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ENLARGEMENT
AND REGIONAL
POLICY p.11
CHALLENGES

A FRESH
LOOK

AT THE NORDIC
GEOGRAPHY OF
MIGRATION

p.4



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Nordic Centre for
Spatial Development

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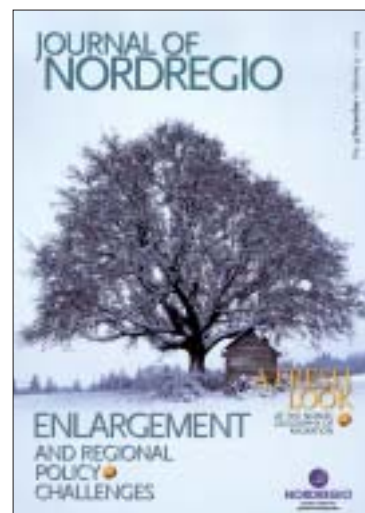
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JOURNAL OF NORDREGIO

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NORDIC COUNCIL OF MINISTERS

Nordregio is a centre for research, education and documentation on spatial development, established by the Nordic Council of Ministers.

FEARING THE EAST

Some themes reappear in European culture from time to time. One of them is the fear of the East. Deeply rooted both in folklore and in political thinking, the attitude of anything depicted as Asian can best be characterised as having the ambivalence of fascination and fear. The present *époque* is no exception.

Whereas the threat to Europe in earlier times was seen to come from Persia, China, Mongolia, Turkey or Russia, all depending on the time and circumstances, today's turmoil is caused by European Union Enlargement. However, except for the never-ending story of the Turkish influence on the European political and cultural scene, the present debate has come to centre on Europe itself, as the candidate countries ready to enter the Union are in fact among the historical core countries of Europe, the notion of *Mittleuropa* is once again reasserting itself and replacing the now obsolete category of Eastern Europe, which was essentially a construction of the cold war era.

Seen from a Nordic perspective, the fear of the east was, until the crumbling of the USSR, primarily of a military nature, and thus the security policies of the Nordic countries were more or less dictated by this fact alone. Today's threats are more typically perceived as social in nature and hinged upon a possible destabilisation, not so much of the basic welfare arrangements as such, as of the labour market balances of the Nordic countries.

As seen from this issue of the Journal of Nordregio, the uncertainty as to whether the Enlargement is going to affect the Nordic countries in this respect is real. We also know that the

media debates are vivid in each and every Nordic country as to the possible social and so-called soft security consequences on the wider European space.

Some of the positions taken should be viewed in the light of the important changes that have taken place with regard to the Nordic model, whatever that might come to mean, in recent years. Whereas the Nordic countries in the first two decades tended to identify their political and social arrangements

Norden and the candidate countries is already important. Moreover, we expect it to become even more so after their formal accession.

The EU incorporation of Greece, Spain and Portugal proved to be a significant success. For all three countries rapid economic growth and political stabilisation followed suit. There is no reason why this should not also be the case for the new candidate countries. In hoping for this to happen Norden

Instead, it could be argued that the return of important countries such as Poland into the common European economic and social space offers a revitalising opportunity for the Nordic countries.

as almost invulnerable to external shocks, belief in the recuperative power of the Nordic model as regards social and economic performance has become more uncertain over the years.

While the Nordic economies still perform well in many respects their vulnerability to global economic changes has been clearly demonstrated in recent years. Along with important changes in occupational and political structures, Nordic labour markets have also changed to become more demanding in their requirements of employees and job seekers. This in itself clearly has a bearing on the way EU Enlargement has been, and will be, debated.

History has thus far shown that the previous Enlargements of the EU failed to bring large influxes of foreign labour to Norden. Neither in Portugal nor in Greece was EU-member Finland or EEA-affiliate Norway seen as the promised land to young people looking for employment. The dismantling of the iron curtain in 1990 produced much the same lesson. Migration patterns between Norden and the eastern Baltic have proved to be far less dramatic than were forecast. As such, it is difficult to see why things should be much different with the coming Enlargement.

Instead, it could be argued that the return of important countries such as Poland into the common European economic and social space offers a revitalising opportunity for the Nordic countries. The mutual cooperation between

should understand that ensuring economic success, social integration and political stability across Europe is the best way to secure social security and economic well being at home.

Fearing the new is only human. The only way to respond to this sentiment is by promoting self-confident inclusion and openness. Historically, the Nordic economies have been open to global impulses. It is not difficult to understand that they can only continue to excel by becoming even more open in the future.

A Fresh Look at the Nordic Geography of Migration



By Jörg Neubauer and Arto Ruotsalainen

The upswing in the Nordic economies after 1994 constituted a period of recovery and strength after substantial losses during the deep recession that afflicted Finland and Sweden in particular at the beginning of the 1990s. Though economic growth in the Nordic countries continued to exceed the EU average during this period, a striking process of demographic and economic polarisation continued to develop within these countries favouring the capital regions and a few other dynamic urban centres. This saw a corresponding drain in the periphery, both in economic and demographic terms. Only a few other regions across the EU have faced similar dramatic losses through migration, one of the worst hit areas in this regard being East Germany. As the global economy began to weaken the Nordic economies retrenched, yet in 2002 – except for Iceland – all had better economic growth than the EU15 average. How then is migration shaping Nordic population geography today? Recent figures reveal some interesting changes.

The spatial organisation of population clearly responds to economic circumstances. As such, migration patterns have long been observed as being sensitive to national economic cycles. This effect gained momentum during the upswing in the Nordic economies during the mid to late 1990s thus boosting the polarisation process. Figure 1 captures the interplay in the Nordic countries from a macroeconomic perspective covering all years since 1986. Here we can see that the correlation between economic growth in the national economies (X-axis) and migration

from one municipality to another (Y-axis) is depicted in the change of volume over previous years. Although the figures are different between countries and across years it can be seen that in times of economic success more people decide to relocate (cf. trendlines). Consequently both Finland and Sweden saw a significant increase in migration between municipalities as their economies recovered in 1994, after the declines of the earlier part of the decade.

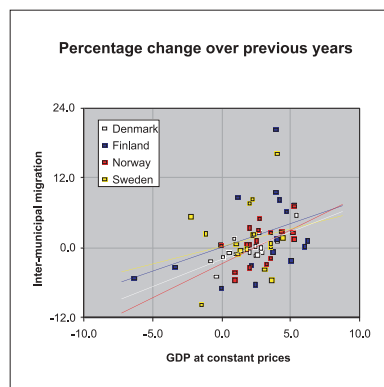


Figure 1: The interplay between economic growth and inter-municipal migration in the Nordic countries 1986-2002

Figure 2 (p.5) depicts annual net migration rates during the economic upswing phase (left) and the economic downturn (right). The population of each municipality is reflected in the size of the circle. In 2002 the Nordic capital areas and the largest urban centres were also prime target areas for migration and had more people moving in than out (green colours). However, in addition, major parts of Southern Sweden gained through migration in 2002, as did the regions of Kanta-Häme and Päijät-Häme connected to the Finnish city triangle of Helsinki-Tampere-Turku. Some regions in the Nordic periphery suffered somewhat less from out-migration than they had done previously. However, the migration gain in Västerbotten is exclusive to the city of Umeå, which had strong in-migration during 2002.

In Table 1 the Local Labour Markets (LLMs) around the three largest urban centres of Denmark, Finland, Norway and Sweden are depicted. During the period 1996-2001 the highest migration surpluses relative to population were recorded by the capital labour markets. In 2002 this position was held by the labour markets of Århus, Tampere, Bergen and Malmö respectively. Migration surpluses in the depicted non-capital labour markets increased compared with the period 1996-2001. Göteborg (no change) and Turku are the exceptions here. The opposite is true for the capital labour markets in which migration surpluses decreased to the extent that they now lie below those of the non-capital labour markets. Furthermore, certain labour markets adjacent to the capital regions such as Hämeenlinna and Lahti in Finland or Eskilstuna in Sweden, recorded strong migration surpluses in 2002. It can be seen that several factors contributed here to making these areas more attractive, not the least of which were significant investment in the traffic infrastructure and the increased availability of affordable housing.

Another change is however taking place in the very centres of the Nordic countries. In four out of five Nordic capital municipalities the substantial migration gain of several years past was no longer evident by 2002. In fact, three capital municipalities, namely Reykjavik, Copenhagen and Helsinki even faced migration losses for the first time in more than a decade. Among them Reykjavik municipality had the strongest loss relative to its population (red colour). Similarly, Copenhagen also began to record migration loss already in 2001. However, the strong excess of births over deaths supported an increase in total population or, in the case of Helsinki, kept the number of inhabitants almost unaltered.

In 2002 the municipality of Helsinki faced a net migration loss numbering 876 people. Many of them were young

