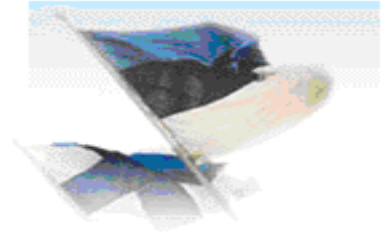


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Master Thesis

Cross-Border City Cooperation in the Baltic Sea **Talsinki and the Øresund**

in cooperation with an internship (06.06. – 02.08.2006) at the Baltic Sea Forum e.V.

*in order to obtain the double diploma degree
Master of Arts in European Studies*



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Leadership is based on inspiration, not domination; on cooperation, not intimidation.

- William Arthur Wood -

Abstract

Within the EU's development, the rise of the region plays an important role, when talking about further European integration and economic development. Regional revival is taking place all over Europe. The 'new' or 'knowledge' economy sparks emphasis on the economic role of space and place. Growth centers can mainly be identified within metropolitan areas. Cities depict the places of cultural as well as economic development; they draw attention towards their centers via cultural activities, nice living facilities etc. Cooperation between cities, in e.g. twin-city regions, will lead to further growth and success which can even result in spill-over effects on the national economy as a whole. A so-called *network society generates a window of opportunities*. However, in today's globalized world, borders are losing significance and free movement of capital, goods, services, and persons, allows for larger cooperation across national borders. They do no longer depict distortion areas and are obstacles to trade and economic development, but rather become bridges and cooperation links that can support regional economic development. Especially where twin-city regions emerge in a trans-border area, cooperation will be highly successful when fulfilling certain preconditions.

The Baltic Sea Region depicts a special area within the European framework, since it has a long history of trading relations, and it can be seen as the bridge between East and West. Northern Europe has been described as one of the continent's *regions of the future* and the *Mare Balticum as a region of thriving economic and cultural contact*. The Øresund Region, connecting Malmö (Sweden) and Copenhagen (Denmark) is one of Europe's model regions. Here cross-border city cooperation is taking place and already led to significant success. The cooperating cities lie geographically close and are connected via a symbolic as well as functional link: the Øresund Bridge. The economies on both sides of the sound are in adaptation and since both countries are Member States of the European Union, they have several policies in common. Malmö and Copenhagen have been connected throughout centuries and people from the two cities share linguistic origins as well as a cultural heritage. They share a common institutional framework, such as the Øresund Committee or the Øresund University. The Øresund Region is working for a prospering economy of the region, further EU integration, and environmental issues and Stockholm can be seen as a common competitor. Furthermore, the region is developing the unique brand of the Øresund "Human Capital", and was named "Medicon Valley".

Talsinki twin-city region, combination of Tallinn (Estonia) and Helsinki (Finland) can be seen as a new cross-border city cooperation, being on the rise. Since the fall of the Soviet Empire, the cities, that have a long related history, have been reunited and are able to build up a prospering regional economy. The region's preconditions show great ability for a development into a successful CCC, following the Øresund's example, learning from the experiences made in the Swedish-Danish border region. Hence, Talsinki will work towards further Eastern European integration and economic development.

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List of Abbreviations

BCCA	Baltic Chamber of Commerce Association
BSR	Baltic Sea Region
BUND	Bund für Umwelt und Naturschutz in Deutschland
CADSES	Central Adriatic, Danubian and Southeastern Europe Space
CBSS	Council of the Baltic Sea States
CCC	Cross-border City Cooperation
COR	Committee of the Regions
DKK	Danish Crowns (EUR 1,- = DKK 7,2 exchange rate: July 20 th 2006)
EES	European Employment Strategy
ERDF	European Regional Development Fund
EU	European Union
FDI	Foreign Direct Investment
FINESTO	Finnish-Estonian Crime Prevention Program
INTERREG	Structural EU Program supporting border regions
IT	Information Technology
MEEC	Middle East European Countries
NÄRP	Nordic Committee of Senior Officials on Regional Policy
NATO	North Atlantic Treaty Organization
NPA	Non-Profit Association
OECD	Organization for Economic Cooperation and Development
PHARE	Phare program: Poland and Hungary: Aid for Economic Restructuring
PUR	Polycentric Urban Region
R&D	Research and Development
SEK	Swedish Crowns (EUR 1,- = SEK 8,9 exchange rate July 20 th 2006)
SEKY	Finnish-Estonian Trade Association
SME	Small and Medium-Sized Enterprises
TACIS	Technical Assistance to the Commonwealth of Independent States (EU funding program to provide grant-financed technical assistance to 13 countries of Eastern Europe and Central Asia)

Talsinki	City Region between Tallinn and Helsinki
TEN	Trans European Networks
TNC	Transnational Company
UBC	Union of the Baltic Cities
UNCTAD	United Nations Conference on Trade and Development
UNO	United Nations Organization
VAT	Value Added Tax
WTO	World Trade Organization

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Declaration of Authenticity

I hereby declare that this thesis, submitted in partial fulfillment of the requirements for the double degree Master's program in European Studies, has been completed by myself individually. In doing so, I did not plagiarize the work of an other person or have someone else complete it on my behalf, either in whole or in part.

