we shall turn the perspective to that of the entire Baltic Sea Region, as facilitated by the thematic study on economic and demographic development in the BSR (Cities of the Baltic Sea Region at a Glance). This study reveals a pronounced lack of cohesion in the Baltic Sea Region. Thus, dichotomies concerning densities of population, polycentricity of urban systems, income levels and BSR-orientation are identified dividing the BSR between north and south, east and west and large and small countries. These dichotomies reveal a region with a great lack of cohesion. At the European level, BSR hosts many of the wealthiest EU regions as well as most of the poorest ones. Among those one hundred (NUTS 3) regions in the EU with the lowest GDP/capita in 2002 no less than 56 were within the BSR. At national level regional polarisation is substantial in Latvia, Estonia and BSR Russia, whereas it is nearly marginal in Sweden and in Denmark and small in Norway.

These lacks of cohesion are becoming visible at the BSR and EU levels and they need national as well as international concern as long as spatial cohesion is a key measure of national and international regional policies.

In the BSR perspective the medium sized cities are split into two groups facing different fortunes. Due to a pronounced concentration of wealth, decision power, employment production in the new expanding economic sectors and population within the metropolitan areas, the medium sized cities situated within the commuting vicinity of the metropolitan centres are becoming part of the economic development of society whereas the remaining cities – all of which are small or medium sized – are facing the risks of becoming victims of the same development.

R71:

In order to counterbalance the dominance of the national and regional capitals and ongoing trends of further destabilising spatial cohesion in the Baltic Sea Region, national governments, BSR agencies and co-operations and the EU commission should put special efforts in ascribing the medium sized cities – especially those situated outside the metropolitan regions – active positions in spatial development policies and programmes.