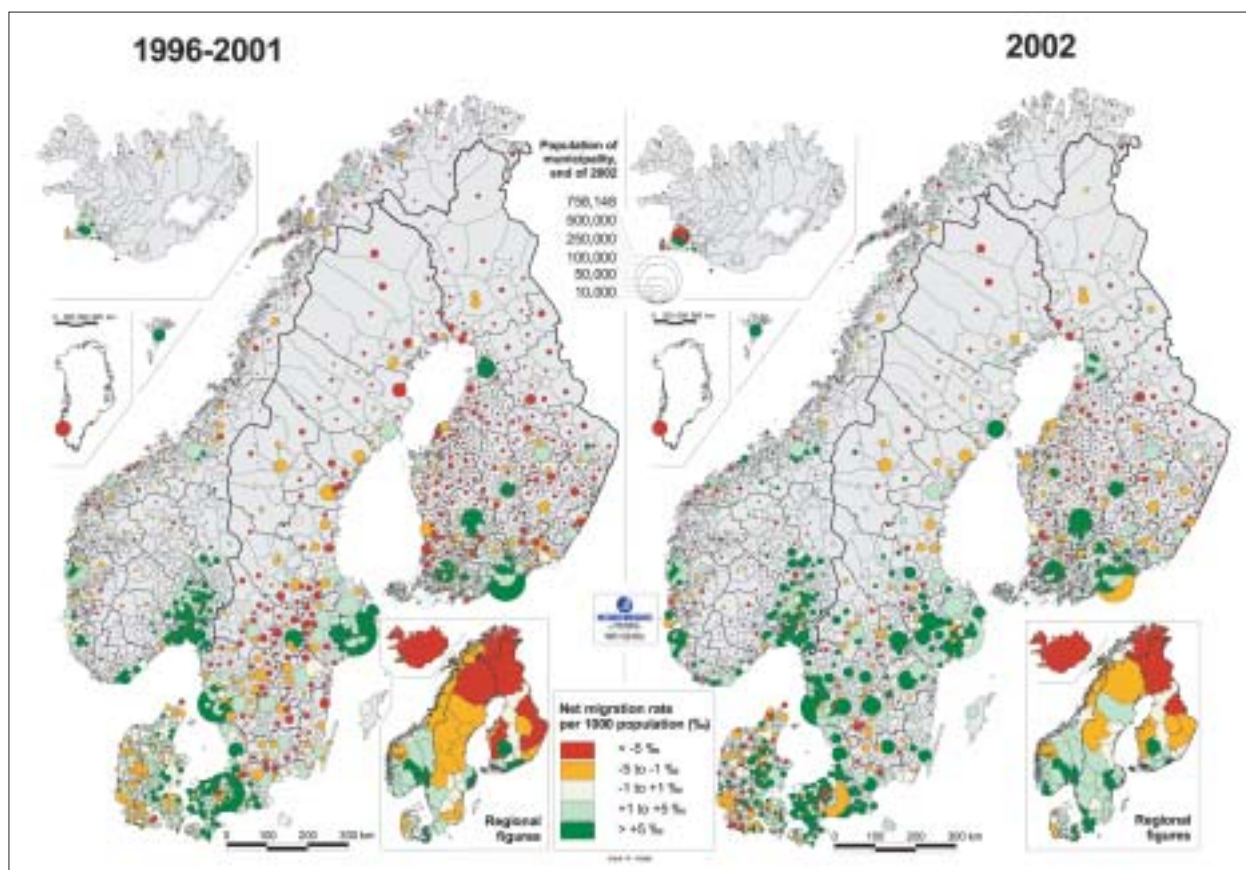


Figure 2: Net migration 1996-2001 and 2002 in the Nordic countries

DENMARK			FINLAND			NORWAY			SWEDEN		
LLM (1)	1996-01	2002	LLM (2)	1996-01	2002	LLM (3)	1996-01	2002	LLM (4)	1996-01	2002
København	3.8 %	05 %	Helsinki	7.8 %	3.8 %	Oslo	5.4 %	5.0 %	Stockholm	7.6 %	1.7 %
Århus	1.0 %	3.6 %	Tampere	7.6 %	12.3 %	Bergen	2.7 %	5.8 %	Göteborg	5.1 %	5.1 %
Odense	-0.3 %	23 %	Turku	5.9 %	5.7 %	Trondheim	3.1 %	5.6 %	Malmö	6.3 %	8.1 %

(1) Pendlingsopland 2000

(2) Työssäkäyntialue 2002

(3) Bo- og arbeidsmarkedsregioner 2000 (4) Lokala arbetsmarknader 2001

Table 1: Net migration 1996-2001 and 2002 in the Local Labour Markets of the three largest urban centres of Denmark, Finland, Norway and Sweden.

couples with children heading to locations in the regions of Uusimaa and Itä-Uusimaa surrounding Helsinki. During the latter half of the 1990s local housing markets overheated. Accordingly prices for flats and building land rose markedly. Thus today one could obtain three lots in Kirkkonummi (30 km from Helsinki centre) and 11 lots in Karjaa (75 km from Helsinki centre) for the price of one building lot in Helsinki. Furthermore the historically low interest rates favour the building of detached family houses. Similarly, in the Greater Reykjavik region the muni-

cipality of Kópavogur, recently active in building affordable housing, received many of those people vacating Reykjavik. Such arguments can also be made in this regard for both Copenhagen and Stockholm municipalities. However, it should be noted that Oslo is currently continuing to enjoy a substantial migration surplus mainly based on immigration.

In the Nordic Objective 1 areas, population decline was less rapid in 2002, particularly in Sweden. However, Sweden has the most elderly population

of all the Nordic countries. The share of elderly population is also higher in the Swedish Objective 1 areas limiting the potential for out-migration. In addition Umeå, the regional centre of Västerbotten, recorded substantial migration gains for the first time since 1996. Thus the 2002 net migration rate in the Swedish Objective 1 area would turn negative were we to exclude Umeå. Migration losses in the Finnish Objective 1 area continue to be severe. Among the 2002 Nordic top ten regions suffering from migration losses four such regions belong to the Finnish Objective 1 area, namely Etelä-Savo, Pohjois-Karjala, Kainuu and Lappi. The latter two regions face out-migration losses relative to their population that could still rank them highly on the EU15 list together with regions such as Halle and Dessau in East Germany.

In previous years migration was the driving force of population change, and

	OBJECTIVE 1 AREA			
	FINLAND		SWEDEN (1)	
	1996-01	2002	1996-01	2002
Population change	-8.1 ‰	-7.2 ‰	-7.0 ‰	-2.4 ‰
Net migration	-8.0 ‰	-5.6 ‰	-4.4 ‰	0.2 ‰
Natural change	-0.3 ‰	-1.7 ‰	-2.6 ‰	-2.6 ‰

(1) The figures excluding Umeå are for 1996-01: -7.7 ‰, -4.8 ‰, -2.9 ‰ and for 2002: -3.4 ‰, -0.4 ‰ and -2.9 ‰

Table 2: Population change by component 1996-2001 and 2002 in Nordic Objective 1 areas, annual average

it still holds this position. The volume and direction of migration flows affects the future potential for economic and demographic development at the destination but also at the area of origin. Since the most mobile age groups are also the fertile ones, a kind of 'wave effect' subsequently adds natural change to the force of population change, thus further distorting the national population imbalance. The negative excess of births over deaths contributed more to population change in the Finnish Objective 1 area than in previous years (Table 2). The northernmost Finnish region of Lappi has undergone positive natural change for decades, but the number of deaths exceeded the number of births in 2002. The corresponding figure for the Swedish Objective 1 area remained unchanged, being already quite high. Nevertheless, even here the negative excess of births over deaths was more important as a force for population decline compared with the period 1996-2001.

Extending the focus to all Nordic municipalities facing population decline reveals that, in 2002, there were fewer such municipalities in Finland, Norway, Sweden and Iceland. However, this may just be a result of normal fluctuations as the municipalities causing this decline in 2002 were mainly small in population size and thus the balance could easily be tipped in such cases. In Sweden it is noteworthy that the lowering of this number can be attached to current population growth in many small and medium-sized municipalities located on the country's Western and Southern coastline or in the stroke between Stockholm and Gothenburg. Furthermore some cities of regional importance belong to this group such

as Sundsvall, Eskilstuna and Norrköping. This change is reversed in Denmark. Currently many additional Danish municipalities are facing population decline, each of them being small in population size. Accordingly 26% of Danes reside in municipalities recording population decline. In 2002 only Finland (38%) had a higher share of its population living in such areas. However, almost half of the municipalities in question were located near the three main urban centres of Denmark, grouped West of Copenhagen, North of Århus (Randers), or in the radial spread around Odense. West of Copenhagen, and in the vicinity of Odense, residential areas emerged in the 1970s inhabited by families. Thus the current loss stems from children aged between 15-20 years now out-migrating for educational purposes.

In sum, in 2002 the clear North-South divide remained a reality. According to recent outlooks a new upswing in the European and Nordic economies is to be expected in 2004. Thus migratory movements in the Nordic countries are likely to be boosted once again. Whether the observed changes during the single year of 2002 can indicate a trend that will prevail over the next few years however remains to be seen. Nevertheless, future population decline in the Nordic Objective 1 areas is likely to be exacerbated once again by out-migration, but increasingly also by the negative excess of births over deaths. Regarding the depicted non-capital labour markets it is hoped that the substantial migration gains during the course of 2002 will continue and thus help to strengthen their position in the respective national economies from 2004 onwards.

A six-piece map set describing recent population changes can be downloaded from our homepage www.nordregio.se and includes the map presented in this article.

Swedish Countryside Worse off than Norwegian Counterpart

In a recent report, Research Scientist Ann-Mari Sätre from the Swedish National Institute for Working Life compared rural development in Sweden and Norway. Her conclusion is not surprising, namely that the Swedish countryside is harder hit by economic recession and out-migration than its Norwegian counterpart.

Her arguments are remarkable, pointing to the new EU-inspired regional policy as one of the main causes for the poor performance of the Swedish case. While Sweden increasingly relies on mutuality, cooperation, voluntary work and partnership-based policies, regional policy in Norway still forms part of a generously financed state controlled policy regime.

State retraction from the geographical periphery may increase polarisation among the rural areas in Sweden, whereas in Norway, relative political and institutional continuity safeguards the likelihood of the continuance of more equal prospects for rural development.

ESA APPROVES NORWEGIAN SOCIAL SECURITY AMENDMENTS

The EFTA Surveillance Authority (ESA) decided on November 12 to approve a three-year phasing out period in tax zones 3 and 4 for the geographically differentiated social security contributions in Norway

The ESA has decided to close the investigation procedure that was opened in July 2003 regarding the three-year transition period for the regionally differentiated social security contributions from employers in tax zones 3 and 4, and to approve a gradual phasing out of the geographical differentiation until 1 January 2007. The current geographically differentiated social security scheme expires by the end of 2003.

Employers in Norway are charged a payroll tax, which differs between five geographical zones. The highest rate of 14.1 % is charged in zone 1 where some 77 per cent of the population resides. In the other zones the rate decreases according to remoteness.

In September 2002, the Authority concluded that the current scheme did not comply with the State aid rules of the EEA Agreement and requested Norway to present measures to adjust the scheme.

On 25 March 2003, the Norwegian authorities notified to the Authority, a three-year transition period for the regionally differentiated social security contributions in zones 3 and 4, and the introduction of a new direct transport aid scheme. The Norwegian authorities also described the introduction of a de minimis scheme. No transition period was notified for zone 2 where the current rate is closer to the rate in zone 1. For zone 5, which covers the very northernmost part of Norway, the EFTA States decided by common accord in the continuation of the zero tax rate.

Because of doubts about the compatibility of the notified measures, the Authority opened a formal investigation

procedure in July 2003. [During the investigation, the Authority received comments from 10 interested parties, all from Norway. All the comments supported the proposal for a three-year transition period.

The Authority considers that a transition period would be necessary for zones 3 and 4 in order to dampen the shock effects that would follow from an immediate application of the full social security tax. The Authority also considers that the Norwegian authorities have demonstrated that a three-year period would be appropriate, and that a period having this maximum duration would not adversely affect trading conditions contrary to the common interests of the Parties to the EEA Agreement.

The decision does not concern the notification of a new direct transport aid scheme, which will be the subject of a later decision by the Authority.