I further confirm that this thesis, in its original and/or similar format, has not previously been submitted to any other institution for any other degree, diploma or qualification.

Freya Elisa Brune
Münster, October 2006

Acknowledgements

The idea for this thesis evolved out of a paper written for a course during the European studies program in Enschede (NL), in which I dealt with the economic development of the Baltic Sea region. Subsequently, my interest for this region was born, especially due to the fact of rising European integration and the close connection between East and West. In order to learn more about the region and its special characteristics the work on my thesis was contributed by an internship at the Baltic Sea Forum e.V., Hamburg (GER).

I would like to thank Markus Köhl as well as Audrius Vaitiekunas for their support of my thesis and for giving me the chance to getting an insight and learn more about the interesting region of the Baltic Sea during my time in Hamburg.

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Turning to friends and family, I am thanking my fellow students of the European Studies program, whom I shared hard, interesting and also happy times with during my studies. Further, I am thanking some special friends for their support, for helping me to overcome times of struggling and for their great correction assistance.

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Research Question and Methodology

The research question of the present thesis will cover the development and success of cross-border city cooperation, especially focusing on the Øresund and the Talsinki region.

Research Question:

To which extent can Talsinki learn from the Øresund's experiences in order to become a successful cross-border city cooperation (CCC)?

In order to give an appropriate answer to such question, I will make use of the following structure and methodology. First of all the thesis will deal with the question why CCC is an important factor in the European sphere. After identifying it as most important in regional policies in the European integration process, the next step will be to discuss the creation of CCC. Regional as well as city cooperation will be presented, before the special circumstances of cross-border cooperation are taken into focus. Since the two basic regions of this thesis are located in the so-called Baltic Sea Region (BSR), cross-border cooperation in the BSR will be dealt with as well with the special emphasis of European support cooperation around the Baltic Sea. By the preceding structure the thesis will zoom in from mere regional cooperation to explicit cross-border city cooperation in the Baltic Sea region.

Secondly, the thesis has to define successful CCC, in order to point out later on, whether or not and to which extent the Øresund as well as Talsinki can be considered successful CCC. Hence, different identification factors for successful CCC will be presented and analyzed, with help of the preceding analysis of CCC in Europe and the theoretical basis by various authors, such as, Delamaide, Maskell, Nijkamp, Paasi, Törnquist et al.

The thesis will then turn towards the two regions in question. The Øresund as a model region for successful CCC will be introduced, presenting its development towards CCC, facts and figures and then going into detail concerning the conditions of success. Here the thesis will come back to the earlier identified success factors and analyze which factors

apply to the Øresund region. Furthermore, the prevailing problems of the region and future perspectives will be portrayed.

Subsequently the thesis will turn towards the Talsinki region, following the same structure as seen in the Øresund. Talsinki constitutes a young CCC, especially characterized through the combination of Tallinn, situated in the young European member state Estonia, and successful Helsinki, capital of economically strong Finland.

Concluding, the thesis will deal with successful CCC and the conclusion of its definition. Here the main point will be to which extent the Øresund does depict such success and where success can already be identified in Talsinki. After defining both regions and identifying the Øresund as a model region which other regions can follow suit, the thesis will come to the response to the main research question: to which extent can Talsinki learn from the Øresund's experiences in order to become a successful CCC?

In this context the concept of lesson drawing by Richard Rose will come into effect, in order to built a basis for an action plan for Talsinki. Where can the Øresund's experiences be an ideal for the region across the Finnish Gulf and where does the region have to strike new paths? How can such lesson drawing be performed in Talsinki?

Last but not least the thesis will give an outlook on CCC around the Baltic Sea to emphasize the region's importance in regional cooperation and the European integration process.

Table I. Research question, objectives and methods

Questions	Objectives	Methods
Main Research Question: To which extent can Talsinki learn from the Øresund's experiences in order to become a successful cross-border city cooperation (CCC)?	<ul style="list-style-type: none"> ○ Lesson Drawing from successful Øresund – the Øresund's experiences can to some extent be applied to the Talsinki region, in order for it to become a successful CCC. 	<ul style="list-style-type: none"> ○ Defining CCC ○ Defining successful CCC ○ Analysis of the Øresund region ○ Analysis of the Talsinki region ○ Theory of Lesson Drawing by Richard Rose
1. Why is CCC an important factor in the European sphere? Where and why do the important factors of CCC develop? (Creation of CCC)	<ul style="list-style-type: none"> ○ Proofing the importance of CCC in Europe and giving reasons for the raising importance. ○ Defining the special characteristics of CCC. 	<ul style="list-style-type: none"> ○ Subjective attachment of citizens to the regional level ○ Giving examples of regional cooperation within Europe ○ Zooming in from mere regional cooperation to CCC in the Baltic Sea ○ Analysis of the different objectives and special characteristics of CCC, with help of various theorists, such as Delamaide, Docherty, Maskell, Nijkamp, Paasi, Perroux, Törnquist et al.
2. When is CCC successful?	<ul style="list-style-type: none"> ○ Definition of success factors of CCC: Geography / Links; Homogenous Economy; Common Competitor / Common Goal; Institutional Framework; Uniqueness ○ Proofing significant relation between the different success factors and their mutual interaction. 	<ul style="list-style-type: none"> ○ Making use of theoretical basis of chapter 1. ○ Defining the different success factors: ○ Setting up a table of the success factors and their relations