NUTEK Reports on Future Regional Policy

Two reports have been unveiled by the Swedish Business Development Agency this autumn targeting the future of Swedish regional policy.

A report on national coordination for regional development (R 2003:13) emanating from a Government commission to investigate the issue proposes a stronger national coordination and targeting of regional development issues and of the methods to be pursued, particularly with regard to support for the development of the coming generation of Regional Development Programmes. The report is rather vague however as regards the more detailed measures to be taken, though it does propose a continuing process to elaborate upon questions raised.

In addition to presenting its report, NUTEK was engaged in a political press debate, which clearly showed the Agency's ambition to play a more decisive role in regional policy development, with the

Agency's leader stressing the need for NUTEK to concentrate its resources on fewer and more important policy fields than hitherto, if it was going to be successful in the future.

A special report on the national handling of EU Structural Funds (R 2003:17) points to the need for simplifying future procedures relating to the Funds in general and to the participating procedures they entail. Among the more fundamental proposals made here is the demand for one single future fund on the EU level. "Totality and effectiveness should weigh more heavily than the decision to divide up projects in order to satisfy current regulatory systems. One way is to combine the resources in one fund with one system of regulation, instead of the diversity of funds and systems of regulation which exist today," the report argues.

Modest Immigration Effect from EU Enlargement

A study soon to be published by the Institute of Migration in Turku forecasts a rather modest effect on Nordic labour markets from EU enlargement. The study, Labour Market Integration in the Baltic Sea Region before and after EU Enlargement, was conducted by Elli Heikkilä and Taru Järvinen from the Institute of Migration and Jörg Neubauer and Lars Olof Persson from Nordregio.

The authors first looked at figures for historic immigration in the Baltic countries during the period of the fall of the iron curtain, finding that the east-west migration pattern produced a small migration surplus in the west. Neither Sweden nor Finland has however experienced a massive influx of job seekers from the eastern Baltic Sea Region.

By examining the bulk of the existing literature on future migration prospects in the region, the authors conclude that there is little evidence to substantiate the argument that there will be a major influx of job seekers from the eastern BSR following EU admission of the EU Candidate countries. This has to do both with the labour demand side in the Nordic countries and with expectations in the candidate countries themselves.

Contrary to what we often like to believe, the Nordic countries, with the partial exception of Sweden, are not on job seekers and potential immigrants from the Candidate countries' favourite list. If there was to be a significant wave of emigration from these countries it is more likely to affect Germany and the classic overseas immigration countries like the USA, Canada, Australia and New Zealand than the Nordic countries, the authors conclude.



Benefiting from Neighbours Becoming Richer

– We normally benefit from our neighbours becoming richer. This has been the case with Denmark in relation to Hamburg. There is no reason why it should not be valid for the Nordic countries in relation to the EU Enlargement, says *Christian Wichmann Matthiessen*, professor in human geography at the University of Copenhagen.

– *The popular debate on the effects of labour markets stemming from Enlargement, should it not be taken seriously?*

– This is not my speciality, but looking at the effects of Spanish and Portuguese entry into the EU, it seems to me that the immigration effect has been only fragmentary. The Nordic countries are not that attractive. Besides, those coming to Denmark these days generally come from even poorer countries. I think, instead, the keys we need to open up a brighter future in the Baltic Sea Region are to be found in how we arrange the information flows, our logistics, the security challenges relating to agreements and people, and not least, how we arrange for creative interaction between various nodes in the region.

– *Are there not too many competing nodes and cities in the BSR?*

– Not at all. If we look at the present structure, Helsinki, Copenhagen, Stockholm, Berlin and Hamburg all have their own specific advantages. Take Copenhagen, our advantage is a strong transport link to Poland and the fact that our currency, as opposed to Sweden's, has a fixed exchange rate towards the Euro. All these cities have strong universities, and Helsinki has its own special location close to Russia.

– *Do you fear new competition from Warsaw, Riga, Tallinn and St. Petersburg?*

– No, we will only benefit from their becoming richer, as the case with Hamburg and Denmark illustrates. We will all benefit from having a bigger cake to cut. The challenge is to make use of the strategic keys that we have already mentioned in order to reinforce the ties within the region.

– *What about transportation and physical infrastructure in this respect?*

– Here we already find ourselves in a favourable position, but in the future we will need to reinforce the two eastbound routes of the Via Baltica and the Via Hansa. The latter is the most strategic from a Nordic point of view as it entails an enhanced focus on the coastal areas of the BSR, while the Via Baltica is more important to i.e. land-locked Warsaw and Berlin. From a Danish point of view then, we will have to establish the Fehmarn connection to fulfil our European transport integration ambitions and to reinforce the local integration of air, road, rail and sea in Copenhagen to make it an even more effective hub.

IN SHORT...



Danish-Swedish Tax Agreement Reached

On 29 October the Danish minister, Svend Erik Hovmand, and his Swedish colleague, Bosse Ringholm, finally signed an agreement settling the long disputed taxation question in the Øresund region. The agreement guarantees an unambiguous tax regime for the increasing number of persons commuting across the Sound. The agreement also contains regulations for the transfer of tax revenue on a societal level between Denmark and Sweden, as well as regulations for the taxation of pensions. The unsettled tax situation on the Danish-Swedish border has been cited as one of the main obstacles to further cross-border integration in the region.



Uncertain Economic Effects of Finnish Municipal Mergers

A Recent study on municipal mergers in the years following 1970 unveiled by the Finnish Ministry of the Interior offers few clues in the debate concerning whether such mergers pave the way for lower public spending. The report finds no significant effects with regard to municipal spending that can be related to changes in municipal structure. The ministry explains this by referring to the function of the municipal revenue system and to the general economic attitude in the 1970s and 1980s. It further argues that municipal mergers should be considered as a means of making the public sector more efficient in the future, but that they should also be accompanied by legal and economic measures directed towards making the municipalities comply with the new situation.



Sustainability at the Swedish Prime Minister's Office

On 1 December a special coordinating unit devoted to sustainable development was established at the Prime Minister's Office. The unit will be charged with coordinating Swedish sustainability policy domestically as well as internationally. The Ministry of the Environment will however continue to be responsible for overall policies relating to sustainable development.



Danish Planning Department on the Move

On 1 December 2003 the Danish Spatial Planning Department was reorganised as a unit within the Danish Forest and Nature Agency. It was previously part of the Ministry of the Environment.



Nordregio Academy

The various educational, training and informational offerings at Nordregio have now been consolidated into one comprehensive effort: The Nordregio Academy. This way we can achieve synergy effects and offer better, more flexible, products to our target groups. Products include conferences, seminars, short courses, workshops, study tours and travelling seminars. Some of our offerings are part of our ongoing work in research and development, some are cooperative efforts, and some are "made to order" for a specific client.

Our plans for 2004 include, among other things:

Seminars and short courses:

European trends and their impact on spatial development and policies. An updated repeat of the successful URSA module from 2003.

The European Spatial Perspective Observation Network: findings, their importance and their uses. Several seminars planned, both for restricted participation, and for a general audience.

Sustainable development and regional growth. An exploration of current developments and thought.

Evaluation of projects. A critical and practical look at the way EU and other development projects can be evaluated.

Project development for accession countries.

A series of short courses to help new EU countries and their neighbours in their efforts to establish good projects under the structure funds. (dependent on funding)

Workshops and colloquia

New developments in theory and their relation to practice. A repeat of the URSA module from 2003. We plan to offer the course in Scandinavian, to allow discussion of the English articles in one's own language.

Policy development in Norden. Workshops for senior policy officials: restricted participation.

Study tours, travelling seminars

North East England – regional development and regional governance. Study tour to Newcastle and Durham. Visits authorities, agencies and partnerships involved in regional development from planning to funding schemes. Also research institutes. *Participation restricted.*

Rhône-Alpes – regional development and regional governance. To Lyon and Grenoble to meet authorities, agencies and partnerships involved in regional development. Regional partnerships and development strategies. *Participation restricted.*

Regional governance in metropolitan areas. A travelling seminar to Portland, Seattle and Vancouver to explore alternative models for regional governance with competitiveness and sustainability in mind.

Our offerings will be constantly updated, so see our website www.nordregio.se for the latest information. Contact us if you would like to be put on our mailing list, or if you would like to have a seminar, course, workshop or study tour made to order for your needs.



By Kjell Bjørndalen, leader of the Norwegian United Federation of Trade Unions - Fellesforbundet

The Norwegian trade union movement faces EU expansion with anticipation and also a degree of anxiety, anticipation that the accession of ten additional European countries to the EU will contribute to improving the welfare and social conditions of many poor and underpaid wage earners, and at the same time a certain anxiety – that increased labour mobility could lead to major difficulties on our own labour market. In our federation, we are concentrating our focus on both of these challenges.

tion rules of a common market, stretching from Portugal to the Russian border. It will mean a significant advance for the Eastern European countries, which will be given a possibility to compete on equal terms in this large market, while at the same time receiving substantial support to upgrade their industrial and material standards.

This expansion will also mean challenges. When the new Member States become part of the Inner Market, they are also covered by rules on free movement of individuals and services, which will mean that workers from these countries will be able to travel to Norway and accept employment or carry out service assignments. Since the difference in living standards between, for example, Lithuania and Norway is

have considerable problems concerning illegal use of workers, especially from the Baltic states and Poland. The problem is, as Joly and Killengren indicated, that there is big money to be made on the difference in living standards. This is exploited by unethical temporary manpower agencies and, unfortunately, also by unethical Norwegian enterprises. Transitional provisions will not solve these problems in the Norwegian labour market, but they will give us breathing space and a possibility to set in motion actions to solve the problems which have already arisen and which will grow worse after 1 May 2004.

What will such transitional provisions mean? Well, they will mean that during a transitional period we can apply the national legislation which we currently have in this area. For Norway this means that workers from the new Member States will continue to need a work permit before they can come to Norway to work. Furthermore, it demands that the wages and working conditions for the work they undertake here must correspond to what is usual practice in the industrial sector or geographical region concerned. In practice that means wages somewhat above those specified in the minimum rates of the collective bargaining agreements.

But this transitional possibility does not apply to what is called outsourcing of manpower. If, for example, an EU company is successful in tendering for a project in Norway, and takes along its own workers to carry out the project, this is called service provision, and is not covered by the provisions on labour mobility. Therefore, Fellesforbundet has demanded a universal application of contract wage rates in specific areas. In practice this means that parts of the wage contract structure will become national law for the extent and duration of this universal application.