<p>3. How did the Øresund develop towards a CCC? Is the Øresund successful? What are the Øresund's future perspectives?</p>	<ul style="list-style-type: none"> ○ The Øresund developed consistently throughout history to become a CCC. ○ CCC is of high importance for the region. ○ CCC in the region is to a large extent successful. ○ The Øresund can develop further and become more successful. 	<ul style="list-style-type: none"> ○ Analysis of the Øresund's development throughout history. ○ Analysis of the Øresund's success factors. ○ Analysis of the problems faced by the Øresund's. ○ Analysis of the Øresund's future perspectives.
<p>4. How did Talsinki develop towards a CCC? To which extent is Talsinki already successful? What are Talsinki's future perspectives?</p>	<ul style="list-style-type: none"> ○ Talsinki developed consistently throughout history towards CCC. ○ Talsinki had to face certain problems during times of the Cold War. ○ CCC is of high importance for the region. ○ Talsinki can develop towards a highly successful CCC via a learning process. 	<ul style="list-style-type: none"> ○ Analysis of Talsinki's development throughout history. ○ Analysis of Talsinki's success factors. ○ Analysis of the problems faced by Talsinki. ○ Analysis of Talsinki's future perspectives.
<p>5. How can successful CCC be summed up, especially in the BSR? To which extent can Talsinki draw lessons from the Øresund's experiences? What will CCC in the BSR look like in the future?</p>	<ul style="list-style-type: none"> ○ The Øresund can be seen as a model region for CCC concerning regional economic develop in the European sphere and European integration, though it is still facing some problems, which have to be and can be overcome in the future. ○ Talsinki can draw lessons from the Øresund's experiences, together with developing its own objectives and means for successful CCC. ○ CCC will become more and more important within the BSR, especially concerning the European integration process and relations with the East. 	<ul style="list-style-type: none"> ○ Summing up the thesis's findings, concerning successful CCC – using the examples of the Øresund and Talsinki. ○ Analysis of lesson drawing and policy learning on the basis of theories by Richard Rose. ○ Analyzing the success factors of the Øresund and where the experiences of it can be applied to Talsinki region. ○ Analyzing future perspectives of the BSR via prognosis and developments, especially concerning East-West relations.

Source: Author

Introduction

Tallinn and Helsinki - they have been related for centuries and once were divided by a political frontier. During the last decades their relation flourished again and they can be an example for the integration of Eastern Europe. The Baltic Sea Region (BSR), which both cities are part of,

“(...) was introduced during the last few years of the 1980s into the speeches of a few politicians and academics as a new future option for the North to escape marginality and to control the disintegrating East.” (Lethi 2005, p. 9)

However, not only political integration takes place in the border area between the former Soviet Republics and Western Europe, but as well significant economic growth. “Rapid technological advances, the deepening integration in western Europe and the partial opening up of eastern Europe have potentially major implications for spacio-economic dynamics.” (Eskelinen / Snickars, 1995, p. 7) The Øresund, natural separation between the Danish capital Copenhagen and the Swedish city Malmö, depicts an important example for a growing region within the Baltic Sea Area. Both, Tallinn and the Øresund, belong to the so-called *Baltic Palette*, the core of the BSR, playing a major role regarding the development and integration of the region as a whole. Regional cooperation between cities and across borders plays an increasing role throughout Europe. The phenomenon of cross-border city cooperation within the BSR will be analyzed in the following thesis, glancing on the Tallinn-Helsinki (Talsinki) region in particular. The Øresund will function as a predecessor for regional cross-border city cooperation. The main question will discuss to which extent Talsinki can learn from the Øresund? Where do merits lie and where can drawbacks be identified?

Rise of the region

When dealing with regional cross-border city cooperation, the question arises, why do regions play an increasing and important role within European economics and politics? In times of globalization, regions seem to be growing faster and further. “Globalization goes hand in hand with regional revival.” (Maskell / Törnquist, 1999, p. 18)

There are five main arguments for regional importance when focusing on economic and political development (see: McNeill 2004, pp. 70ff.):

- Democratic deficit
- Preservation of cultural identity
- Linguistic identity
- Prosperous economies
- Success of key regions

First of all, the EU has to cope with a vast democratic deficit. This could partly be diminished if power is transformed to a lower level – closer to the people. Citizens will be encouraged to participate in the decision making process much more when decisions are made at the regional level. Hence, the principle of subsidiarity was introduced in the Maastricht Treaty in 1992 in order to allow decision-making where it is appropriate. Furthermore, an institution representing the lower level was created in 1994: the Committee of the Regions. The draft towards regionalism has led to the emergence of a more neo-liberal society, away from state centric economies towards market regulation and free trade principles. Although nation states still have influence to a certain amount, supranational as well as sub national institutions become more and more important, especially regarding economic and cultural regional networks, whereas national borders loose their significance.

As an additional aspect of regional economic development, McNeill names the “preservation of cultural identity”. (2004) Regions often have individual traditions and histories, not always homogenous with the nation state’s history and different from other regions in the same nation state. Strong incentives exist for cultural roots and place identity. Developing an identity means to distinguish the “us”, “them” and “the other”. Herewith, not only a certain feeling for one’s home region is connected, but as well a sense of security.

Furthermore, linguistic identity supports the forming of regions. Certain dialects occur only in the region and create an additional bond to the people living in the same region. In contrast, one can argue that in the last decades bilingualism gained importance, in order for people to be able to communicate on a global scale. Nevertheless, the regional dialect stands

for *home* in many aspects, and in many cross-border regions the second or even first foreign language to learn is mostly the one of the neighboring country.

Prosperous economies and the support via structural funds can also often be found in regions that are closely linked through common infrastructures, as to be seen in the Øresund region by the connecting bridge/tunnel or the Channel Tunnel between Calais and Dover. Common production patterns, market linkages and joined labor markets often call for regional cooperation (see: Keating 1998, p. 9).

The success of different key regions depicts another argument for a regional focus. "(...) Localized knowledge and relations of trust that were not present in the more abstracted global economy" can be identified as success factors in those areas. (see: McNeill 2004, p. 77) In some cases very interventionist local governments supported the high-tech regional economic development through advanced training programs. The private sector was encouraged to contribute to science parks and specialist research institutes, as can be for example observed in the Øresund region with its biotechnology cluster.

Europe is characterized by great regional diversity. Ancient regions regain power as well as new regions emerge. McNeill identifies different types of regions: The historic nationalities (e.g. Catalonia in Spain, Scotland in Britain, Bavaria in Germany), the administrative inventions (e.g. Rhône-Alpes, Baden-Württemberg), and the city regions or city-states (e.g. Comunidad de Madrid, Brussels, Greater London). The latter will be of interest in the following thesis. The city regions "(...) dominate spending decisions in their respective nation-states (...). It is partly what happens here that will determine the potency of any regional renaissance in Europe." (McNeill 2004, p. 72)

Networking in the industrial sector as well as cultural relations play important roles within cities and across borders.

Economic city cooperation

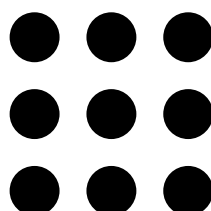
As pointed out, within Europe regions are gaining importance. But why should cities cooperate? Labasse states, "economically successful regions are basically nothing more than expansive cities and their surroundings."

(cited in: Maskell / Törnquist, 1999, p. 21). Urbanization takes place within Europe, as one can see in the decline of the agricultural sector all over the continent. The framework conditions in states, municipalities, economies and societies are in transition and, hence, there is a rising need for the ability to react to such changes in an active and flexible way. Municipalities, cities and city surroundings are confronted with increasing demands, which they can no longer take care of by themselves. Additionally to the duties in the field of financial provisions, cities nowadays have to deal with regional and inter-municipal cooperation in various areas, such as recreation and tourism, industrial and agricultural development. The coverage of wide areas and social infrastructure become new fields of activity and application. Hence, the topic of regional and inter-municipal cooperation gains importance. Within regional cooperation tasks are easier fulfilled, as well as financial synergies can turn to account.

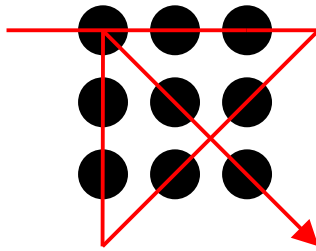
Cooperation between cities within national borders is not the only crucial point to be considered, but as well cooperation between cities in bordering neighbor states.

Economic cross-border cooperation

In times of fading frontiers, increasing mobility for labor, capital and goods, cooperation across borders becomes an important aspect to be considered. Besides the political and economic transition that supports the awareness on the transnational level, there have always been measures, which have repercussions beyond the national border. Additionally, problems occur that can only be solved in the transnational sphere (environmental protection, transportation networks etc.). The following brain-teaser very well depicts the need for transnational cooperation as a remedy for common problems. The remit of the brain-teaser is the following: How can you connect all nine points with four lines, without depositing the pen?