Our opposition is not directed at the workers seeking to enter the Norwegian labour market. On the contrary, we welcome them to Norway on terms corresponding to those we enjoy ourselves. On the other hand, social dumping, or callous exploitation of poorly organised labour, is an evil which must be opposed.

EU EXPANSION and the Norwegian Labour Market

On 1 May 2004, the EU will be enlarged with 10 additional countries, eight former Eastern Bloc countries, plus Cyprus and Malta. All of these countries, except Cyprus, have held referenda on their accession, and the voting in the great majority of cases has been decisively positive. It is thus with the full support of their people behind then that the former Warsaw Pact countries now adopt the vision of a united Europe through the European Union. Fellesforbundet welcomes this development. This view is shared by a large part of the Norwegian political and organisational environment, regardless of our position on Norwegian EU membership.

EU expansion also expands the scope and geographical reach of the EEA Agreement. The Inner Market, of which Norway is a part through the EEA Agreement, will naturally also apply for the new Member States. This means that these countries as well will enjoy the four freedoms and common compe-

great, the possibility of taking illegal advantage of this difference is also great. As special consultant Eva Joly of the Norwegian Ministry of Justice and police director Ingelinn Killengren said, at our national congress in October, criminal elements can be expected to transfer their activities to the areas which offer the greatest possibilities for profit. As a result, this expansion is clouded with considerable uncertainty with regard to labour mobility.

Ideologically and in principle, we should be in favour of workers from the new EU countries having the opportunity to come to Norway to earn money. There should be no difference between a worker from Lithuania and one from Germany, or generally speaking between any workers from the Inner Market. When, however, this is such a major problem that the national congress of Fellesforbundet requests transitional provisions on free movement of people from the Eastern European countries, the reasons are varied. Even today, we

ENLARGEMENT AND REGIONAL POLICY CHALLENGES



by Jan Edøy,
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Introduction

This article on enlargement and EU cohesion policy focuses on three main challenges:

- The widening of economic, social and territorial disparities at the national and regional levels within the EU25
- The role of cohesion policy and state aid policy in achieving the objectives of the Lisbon strategy to make Europe the most dynamic knowledge based and competitive region in the world
- The need to shape the new cohesion policy and the new guidelines for regional state aid for the new programming period, 2007-2013

From a European Cohesion Policy perspective the enlargement of the European Union from 15 to 25 Member States from May 2004 represents a huge challenge in respect of the likely widening of the economic, social and territorial disparities already existing within the European Union.

At the Community level, the cohesion policy and the Structural Funds represent the main policy instruments that contribute both to combating the widening economic, social and territorial gap and to achievement of the Lisbon objectives. At the national level the regional state aid guidelines are also important here as they define the framework for national policy actions.

The complementarities between Cohesion policy and state aid clearly contribute to the Lisbon objectives, while both help to set the framework for EU and national policies across the whole EU territory.

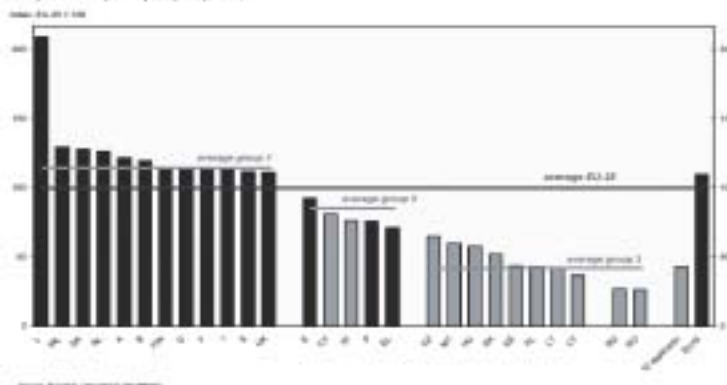
The raft of new challenges that will arise after enlargement will undoubtedly also trigger the need to see through the

reform of the cohesion policy, the Structural Funds and the question of State aid for the next financial period. From a Nordic regional policy perspective it is of particular interest for us to see if the northern parts of Sweden and Finland will continue to be eligible under Objective 1, or if low population density is a national matter that should be addressed under the new guidelines for Regional state aid.

1. Enlargement – new economic, social and territorial disparities

The enlargement from EU15 to EU25 will increase the population of the EU by approximately 20% from 375 million inhabitants to 450 million inhabitants. The EU territory will increase by 23%, and GDP in total will increase by some 4.8%, with GDP/head decreases by 12.4%.

Graph 1: GDP per capita (PPS), 2001



Disparities in terms of employment and social cohesion will also widen after enlargement.

The 75% GDP threshold in EU-15 and EU-25



Source: European Commission-DG-Regio

With reference to the “Second progress report on economic and social cohesion” (European Commission - January 2003) the EU25 will consist of three groups of countries:

- The future 8 Member States with a per capita GDP less than 42% of the Community average
- The intermediary group (Spain, Cyprus, Portugal, Slovenia and Greece) with a per capita GDP between 71% and 92% of the Community average
- The other existing Member States with an average per capita GDP equivalent to 115% of the Community average

2. Accession negotiations – regional policy and co-ordination of structural instruments - Cohesion Policy after enlargement 2004-2006

In accordance with the commitments undertaken by the accession countries with regard to chapter 21 on regional policy and the coordination of structural instruments, all acceding countries will take over, and implement, the *acquis* under this chapter from the date of accession. No transitional periods were requested under this chapter. Negotiations focused on administrative capacity, eligibility and financial allocations.

Administrative capacity;

On the issue of administrative capacity, the Commission warned from the early stages of the negotiations that upon accession the acceding countries must comply with the organisational and institutional requirements set out in the Structural and Cohesion Funds Regulations. If the accession countries did not do so, the Commission stated that it would not be able to approve the Community funding necessary. Projects and expenditure to be funded from the Structural and Cohesion Funds will become available from the 1 January 2004. This means that all relevant legislation needs to be in compliance with the regulations by 31 December 2003.

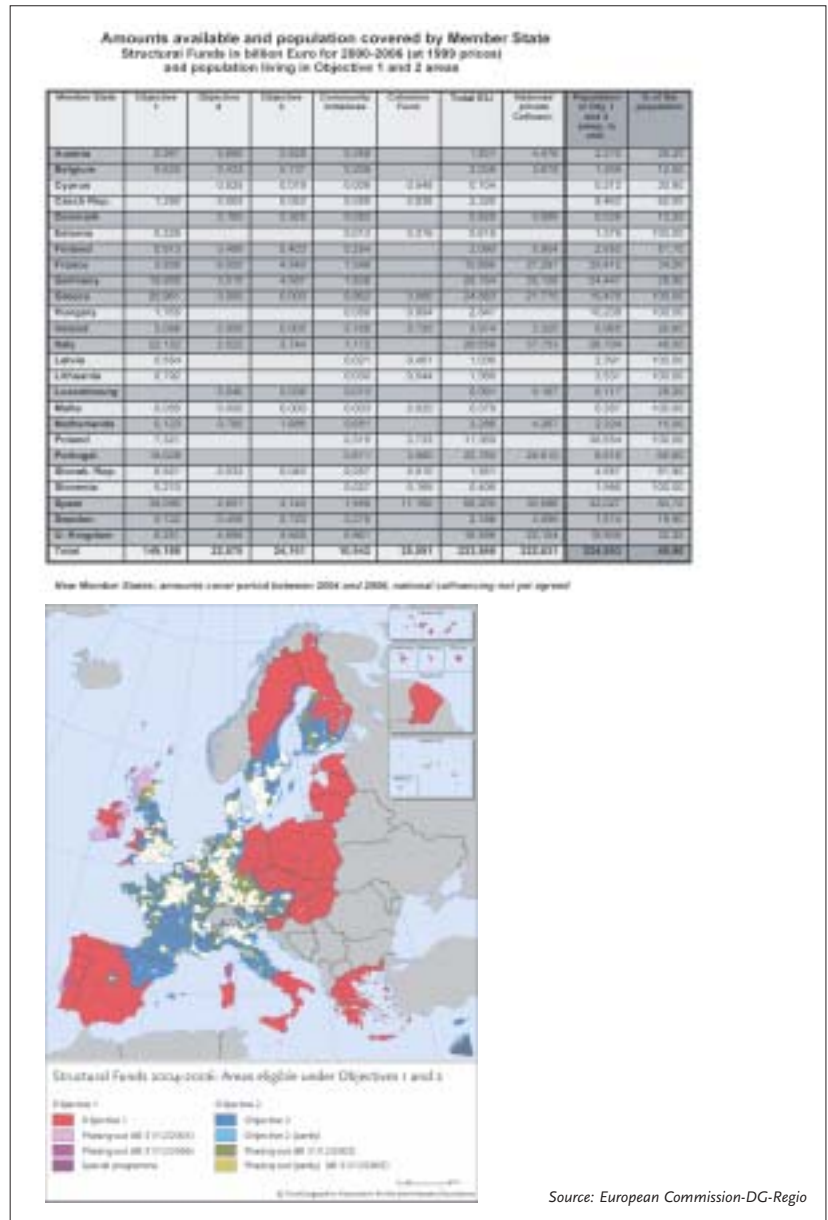
In a Communication from the Commission (COM(2003)433 dated 16. July 2003) ten items are addressed as a matter of urgency if the Commission is to grant funding:

- 1) Delays in the alignment and implementation of public procurement rules are of particular concern.
- 2) Inter-ministerial co-ordination must be reinforced.
- 3) Issues relating to financial management and control
- 4) Adequate accounting systems, which are a prerequisite for sound financial management, are still not established in all acceding countries.
- 5) In several countries the recruitment

of additional staff for the management of the structural funds has been delayed.

6) The objective of finalising the programme negotiations by the end of December 2003 needs to be maintained in order to avoid any delays as regards the implementation of the Structural Funds programmes

7) The Commission is particularly concerned that the actions planned at this stage within the project pipeline, will not be sufficient to guarantee the full absorption of the significant allocation for the Structural and Cohesion Funds in 2004.



8) The acceding countries have made a significant effort to implement the partnership principle.

9) Substantial delays have occurred in the set up of the monitoring systems.

10) In view of the efforts needed in several countries to achieve sound public finance, careful planning of the national co-financing components linked to the Structural and Cohesion Funds is an essential part of the successful implementation of cohesion policy in the acceding countries.

Eligibility

All of the regions in the new Member States, with the exception of Cyprus, Prague in the Czech Republic and Bratislava in Slovakia are eligible under Objective 1. The eligibility criteria were set on basis of regional GDP/capita (in PPP) at the NUTS 2 level, with 1997-99 as reference years.