The answer might be more difficult than one assumes.



You have to look beyond the graphic's borders, in order to come to the desired solution. This could as well be true within spatial development. (see: Tatzberger 2002, p. 103)

Cross-border city cooperation in the Baltic Sea Region

The BSR has formerly been connected through trade relations, such as the Hanseatic League, which started its relations in the 13th century and connected the major cities of the area. The last ancient diet was held in 1669 and its action faded away. Although the League was never officially dissolved, the decline overtook the successful trade flows of the beginning. Nevertheless, the German cities Bremen, Hamburg, and Lübeck are still known as Hanseatic cities. After the fall of the Iron Curtain, the Hanseatic Diets of modern times were introduced and holds annual meetings, the last in June 2006, hosted by the city of Osnabrück. (see: Goethe Institut 2006) In the 1990s, the East started its move west again and vice versa. Long resting relations experienced a revival, although the former Soviet Republics first had to become confident again, especially regarding institutional designs, after decades of mistrust between the State and the people.

Additionally to the fall of the Iron Curtain, the East longed for closer cooperation with the West, in terms of the Middle-East-European (MEE) States becoming EU Members. The three Baltic States Estonia, Latvia and Lithuania, as well as Poland became EU Members in May 2004. Hence, the BSR is developing in an ever-closer region, regarding joined EU Membership. Furthermore, regional support via the EU is raising since the EU's move eastward. Structural funds such as INTERREG I – III, PHARE and TACIS support cross-border cooperation and strengthen the

economic behavior of the new Member States, as well as countries in the accession stage.

Within the BSR one region can be given special attention – the so-called Øresund, the region between Copenhagen, and the associated area, and Malmö with its surroundings. The two countries enjoy a common history, as well as the same linguistic origins. Hence, their connection is immanent and a thread throughout history. In 2000, the regional cooperation came to its heyday, when the constructions of the bridge-tunnel over the sound to connect both sides were finished. This connection does not only play a practical role, in order to provide for quicker transportation from one side to the other, but it as well functions as a symbol. The cross-border region is now closer connected than ever. Skills from two sides of the sound can develop jointly and the Øresund can become a successful regional economy, from which also the rest of the two countries can profit.

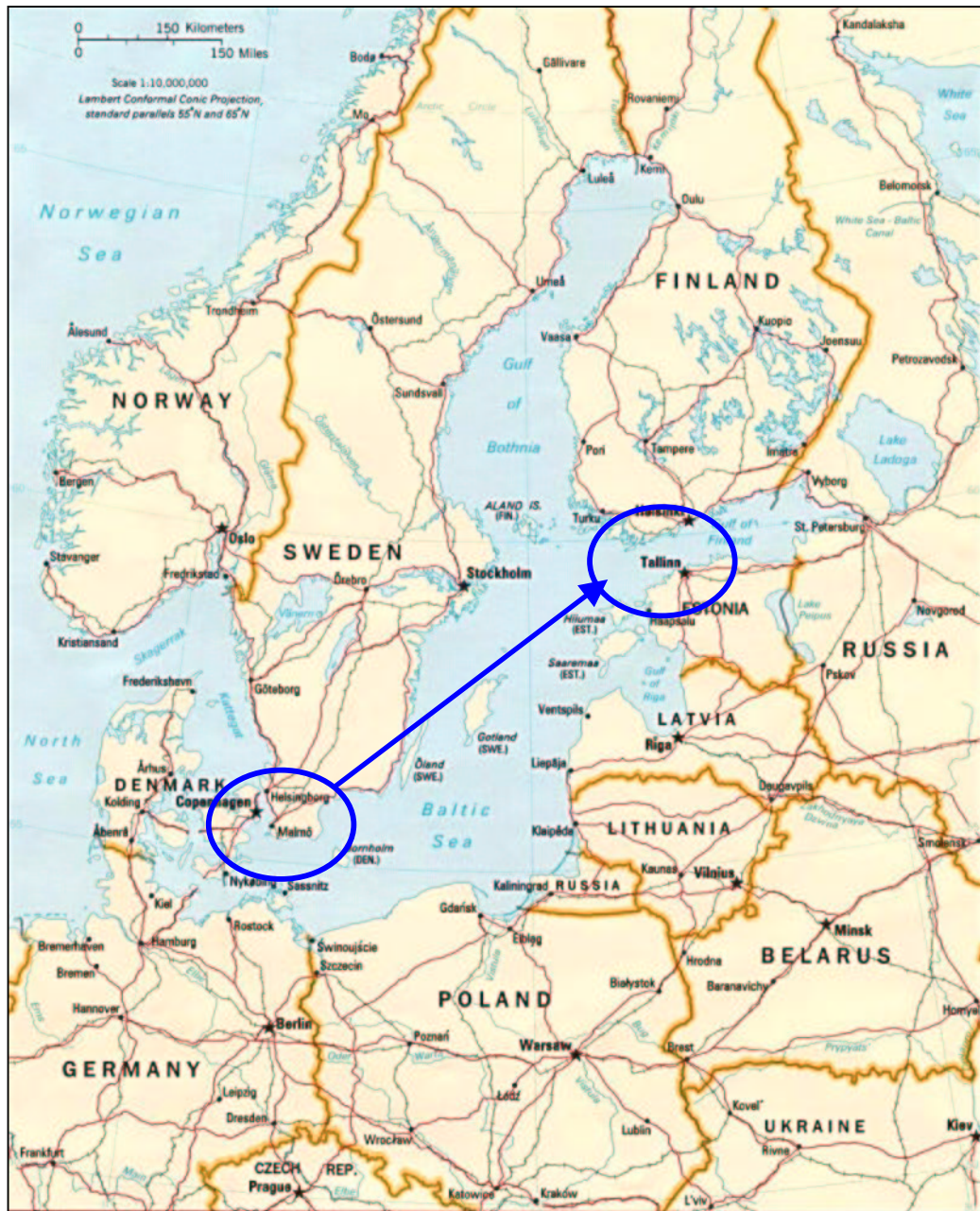
A similar region can be identified between Finland and Estonia. Such as Copenhagen and Malmö, the cities of Tallinn (Estonia) and Helsinki (Finland) share a historical heritage as well as linguistic origins. The fall of communism opened the door towards closer cooperation in the region, which was deepened with Estonia's EU accession. The city region covers an overall territory of 10.700 km², comprising 1.8 million inhabitants. Tourism plays a leading role within the region's economy with 400.000 monthly visitors during the summer. In 2000 an official cross-border cooperation network was built up with the Helsinki-Tallinn Euregio, pushing forward positive political integration in the region and setting up networking programs.