31% of the population of the regions not eligible under Objective 1 (Prague, Bratislava and Cyprus) are eligible for Objective 2. In accordance with the *acquis*, all of the regions not covered by Objective 1 (Prague, Bratislava, Cyprus) shall be eligible for Objective 3 support.

For the period 2004-2006 all ten new Member States are eligible for the two Community initiatives INTERREG and EQUAL. URBAN, LEADER+ and Innovative actions are not implemented for the period 2004-2006.

All new Member States are eligible for Cohesion Fund assistance.

Financial allocations

The overall financial allocation for structural actions for the new Member States has been set at ff 21.75 billion for the period 2004-2006.

A Pre-accession strategy was put in place, and contributions to the furthering of cohesion were made in the form of three pre-accession instruments: Phare, ISPA and SAPARD. This contribution has been of a significant level since 1995, with its peak being in the period 2000-2004.

3. The Third Cohesion Report, Cohesion Policy and the Structural Funds for the next programming period, 2007-2013

In line with the treaty, the EU-Commission submits a Cohesion Report to the Council every third year. The Second Cohesion Report was submitted in January 2001. The Third Cohesion Report should have been submitted on 3 December 2003 but will most probably be published in late January 2004. This is due to the prolonged process on settling the overall future financial perspective of the Union for the period 2007-2013.

A significant level of expectation exists inside the EU with regard to the upcoming Third Cohesion Report as it will also present a proposal for the framework of the future cohesion policy within the enlarged European Union for the next programming period, 2007-2013.

The third Cohesion Report is supposed to provide us with a 'state of the art' view with regard to a set of development trends for the EU25, trends such as economic and social cohesion, territorial cohesion and the factors contributing to increased competitiveness. Furthermore, the report will focus on national policies within the Member States and their contribution to cohesion policy at the Community level, as well as on how different Community policies could be further improved to increase cohesion. The report will also present the impact results from the current Structural Funds, Cohesion Fund and Interreg regimes before outlining the future of cohesion policies.

It is also expected that preliminary results from the ESPON-programme will make a significant contribution to the Third Cohesion Report. It is here that a definition of territorial cohesion will be unveiled, together with an impact analysis of enlargement and arguments relating to the need to better concentrate the portfolio of activities, as well as on territorial imbalances at the European level, and in particular, the development of urban systems focusing on the polycentric development. Moreover, urban and sub-urban disparities will also be given attention. It is

also expected that a separate chapter will be created for peripheral and maritime regions facing geographical handicaps, islands, mountain regions and regions with a low population density. Finally a presentation on the differences with regard to accessibility - accessibility and transport and accessibility and telecommunication - will be made.

Territorial cohesion will become a horizontal objective in most chapters of the report. Different factors influencing competitiveness such as R&D, innovation, demographic trends, transport, energy supply and telecommunications will be emphasised through the use of territorial impact analyses. ESPON projects will again here deliver the necessary data.

According to the intervention of Commissioner Michel Barnier at the Informal Ministerial Meeting on Cohesion Policy in Rome earlier this autumn, the Third Cohesion Report will propose some significant changes in cohesion policy for the future. Here he was focusing on three principal objectives coming out of the ongoing cohesion policy debate:

- convergence and competitiveness for less developed regions and Member States
- competitiveness and employment for other regions
- cooperation for all Member States

The Commissioner stressed that there is a need for a greater concentration of resources in the new Objective 1 arrangements. This implies that there will be "phasing out" arrangements, and a special focus on those regions losing their eligibility status for "statistical reasons" as well as a continuing focus on the outermost regions. Objective 1 will include support for the development of knowledge-based activities, infrastructure and the reinforcement of administrative capacities.

Commissioner Barnier also proposed a new Objective 2 status, giving Member States the option of choosing which areas should be eligible under Objective 2 assistance within their country. Furthermore he focused on two strands within this new Objective 2; firstly the regional approach providing assistance for priorities such as innova-

tion, the environment and accessibility, and secondly on a more national approach focusing on the European Employment Strategy.

It was also emphasised here that INTERREG should be both simplified and expanded. This was particular so in respect of the establishment of a new neighbourhood instrument for the external border of the enlarged European Union. Finally Commissioner Barnier stressed that the overall contribution to cohesion policy must equal 0.45% of the GDP of the European Union.

At this Informal Ministerial meeting it was also emphasised that the cohesion policy is the most important Community level instrument with regard to achieving the overall objectives of the Lisbon and Gothenburg strategies. Another important observation here was that most countries seem to agree that the future cohesion policy should involve all regions in the European Union.

The cohesion report will also address the issue of interconnectivity between cohesion policy and state aid policy. At the same Informal meeting of Regional Policy Ministers this point was raised through an intervention made by Director General Philip Lowe on behalf of Commissioner Monti from DG-Competition.

Mr. Lowe emphasised that in less developed regions the challenge of Lisbon is significantly greater than elsewhere. He further stressed that the main focus of state aid policies is to prevent the distortions of competition in the internal market in relation to economic and market-based activities. The task of the EU is thus to establish a framework where Member States and regions can develop and implement effective strategies for growth and competitiveness without negative impacts between Member States and at EU-level.

The drive for the revision of state aid policy emanates from decisions taken at the Stockholm and Barcelona European Councils, which basically argued for 'less and better targeted state aid'. At the same time, Mr. Lowe stressed that state aid control must be more flexible

in order to reflect trends in economic development at the national, regional and local levels. He also noted that a framework of horizontal provisions, which affect public authorities' ability to intervene financially in economic sectors has seen ongoing development in the Commission. The Commission has developed block exemption regulations, guidelines and frameworks such as de minimis, aids to SME, R&D, risk capital etc. A further adjustment to these instruments will, according to Mr. Lowe, become necessary in an enlarged EU. Indeed, in this regard he mentioned here possible new exemptions in areas such as innovation and urban regeneration. He also mentioned that the Commission was working on an economic test called the Significant Impact Test (SIT). Such a test will instil greater predictability and flexibility to regional policy matters. The idea is to identify aid that is unlikely to produce significant effects on competition. In this regard it is thus important to develop a test distinguishing between important and non-important cases. In a speech at a conference arranged by the British Chambers of Commerce in Brussels, on 1 December 2003 Commissioner Monti identified four basic principles for such a SIT:

- the smaller the amount of aid, the smaller the distortion of competition – and such aid could be classified as 'of less concern'
- aid to a sector producing non-tradable goods and services would not directly shift production away from other member states
- individual aid should be more carefully assessed
- sectoral aid should be avoided in tradable sectors

On this basis Commissioner Monti put forward the possibility of developing two different approaches aimed at identifying state aid measures of less concern. Firstly an approach based on the limited amount of state aid, and secondly an approach based on its limited effect on trade. Under the first, aid could be linked to costs that are necessary for the achievement of important Community objectives such as the promotion of R&D, the protection of the

environment, the creation of employment, training etc. Here the maximum aid intensity mentioned is set at about 30% of the costs, while the maximum aid to a company would be fixed. This will be substantially above the minimis. Here Commissioner Monti mentioned that up to 1 million Euros within a three-year period would be available. For the second approach he stated that

- Aid should be linked to eligible expenses directly incurred in carrying out the activities concerned. The definition of eligible costs would be broad.
- Aid would be limited to a maximum amount for a single company per year. Again we are still discussing detailed numbers, but we are here considering a figure of perhaps € 3 million a year.
- The aid would have to be awarded through a scheme that is open to all companies willing to carry out the identified activities or, in the case of a single aid, through a tender procedure to ensure that the aid is kept to the minimum necessary.

In the same speech he also mentioned the following:

'It is clear that a key priority over the next year or so will be the review of the regional aid guidelines. As a result of enlargement the regional aid map of the Community will change significantly. The greater part of the Territory of the candidate countries will receive assisted region status. This means that a number of regions within the current Member States will lose their eligibility to receive higher amounts of regional aid under Article 87.3.a of the Treaty, either because their GDP exceeds 75% of the current Community average, or because it will exceed 75% of average GDP in the enlarged Community. Clearly we have to lay down appropriate transitional arrangements for these regions. We also have to look very closely at the arrangements for the so-called Objective 2 regions, which normally qualify for aid under Article 87.3.c of the Treaty, in order to determine whether we should continue a map-based approach, or whether it would be more appropriate to focus on certain themes such as innovation, the environment or problems of infrastructure. Of course, when undertaking this review we have to take into account the parallel review of the structural fund regulations.'

4. Conclusions

There are no definite conclusions as to how the content of the newly emerging cohesion policy, the reform of the structural funds and the new regional state aid guidelines will turn out, though we can detect clear signals as to their general direction. All of the above-mentioned policy reforms have to be in line with and supportive of the Lisbon objectives at the regional, national and community levels. It seems that a consensus among the Member States now exists with regard to continuing with Objective1, but it is not obvious at this stage whether Sweden and Finland will continue to have eligible areas under Objective1 on the basis of the low population criteria alone. It does seem however that the strengthened complementarities between cohesion policy and state aid policy advocate a low population criterion under the new guidelines for regional state aid.

A new Objective2 that is more reflective of the Lisbon objectives seem also to be emerging. With regard to Interreg IV however, the best we can say at present is that the outcome is remains open. Though there are indications that Interreg IIIA type support will continue under a new neighbourhood instrument. Furthermore, as noted previously, it is likely to be the case that the Member States themselves could establish and propose transnational programmes and eligible areas. Interregional activities are now seen as a part of mainstream activities. Moreover, the door remains open for third countries to participate in Interreg.

The Double Enlargement: Implications for Security in the Baltic Sea Region



By Christer Pursiainen
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The year 2004 will be a year of "double enlargement" in the Baltic Sea Region. In May, the three Baltic States and Poland will become members of the European Union, and in the same month the Baltic States will join the North Atlantic Treaty Organisation (Poland became a member in 1999). At the same time, NATO is looking for a new role, while the EU has embarked upon a more active period in developing its security and defence dimensions. How do these changes affect the security architecture in the Baltic Sea Region, and what are the implications for the individual countries?

From Nordic Balance to common threat perceptions

During the Cold War, the Baltic Sea Region was overshadowed by the com-

petition between the two super powers, or between the Eastern and the Western blocs. It was a typical question of security dilemmas: one party's feeling of security decreases as the other attempts to improve its security. In the Baltic Sea Region, this security dilemma was often described as the Nordic Balance, characterised by closely interdependent security arrangements. For example, Swedish non-alignment and the policy of neutrality contributed positively to Finland's relations with the Soviet Union, because should Sweden have relied openly upon NATO, this would have added to Soviet military concerns and would thus have been translated into further pressure on Finland, thus hindering Finland's participation in Nordic cooperation. Similarly, if the Soviet Union had become more active in trying to exercise military cooperation with

Finland, this would have been answered in the NATO countries of Denmark and Norway by their reconsideration of their nuclear policies, and in Sweden by a shift in its neutral stand towards more open cooperation with NATO.

Today, the situation is however altogether different. While we may say that the security dilemma no longer dominates the region, military security matters have by no means become irrelevant, they are now simply of a different character. NATO is still a major player, but its relations with Russia are characterised by growing and indeed institutionalised cooperation. While NATO never gave Russia a right to veto, Russia initially opposed NATO enlargement, in particular with regard to former Soviet republics, the Baltic States. However, a tacit agreement between NATO and Russia was reached in 1997 before the first enlargement round, when the parties signed the Founding Act on mutual relations. Consequently, in 1999, when Poland, Hungary and the Czech Republic joined the alliance, Russia did not protest. Similarly, when Russia joined the United States in its “war on terrorism” after 9/11 2001, this led to the establishment of a special NATO-Russia Council in 2002. Through this arrangement, Russia had de facto adapted to the idea of the Baltic States’ NATO membership.

In consequence, in the Baltic Sea Region and in general, NATO’s role seems to have shifted from that of territorial defence against a possible Russian threat to that of facing up to new, and less tangible, threat perceptions. As such, NATO has transformed itself into an organisation geared up to conduct international peacekeeping and peace enforcement anywhere in the world, as well as combating terrorism in all its forms, and dealing with many of the “new” or “soft” security threats. The paradox is that while the Baltic States wanted to join the “old” NATO, because of the perceived Russian threat that could materialize in the future, they are now joining the “new” NATO that closely cooperates with Russia. These developments, however, still have positive effects on the Baltic States’ security, since becoming members of NATO will, in effect, multilateralise security relations between Russia and

Estonian, Latvia and Lithuania, and thus in future Russia will not easily be able to exercise pressure against them in security-related matters.

Will Finland and Sweden take different routes?

How do these developments affect Finland and Sweden? First of all, they both regard the NATO-Russia rapprochement and NATO’s Baltic enlargement as positive and stabilising factors in the region. Nevertheless, they do not feel a great pressure to follow the Baltic States’ example, neither from the perspective of security nor from that of identity policy, since Finland and Sweden perceive their respective security situations as being incomparable to those of the Baltic States. Instead, Finland and Sweden are today closer to one another in their security policy orientation than ever before. They have similar basic foreign and security policy solutions, based on EU membership, nonalignment, and close cooperation with NATO within the Partnership for Peace programme. The countries have emphasised their cooperation and worked on a common line with respect to other security policy actors, especially NATO and Russia.

True, in 2002 Sweden amended its doctrine by emphasising the importance of cooperative security at the cost of neutrality. However, nonalignment status still remains the starting point. Only a small part of the political elite supports NATO membership, and public opinion is firmly against it. Discussion of Swedish NATO membership has not been very active, and indeed seems to have almost disappeared after the conclusion of the referendum on the euro.

In Finland, on the contrary, NATO membership is much more actively discussed, and the official line has, since the mid-1990s, been that NATO membership is an “option”. While opinion polls show only modest support for membership, a rather large part of the political elite, including that from the Government parties, more or less actively supports membership. The Government and the Parliament will update the Finnish approach in the White Paper on Security and Defence Policy in 2004. Most probably, due to

the lack of public support the Finnish decision at this time will remain that of “wait and see”, though the NATO option will undoubtedly be kept open.

Though one cannot assuredly foresee how the Finnish debate will develop, it seems probable that both Finland and Sweden will remain non-aligned at least for the time being. Nevertheless, even in this case, given growing support for NATO membership among the Finnish political elite, it seems that Finland’s NATO option will eventually be played. Over the past ten years, a certain independence from Sweden and its policies has developed in Finland, of which the EMU decision stands as the best example. In recent debates the feeling is that while Finland has no particular security policy reason to wait for Sweden’s decision, if NATO membership appears advantageous to Finland it will certainly take it up. It is however highly unlikely that Sweden would follow Finland should the latter submit its membership application, which would again create an interesting new constellation in the region, leaving Sweden somewhat isolated while all of its near neighbours would be NATO members.

The EU as a security player: divergent interests in the Baltic Sea Region

The EU’s role has recently increased in the field of security-related debates. After developing the Common Foreign and Security Policy (CFSP) during the 1990s, including also peacekeeping operations, debates have recently moved into defining a fully-fledged European Security and Defence Policy (ESDP). Germany and France in particular have forwarded the possibility of “core” countries wanting increased security and defence cooperation within the EU, proceeding further. The third great power in EU, Great Britain, has remained rather reluctant in this regard however, as it considers such a move to be a potential threat to the tried and tested structures of transatlantic relations and NATO cooperation. Most probably, a compromise will be reached where the developing EU security and defence dimension will be closely connected to NATO’s operational capacity, but not necessary always with US participation.

While discussion in the EU continues, the opinions and interests of the current and future EU member states in the Baltic Sea Region seem to differ on this question. For Finland and Sweden, it seems to be important that the EU does not develop in this direction, which would give them no choice but to abandon their non-aligned status. At the same time they do not wish to see defence arrangements inside the union that would be closed to them, essentially raising traditional fears of a dominant directorate of the "core" countries dictating policy in this area. Thus, from the Swedish and Finnish point of view this creates a desire to keep the formulation of the EU security and defence dimension relatively vague in the forthcoming EU Constitution and in other documents.

While the Finnish and Swedish stand on the EU's security and defence dimension has been cautious, they have remained active in participating in the discussion and in defending their own perceived interests. In contrast, Denmark has been extremely reluctant to participate in any way in the development of EU security and defence policy. It relies on NATO and hopes that good relations will be sustained and further developed between these two organisations, but at the same time it opposes any developments that might lead to the EU becoming a new great power. Denmark's strategy has thus been centred on passivity and non-participation. Even during its EU Presidency in 2002, Denmark renounced its right to exercise the Presidency in areas where defence issues were primarily under discussion, and stated that it will not be involved in setting the agenda in this area of EU cooperation.

The forthcoming new EU member states in the region, the Baltic States and Poland, have not participated actively in the discussion on EU defence. However, their approach is quite clear. These countries support strong transatlantic relations, and would not easily follow a policy that would weaken NATO's or the US' role in Europe. Moreover, they see no reason to duplicate already existing NATO structures. In this way, the new member states in the EU will probably closely shadow British policy in this regard.

Soft security regimes in the making

While military security still plays a central role, over the past decades the concept of security has been "enlarged". More and more non-military threats and issues are now increasingly regarded as being part of the security nexus. These questions are sometimes discussed, in contradistinction to traditional military, or "hard security" issues, by referring to them as "soft security" issues, and include questions relating to the environment, nuclear safety, illegal immigration, cross-border crime, the transport of dangerous materials, infectious diseases, and minority problems.

Many of the soft security issues are such that they cannot properly be addressed without international cooperation. However, most soft security issues are traditionally fairly isolated parts of domestic policy-making and they have only recently become subjects of international cooperation. Therefore, a conflict between state sovereignty and international cooperation often exists, and states are sometimes reluctant to let international cooperation limit their freedom of action, especially if significant economic benefits or costs are at stake. In this kind of a situation, the experience of international cooperation suggests that what is needed are international institutions and regimes, that is, the states' commitment to certain cooperative norms, rules, and procedures, which may help them to overcome the hurdles of international cooperation.

How does this situation look in the Baltic Sea Region? Clearly, there is no lack, but rather an overload, of multilateral organisations and regimes dealing with some or several aspects of soft security (including the EU, CBSS, BEAC, AC, NCM, CE, WHO, OSCE, NATO, World Bank, US-initiated NEI initiative etc.). However, this fragmentation has often resulted in an increase in intra- and inter-organisational cooperation problems. While there seems to be no clear-cut solution to these problems, EU enlargement in particular seems set to clarify the situation from a soft security perspective at least. All but one of the Baltic Sea Region countries, namely Russia, will eventually become EU members, and the EU has traditio-

nally been a soft security actor. Thus, even if all of the organisations mentioned above have their own role in soft security management, the EU may, after enlargement, work as an umbrella organisation in this field much more effectively in the Baltic Sea Region as the overwhelming majority of the region's countries share the same discursive, political, legislative and practical frameworks of action.

The eternal problem thus remains how to engage Russia effectively in this soft security cooperation. Here it is important to develop the EU's Northern Dimension further as an active and more concrete instrument of cooperation between the EU and Russia in the field of 'soft security'. Russia should be given a genuine interest in advancing this cooperation. If (Northwest) Russia is to be integrated into European structures and into the European economic space, the most severe soft security problems concerning the nuclear, environmental and infectious disease issues in particular, will have to be resolved before any genuine integration becomes possible. At the same time, these problems are not merely problems internal to Russia, but are of particular significance to Nordic countries and to the Baltic States because of their geographical proximity to Russia. Ultimately, such threats pose a significant challenge to the whole of the European Union and to the wider international community.



The Finnish Model of the Information Society

(Finnish translation *Suomen tietoyhteiskuntamalli*)

by Ilari Karppi,
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Helsinki, WSOY and National Fund for Research and Development (*Sitra*)
Sitra publications 242 (Finnish translation), 2001
By Manuel Castells & Pekka Himanen
Also published as: *The Information Society and the Welfare State. The Finnish Model*, Oxford University Press, 2002.

The key message of Prof. Castells' and Dr. Himanen's rather descriptive analysis of the Finnish information society is rather straightforward. A developmental trajectory has emerged that diverges from the one originating from the legendary Silicon Valley success story – and it can be regarded as an equally successful model in adding knowledge-based value to a given economy and society. The notion has important consequences, as it emphasises the importance of path dependencies and multi-layered contextual factors in the process of finding and selecting strategies for developing information societies. Thus we can say that no single or “orthodox” model exists. As such, the imposition of straightforward conditionality by the industrialised econo-

mies, who have already developed their own variants of the information society, on developing economies who need the early movers' assistance for building theirs cannot now be considered legitimate.

Given this, it is no wonder that the book has been welcomed in a number of developing and emerging economies now seeking ways to upgrade their knowledge-creating structures. The Finnish foreign policy leadership has seized upon the opportunity to develop a more fully fledged policy in this regard and from time to time has thus advocated these ideas in various areas of international relations, both in the context of the EU and its eEurope programme, and as a wider part of international development co-operation. Having one's own information society model has thus become an important part of the nation's identity and even of its ability to exercise its own self-determination – always a delicate issue in the curiously complex mental relationship between Finns and the way they think they should be in order to earn

acceptance from the rest of the world. This particularly Finnish *weltanschauung* (expressed throughout the work in question here) certainly goes some way to re-interpreting the information society project in such a way that it would not be easily recognised by non-Finns.