The cross-border cooperation is still developing. Up to now, the two cities are connected via the sea with 40 daily connections - the shortest taking 18 minutes. The cities already enjoy economic cooperation between companies, within environmental protection as well as joint programs between their universities and common cultural projects. Both belong to the BSR institutions, such as the Baltic Chamber of Commerce Association (BCCA), the Union of the Baltic Cities (UBC) and the Council of the Baltic Sea States (CBSS). The Øresund has already developed its

own institutional framework – a pendant might soon be installed in the Talsinki region. The Euregio's main goal in Helsinki and Tallinn strives for developing the cross-border city region into the most innovative regional economy within the Northern welfare societies.

The following thesis will be structured as follows: first of all part 2 will give an introduction into the theoretical framework of cross-border city cooperation. City networking will be analyzed in part 2.1. in more detail by giving several examples of successful city regions and different theoretical frameworks dealing with that kind of cooperation. Part 2.2 will then deal with cross-border cooperation. In which way does regional cooperation function across national borders in theory and reality? Where do merits and drawbacks lie? In the following part 3, a framework will be put up, how to create a successful cross-border city cooperation (CCC). Which factors are necessary for such a region to become competitive and successful? The different factors will be presented and analyzed in more detail. The Øresund as a cross-border city cooperation will be introduced in part 4. The chapter starts out with the regions development, past and present. Following, problems occurring in the region will be discussed in part 4.2., before part 4.3. deals with the future perspectives. As a comparison part 5 then deals with the Talsinki region in similar ways, presenting its development, possible problems that might occur in the region as well as an outlook on the future of the region – which prospects is the region facing and where can it develop to? Concluding, part 6 will take a close look on lesson drawing. To which extent can Talsinki learn from the Øresund experiences, as well as from theoretical findings? What are the future scenarios and the possibilities the CCC of Talsinki is facing?

Fig. 0.1.
Map of the region



Source: Summerschool on Coastal and Marine Management 2005

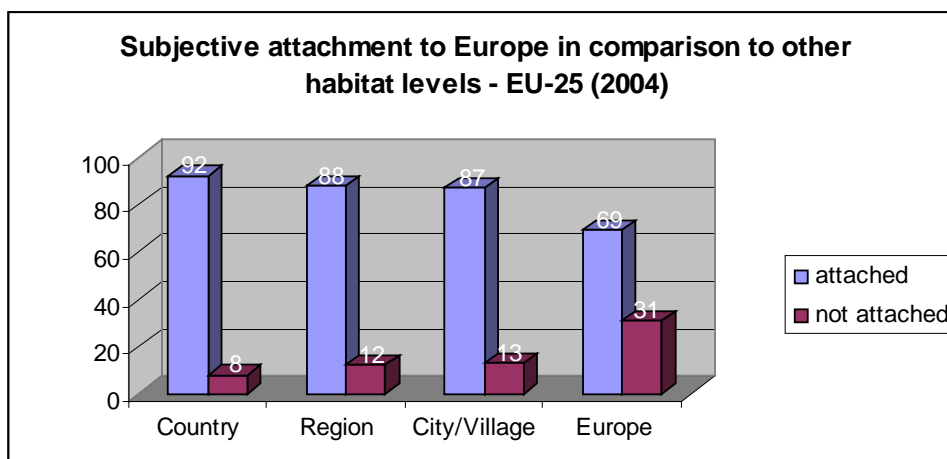
1. Cross-border City Cooperation – Theoretical Framework