Much of the book's descriptive content focuses on the social and institutional innovations that underlie breakthroughs on the technological front. While the welfare, industrial, technological and regional policy infrastructures, viewed as a necessary structural precondition, are also recognised as important factors in making technological advancement possible. As such, Castells and Himanen highlight several financial and policy institutions, as well as enterprises and research institutions, whose delicately designed co-operation, often taking place in personal networks, has given the final form to the Finnish model. Co-operation, flexibility and the permeability of organisational boundaries, all surrounded by a high degree of personal and “systemic trust”, pace Niklas Luhmann's formulation, all contribute to the Finnish-ness of the model.

For a Finnish reader much of the institutional story sounds familiar. In this respect the book could be an updated version of Raimo Lovio's *Suomalainen menestystarina* (in English, “The Finnish success story”) from the late 1980s. These two books thus essentially provide “before and after” snapshots of the dramatic decade that started with the economic crisis in 1990 and ended as the ICT bubble burst in 2000. What happened between these two landmarks in recent economic history has been a topic for an entire Academy of Finland research programme. Moreover, a plethora of reports has been published on this issue seeking to explain what happened in the various policy areas at a time when the Finnish information society model established its current course. A significant proportion of the post WWII welfare state settlement, and with it particular welfare state policies, changed during this period, even if in Castells' and Himanen's text, the welfare apparatus remains a relatively stable ‘black box’ with a fixed content. Though the authors do bravely seek to open that box in their series of system models.

So what is new with Castells' and Himanen's analysis? For a reader unfamiliar with the Finnish technology and innovation policy set-up discussed in a framework of the actual and imagined features of a Finnish mindset (i.e. the huge majority of the potential readership), there is much that will be of great interest. For me there were two particularly interesting areas: the spatial organisation of Finnish information society, and its ethical standings – Pekka Himanen's pet subject. As to the question of spatial organisation, the question of regional development policies is dealt with as a means of supporting the creation of the local and regional critical masses that in turn enable local specialisation. This is a crucial issue if a nation with a small population and a dispersed settlement structure even wishes to compete on a par with economies that have larger populations and knowledge reserves, and dense urban textures with cities in different roles. Moreover, it is one of the key areas in which technology-led development meets regional/spatial development policies.

The authors thus become involved in the micro-regional analysis of the location of the information society and in the origins of the content produced in it. They go through post-code areas with a high density of domains to discover that the information society in Finland is, by and large dispersed, but effectively spatially concentrated on university towns and particularly in centres with universities of technology, or universities with large technological faculties. Indeed, much of the Finnish information society has emerged among the enthusiastic students and faculty members in the extensive Finnish university network. This is where the discussion of the ethical standings comes firmly into view. Much of it can be described as having originated in the form of an intellectual experiment rather than as a profit-seeking endeavour. Pekka Himanen has described this elsewhere as hacker ethics.

The discussion of hacker ethics as a force that will change the way in which Finns, and Finnish organisations work and behave does however have some significant weaknesses. While the authors emphasise the non-profit, experi-

mental and even revolutionary origins of the Finnish information society project – something that has required a lot of hard work not motivated by fiscal remuneration – they end up suggesting that this form of work culture is now on the decline. They do not specify their argument but simply postulate that earnings, and thus making money through the bringing to market of innovations, is replacing the traditional Nordic/Protestant way of stressing hard work as a source of success and wealth. The argument may well be plausible, but it cannot be satisfactorily derived from the hacker trajectory – that in turn may in itself simply be a slightly overromanticised picture of how the story began. Though it is undeniable that until recent years an egalitarian mindset prevailed, one that may have regarded money more as a means than an end. That view now appears to be losing ground.

The old model that in a certain sense may have given birth to the hacker ethic was fostered by the welfare society. In it individuals dared to take career-related risks by going to areas with wealth-generation potentials behind a Rawlsian veil of uncertainty. These factors can be treated as components in some sort of pro-creativity mechanism underlying the Finnish model. Raimo Lovio, the author of the "Finnish success story" mentioned above, gives an intriguing description of the differences between the Finnish and the original Californian information society models. Lovio reminds us that Steve Wozniak and Steve Jobs, who started to put Apple I computers together in a garage had indeed a very peculiar garage compared to any Finnish one:

"When Wozniak and Jobs opened their garage doors in the morning they faced the world's largest markets. When Freddie Finn opens his garage doors in the morning, he probably faces three metres of ice and snow." (translated by IK) In these circumstances it should be only natural to require determinate measures to settle the otherwise all too obvious handicap if these two environments are to be brought to compete against each other.

Reading Castells' and Himanen's book was also an interesting linguistic experience, as the Finnish version appe-

ars to be translated directly from an English manuscript. Some of the text's accuracy is obviously lost in the translation and some of the formulations sadly verge on clumsiness. This creates a puzzling and slightly alienating atmosphere but certainly helps to feature the appraisal of the Finnish model as an external expedition. Similarly, some vague and sloppy argumentation, such as that concerning trade unions as sources of income-bound unemployment benefits, also has this effect. Though it may be close enough to the truth on a global scale, at the domestic level the linkage between the trade unions and unemployment benefit funds has been a persistent topic of major debate in respect of the issues of societal influence and governance.

Can the book be recommended? Absolutely yes, if one is looking for a thought-provoking view of an information society model that comes in from the cold – a designed and deliberate information society model. Due to its description as a system model it is comprehensive but not over-extensive and is thus manageable. Moreover, it also serves as a directory for a wide variety of sources dealing with the information society, both as a general model and in its Finnish guise. At its best the book reminds us of the fact that information society models can be put together from many components, embedded in different industrial and societal traditions. Time and indeed only time will tell however which of the alternative models will prevail.

Gender-Power and Regional Development

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During one week of November 2002 three political scientists, two Swedish and one Norwegian, defended their doctoral theses. This would not have been a particularly sensational event if it were not for the fact that all three were women, and that all had written their dissertations on women, power and politics in a regional context, was this a coincidence? Independent of each other they developed their projects and conducted their research throughout the 1990's. The first to defend her thesis was Ingrid Pincus at Örebro University, on the 7th of November. The second was Malin Rönblom at Umeå University, on the 15th of November, and third was Ann Therese Lotherington at the University of Tromsø, also on the 15th of November. As the author of this review is the latter, my dissertation will primarily be used as a basic position from which the others are discussed.

Equality politics at the municipality level

In her thesis, "The politics of Gender Equality Policy - A Study of Implementation and Non-Implementation in Three Swedish Municipalities", Ingrid Pincus raises the question of the implementation of equality politics at the municipality level in Sweden. Her empirical field consists of three local authorities, of which each has been active in the implementation of gender equality policy over the last fifteen years. She followed developments in these municipalities over a number of years, and this led her to wonder why the Swedish government's gender equality policy, in spite of its broad and general political consensus, generally hit an invisible buffer when it came to be implemented locally. What

happens in the implementation process, which, according to traditional implementation theory, should be an administrative activity aiming at realising political visions and decisions? More precisely, Pincus asks what role do men, in political and administrative leadership positions, have in the implementation or non-implementation processes of gender equality policy locally?

In order to analyse this, she finds it necessary to see implementation of government policy as a political process, rather than as a solely administrative one. Her theoretical tool is a modified version of the classical political science approach by Bachrach and Baratz' (1970), namely, the non-decision-making model, which includes a discussion of power relations and conflicts in the implementation process.

The overall finding is that national gender equality policy is only weakly implemented at the local level because of various obstruction strategies used by men in leadership positions. In the process of implementing a democratically decided gender equality policy, the policy is effectively re-politicised, and thereby made open to judgement by non-democratic actors in non-democratic institutions. This is interesting, as it shows how men's individual power is used to prevent the gender equality issue from forcing its way onto the local agenda in a proper way. If men, as Pincus shows, dominate as leaders in local administration, and use their positions to prevent democratically decided gender equality issues from being implemented, the ongoing increase in women representatives in local government will have little significant effect on policy change, even if they contribute to decisions regarding gender equality. Who then, are entitled to political

influence locally, and thus who are considered relevant regional development actors? Pincus concludes that "Women's engagement in, and work for gender equality issues is vital but women cannot fully realize the goal of gender equality without the involvement of men" (p 201).

My interpretation of this is that it is men who are considered to be the key to the realisation of gender equality in local contexts, and thus it is they who are entitled to power and influence. I do see her point but I do also see the danger of a strategy relying on men ending in co-option. My own research on woman-oriented regional development policy in Norway shows that women and women's understandings of gender and regional development were either rejected as irrelevant or co-opted into the dominant discourse on regional development (Lotherington 2002). In order to develop ones own critical thoughts, and by that influence societal, or as in our case, regional development, economic and intellectual independence is necessary, as Virginia Wolf pointed out in her essay "A room of one's own", published in 1929. And here is where we enter Malin Rönblom's doctoral thesis.

Women's organising for rural development

In her dissertation, which with a symbolic reference to Virginia Wolf is called, "A Room of ones Own? Women's Organising Meets established Politics", Rönblom studies three women's groups, all of which have the overarching goal of improving the situation and position of women in their local communities. The groups were all conscious of their strategy for change as organising in women-only groups outside the established political system. Rönblom asks how power relations between women and men in specific local contexts manifest themselves when women attempt to increase their influence? She seeks the answers by focusing on the relationship between established politics in the municipalities and these women's groups' as they struggle for change.

The central aspects of the dissertation concern the geographical space of the rural, politics, and women's ability to

act. In contrast to Pincus, Rönnblom's research position is that of the constructionist, viewing the rural, politics and gender, not as fixed artefacts but as constructions. In her analysis of the local gender power order, the focus is set on how these terms are constructed, and what consequences such constructions have for women's influence on rural development.

What Rönnblom finds is that the activists organise as women because they feel that the established political arena is closed to them. However, they unite in order to further a common goal. They organise in activist groups because they want to live in these communities, not because they are women. Their political aims are to a large extent in line with those of established politics, that is, to develop a society in which women and men can and wish to live. The women's groups are, however, more focused on gender equality as an important societal aspect than are mainstream politicians.