1.1. Regional cooperation – City cooperation

Cooperation within regions

Europe's "new wave of regionalism" (Paasi 2001, p. 137) in the 1990s fostered regional economic development, as well as regional cooperation. Regional identity became important again, in times of globalization. National borders are fading, due to a higher degree of capital and labor mobility. The Schengen Agreement decreased border controls and English is one of the most important languages all over Europe, which enables most of the European citizens to communicate with each other, regardless their origin. Furthermore, the EU institutions gain importance and power, nation states transfer more and more sovereignty rights to the EU level and supranational organizations are raising. Besides these movements towards joint values and a higher amount of shared territory, institutions, and power, citizens are longing for security and a feeling of *home*. National values and especially regional ones regain importance, in order for the people to feel secure and to be able to identify themselves. Although the European ideal dreams of EU citizens, all feeling like citizens of the joint territory, identifying themselves as being *European*, many statistics and several polls show, that most of the people residing within EU territory still feel closer attached to their home region than to the EU as a whole. When comparing the attachment to the European level and any other (lower) level, the Eurobarometer statistics of 2004 show that the majority of Europe's population feels closer attached to their regional surrounding than to the EU level.

Figure 1.1.



Data source: Eurobarometer 62, Fall 2004

The lack of democratic accountability can be counted as one cause for this development. Hence, the principle of subsidiarity plays an important role. To take the decisions on the lowest possible level, gives back confidence to the people and a higher amount of trust in the EU institutions. Additionally, subsidiarity strengthens the regions and their economic, political and cultural development. As Anssi Paasi explains, patterns such as “social relations, trust and solidarity” (2001, p. 137) characterize regions. “(...) Regional identity joins people and regions together, provides people with shared ‘regional values’ and ‘self-confidence’”. (ibid. 2001, p. 137).

Within regions, cities play important roles. “The management of industry, finance, research, interest groups and public administration is concentrated in cities (...)” (Jönsson, Tägil, Törnquist 2000, p. 157). Cities are growth centers, but should also be seen in relation to other cities. Thus, within regions city cooperation takes place, in order to foster the region’s economy.

Cooperation between cities

Urban areas are rising, not only within Europe, but as well all over the world. Cities have always been the country’s growth centers and are developing. The agricultural sector is declining, and industry becomes more and more important. Most of the production takes place via machinery and the employment within agriculture declines. This development highly affects the population of agriculture-dominated

nations, which we can see especially in most of the new EU Member States, such as Estonia. Within the EU25, the real agrarian income per worker has fallen by 5.6% within the last year (Eurostat 2006b). This can be seen as a result of the decline of the agricultural employment of labor volume by -2.4%. Overall one can say that the agro-income decline results from various factors, such as

- Decline of the overall agricultural production (-4.8% of the value of real production prices)
- Decreasing free delivery costs (-1.9%) as well as the non-recurrent expenses of amortization (-0.3%), both at real values
- Increase of the real value of subsidies less taxes (+1.6%)

Those statistics indicate the decline of the agricultural sector, while, on the other hand, the industrial sector is rising. Since most industrial production and - power is located within growth centers, urban areas are experiencing major upswings. As a consequence, people are moving towards those centers, in order to find employment. Additionally, cities are centers of culture and knowledge, and hence, most attractive for the population. Further, the fact of *territorial proximity* plays an important role. People in cities live close to each other and, thus, inherit a feeling of *neighborhood*. Additionally, the “proximity to networks in other cities” makes cooperation between cities easier. Due to developed transport and communication systems, people and companies can easily communicate between cities. (Maskell / Törnquist 1999, p. 23) Cities are melting pots: combining several different strengths. “They have ‘historically strong concentrations of information-gathering and informational-exchanging activities’ and related institutions, including universities, financial institutions, corporate head offices and media companies(...)”. (Docherty 2004, p. 446) The emergence of innovations is very likely within cities.

However, smaller cities can profit from larger ones in their surrounding through networking in different areas. As pointed out by Gert-Jan Hospers, the combination of high-tech industries with low-tech industries can lead to major economic success. Traditional structures can be taken into account, meaning the political structure, as well as natural resources, human skills etc. In combination with high-tech inventions, peripheral areas can

experience new upswings in their economy. (Hospers 2005a) Nevertheless, such success will not be possible without functioning networking. Following, city cooperation plays an important role when longing for regional upswing.