In spite of the commonality with the established politics, the women's groups were met with resistance in their efforts to influence development policy. Rönnblom finds that the degree of resistance depends on how the established politicians and the activists each respectively construct gender. The larger the gap between the politicians and the activist in the construction of gender, the harder becomes the resistance against the women's groups. This gap was also important in the construction of the gender-power order, which differed in the three communities. The less of a challenge the women's groups were, the more they were accepted as political actors.

In my study I saw the same tendency, although I analysed internal processes of policy change within the Regional Development Unit in Norway (DU and later SND). The larger the gap between traditional policy and the women-oriented policy, the harder became the resistance against these women's initiatives. In the Norwegian case it meant that it was impossible to argue for gender equality within the framework of regional development policy. I saw the same kind of obstruction strategies used towards these women as Pincus describes in her study, for example to label

women troublemakers as being "too feministic". However, where Pincus saw men in leadership positions doing this, I saw women in such positions doing so as well.

Conclusion: Individual-, institutional and discursive gender-power

Again we may ask, who are to be considered relevant regional development actors, and what kinds of gender-power mechanisms are set in motion in the regional development context?

Pincus shows us that women's influence via the established political arena in the municipalities is limited, because the gender equality issue is re-politicised in the implementation process, while the important positions in this system are held by men. Thus, she graphically illustrates how men's individual power prevents women from gaining political power locally.

In Rönnblom's cases the established political system is seen as the proper arena for political influence but the activists in the women's groups do not see this as an alternative to their own political activity. They feel that they have no access to this arena, and thus organise outside it. However, Rönnblom concludes that the power to influence via such organised groups outside the established political system remains limited. Essentially, as I interpret her, she highlights how institutional power is executed towards the women's groups by the politicians. The activists are thus excluded because of their organisation exists beyond or outside the mainstream. The problem is thus more in the way they organise, than in what they do. The established political system seems to lack the relevant repertoire of institutional rules to handle such organisational structures. The women's groups, therefore, disturb the prevailing order, and cause a form of turbulence, which is then rejected.

The women's groups are not only rejected because of their form, however. They are also denied access because their views do not fit the established politics. Gender equality policy, for which these groups find it necessary to struggle in order to further develop the good society for both women and men, is not included in the dominant regio-

nal development discourse. Discursive power is thus executed in order to exclude these themes and actors from the debate.

The process of defining borders via the inclusion and exclusion of people, issues and organisational forms is the core of the discursive execution of power, and that is what happened in Pincus' cases, in Rönnblom's cases and in my own case. Why is this so? What is the problem? My answer would be that this is a question of women challenging the prevailing gender-power order, stating explicitly or implicitly that the regional development policy favours men. In so doing they term men as a political category, and demand them to take on political responsibility related to gender and power. And that is forbidden – indeed it is the most forbidden act (Eduards 2002).

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This book, in Norwegian entitled - *Hva var det jeg sa?* - has just been published by the editor and journalist Trygve Hegnar. The book, a collection of 600 editorials written over 30 years, weighs 1.8 kgs. Tor Fr. Rasmussen's book *Bosetting og byutvikling. Planlegging og politikk i Norge - i går, i dag, i morgen* (Rasmussen 2003) weighs only 1.2 kgs, but could well have had the same title.

Tor Fredrik Rasmussen's report on urban development in Norway sums up fifty years of work as an urban geographer. His career as a lecturer and later as professor at the University of Oslo provides the academic basis for his work, but Rasmussen has also worked for shorter periods at the

cinema for the non-urban regions was a *distriktssaneringspolitikk*, a policy of clearance of the peripheral regions. Instead of trying to help these regions survive, Rasmussen thought it better to let these regions go and concentrate on supporting the urban regions that attracted new generations of young people. These views provoked Ottar Brox, who in 1966 had published a book "*Hva skjer i Nord-Norge?*" (What happens in North Norway?), into presenting a completely different view of regional and local development. Indeed in his response Brox (1967) characterises Rasmussen's views as a mixture of "conventional wisdom combined with science fiction, supported by chance data unrelated to the problem." The

processes. Rasmussen's message was, and is, that urban development planning in Norway has been weak, and that political decisions about urban and regional development have often been inconsistent, opportunistic, irresponsible, unprincipled and cowardly (Rasmussen 2003, 343). The fundamental weakness of regional policy, according to Rasmussen, is that for more than thirty years it has focussed on peripheral, rural regions. Urban growth, in particular in the large urban regions, was defined as negative because it drained people away from marginal regions. Industries were encouraged to leave the towns and go into sparsely populated areas in order to reduce or stop out-migration. A consequence of this negative view of population growth in the Oslo region was that urban regional planning did not receive the priority it deserved.

Supported by reliable data, Rasmussen shows that such a regional policy has however not resulted in the consolidation of the population map of Norway. Indeed, the inevitable concentration process has continued up to the present time. This brings Rasmussen to his second important point. The absence of regional coordination and cooperation in physical planning leads to pressure problems within the boundaries of Oslo and to a corresponding atomisation of development in the suburban municipalities surrounding Oslo, leading further to a dispersion of the suburban and peri-urban population in small residential clusters spread all over the countryside (i.e. small urban satellites). A restrictive policy on the protection of agricultural land further aggravated the situation. Although political rhetoric recommended an environmentally sound and cost-effective transport system, based on collective transport, the evolving settlement pattern was nevertheless dependent on private transport. Chapter 15.7 of the book presents a number of very instructive case studies demonstrating what went wrong in this regard.

A third major issue in Rasmussen's line of reasoning is that the regional political/administrative system, both spatially and functionally, makes it difficult to plan development taking place across municipal boundaries. He deplo-

DIDN'T I TELL YOU?

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Norwegian Institute of Urban and Regional Planning, in Statistics Norway and at the Oslo Urban Planning Office. In addition, he went Nordic as Professor of economic geography and planning at NORDPLAN in Stockholm between 1968 and 1975. After retirement, he worked as a senior researcher at Oslo Research. His main field of interest has been urban development, with an emphasis on the settlement system and on commuting. He has participated actively in the public debate on regional and urban development. Much of his work deals with the Oslo region.

For almost 40 years a polarised centre-periphery debate has been pursued in Norway. Rasmussen was among those who early on published data about urban growth and commuting in Norway, and came to the conclusion that urbanisation and population concentration was inevitable, even inexorable; "konsentrasjonsprosessens ubønnhørlighet". He describes his view as fatalistic (Rasmussen 1967). His medi-

temperature radiating from such a heated exchanged soared.

The actual point of conflict between these two researchers was partly methodological. The anthropologist Brox obtained his data from local key informants and through participant observation, while Rasmussen still characterises himself as an empirical positivist (Rasmussen 1998, p. 9). His work in the second half of the 1960s was dominated by two quantitative studies, one on metropolitan growth, commuting and urbanization in the Oslo area (Rasmussen 1966), and the other on urban regions in Norway, which focussed on the regional concentration of the settlement pattern (Rasmussen 1969). Both of these studies were based on analyses of population census data.

Brox and Rasmussen did however have one thing in common; a strong political motivation for their work. Brox pleaded the cause of peripheral communities threatened by macroeconomic

res the de facto veto rights of municipalities to stop regional coordination initiatives. The municipalities control the land use pattern, whereas the national and county levels are responsible for most of the infrastructure, particularly transport. The county has weak legal means to enforce cooperation between the local and the regional levels, and there is little political enthusiasm among local politicians to use the power they have. Rasmussen puts the blame on the so-called sixty-eighters, the small-is-beautiful people and the no-to-Europe attitude in 1972, as well as on the opportunistic egotism of local politicians, and he regrets that the administrative system has given up the essential task of obtaining political acceptance for their professional proposals. Rasmussen is a firm believer in the necessity of public control over the use of land in Norway. Disillusioned by the weakness of the public planning system, he wants it strengthened, though he ends his book by asking whether this is possible in our neo-liberal age. It could be argued however that he could have followed this line of thinking one step further. After all, is not one of the causes of the advance of neo-liberalism simply a lack of trust in the public planning system? Rasmussen's book is full of good examples of how the political and administrative systems responsible for regional planning have failed to do their jobs properly.

His recent book thus has a rather misleading title. It deals with urban development, but mainly that of the Oslo region. A number of the more general chapters present national overviews, but most of the empirical observations deal with the capital and its region. Most of the book is a textual analysis of reports to government, of ministerial recommendations to parliament, and of the records of debates in parliament. This textual analysis is extensive and thorough, though it is perhaps often too detailed for the general reader, while on occasion it can sometimes be repetitive.

The publisher of this work calls it a book. Rasmussen himself calls it a report. In this case Rasmussen is correct. The report is a documentation, over a fifty year period, of urban physical planning in the Oslo region, wrap-

ped up in background chapters on the historical development of the national planning system, and supplemented by case studies from Denmark, Sweden and Germany that present organisation models for planning on a regional level, with examples from major urban regions. As such however it is definitely not a book that the reader will read from the first page to the last before going to sleep. The dust jacket wrongly describes it as a basic textbook in general physical planning, but adds that it could act as a useful documentation for graduate and postgraduate students. This is possible, but the book would have been more useful if it had been provided with an index. The editor adds that the book ought to be of interest to politicians and civil servant involved in municipal and county planning. This wish is laudable, but the format of the book will effectively keep it from being read by these target groups. I have spent the most part of a week on the book. Not many readers are in this privileged position. For those who want a short and readable introduction to his views of regional policy I would thus recommend Rasmussen (1995).

It is plain however that Rasmussen did not get adequate editorial assistance from the publisher. Many of the illustrations are scanned from originals, and have as such lost much of their potential informational value. The reference system could have been more consistent, and the book would have profited significantly from patient proofreading. Moreover, any publisher worth their salt should surely have advised him to shorten the text considerably.

In conclusion, a final question has to be raised. Has Rasmussen deliberately chosen a presentational form that unnecessarily antagonises those he is himself criticising? In another book Rasmussen touches on this problem in an epilogue. He characterises himself as an elderly researcher, who has often been perceived as a polemicist when he confronts adversaries with empirical observations (Rasmussen 1998, p. 255). He will thus not be surprised if his book is simply ignored in both the scientific and political environments that for many years have dominated the arena of regional research

and policy (p. 254). Have I been reading a book by a disillusioned colleague? Perhaps, as it is undoubtedly the case that a certain level of bitterness is laced throughout the text. One way of reacting to disappointment is to strike back, though this always contains the risk of becoming ever more isolated. I have, during my long life as a geographer, had the pleasure of reading many studies written by my - and Rasmussen's - colleagues who have made valuable contributions to the analysis of regional development and urban growth in Norway. It is a pity however that most of them have not been found worthy enough of being mentioned in Rasmussen's book.

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