Delamaide, as well as Labasse, speak of cities as the major growth centers, where economic emphasis has to be placed. Furthermore, Francois Perroux analyzes various growth poles and sees the major potential in large cities and the agglomeration of power and potential. Although Perroux denies that economic space corresponds to a geographic area, such as regions or cities, he, however, identifies synergies of industrial branches and identifies cluster regions. He develops a concept of linkages in regional economies. Linkages can either be forward or backward. If the production in one industry influences the production in the one supplying it, the linkage is backward. In contrast, if “the availability of the output of an industry make possible the production of industries using that output”, the linkage is forward. (Darwent 1969) Thus, Perroux clearly sees linkages in industrial production. Since he also sees cities as growth poles and agglomeration centers, industrial growth in one city, will influence the growth in the other, if their industries are connected. Throughout the last century, reality has shown, that clusters can be identified in certain regions and very often coincide with cooperation, not only within industries, but as well between cities. Delamaide’s concept of superregions, meaning the agglomeration of cities and their cooperation, points out the importance for ‘trans-city-activity’. Especially regarding the BSR, Delamaide sees a great growth potential.

The Hanseatic League stands for the predecessor of cooperation, back then mainly concerning trade. As cited above, the Hanseatic League stopped its activity back in the 17th century. The Cold War then contributed to the division of the BSR and close relations between the Baltic cities were diminished. However, the Hanseatic League was brought back to life in 1980 in the Dutch town of Zwolle. The chairman of the North European Club, Pehr Gyllenhammer, once “described northern Europe as one of the continent’s *regions of the future* and the *mare balticum* as a region of thriving economic and cultural contact.” (cited in Delamaide 1994, p. 104)

Delamaide sees great potential in the BSR as being one of the most important superregions within Europe. Not only having been able to rely on old traditions and relations, developed in ancient times of the Hanseatic League, but as well being able to play an important role in the integration of East and West. The Hanseatic League as playing such a role within city cooperation in the BSR will be discussed in more detail in chapter 1.2.1.

Some theoretical authors talk about the need for rural areas to develop into growth centers, in order to reach country wide economic success. However, the opposite can be seen as rather valid, when talking about the importance of urban centers and the rural surrounding as being able to profit from the growth in the center. Not the whole country has to develop, but the importance lies within the centers. Successful economies will not be able to spend time, finances and power into all their rural areas, but it would be of higher use to enhance urban areas and let the rural surrounding profit from the success in the different growth poles of the country. Perroux sees a great potential for economic successful cities to create spillovers towards the economy as a whole.

"Growth does not appear everywhere at the same time, it becomes manifest at points or poles of growth, with variable intensity; it spreads through different channels, with various terminal effects on the whole of the economy." (Perroux 1970, p. 94)

Of course, one can argue that urban centers as well benefit from their rural surrounding and successful agricultural production. Furthermore, people tend to move towards the peripheries of the cities, in order to live a more peaceful life. Nevertheless, we can no longer draw strict dividing lines between urban and rural areas, since the borders often are obliterated. However, economic incline takes place within growth centers and its benefits spill over into the rural peripheries.

Cooperation in the Baltic Sea Area means cooperation in plurality. The area consists of ten different nations, all speaking different languages. The countries surrounding the Baltic Sea have distinct histories and varying memberships in different supranational and intergovernmental organizations, such as NATO, EU, Schengen Agreement, EMU etc. In

order to set up functioning city cooperation within the Baltic Sea Region, certain criteria have to be fulfilled. As Marko Lethi declares, there are four main characteristics that can be relevant for successful regional networking.

- Traditions and culture
- Networking
- Identification of spatial factor
- Historical legacy

First of all the region has to have some traditions and culture in common. Here language plays a major role, as well as common historical events. Networks have to be set up, e.g. via institutions and constant exchange in different areas. Spaces in which those contacts occur have to be identified. The region has to be located in a spatially close context. As a fourth point, Lethi mentions the power of historical legacy, meaning the region's ability to base its cooperation on historical bonds, as well as the development of a legal framework being of major importance for the development of the region. (Lethi 2005, p. 19)

Despite the fact, that local circumstances are often influenced by diverse activities on the national, transnational and global level, urbanity can still be identified as "at a crossroads or meeting place". (Magnusson 2005, p. 106). The city represents the center of networking of those different levels.

City Collaboration

"The emergence of the *new* or *knowledge* economy has sparked a renewed emphasis on the economic role of both space and place." (Docherty 2004, p.446) In the 21st century, concentration lies on the exchange of knowledge, business services and other cooperation devices, in order to foster growth and success in a certain region. Consequently, spatial organization becomes important again. Larger cities strive for maximizing their potential, in order to gain competitiveness. As Ian Docherty claims, "there is a renewed interest in how cities can regain or extend their roles as major service centers." (Docherty 2004, p. 446) In order to create such service centers, cities should focus on knowledge

exchange in terms of cooperation between higher education institutions, research and development laboratories and dynamic small firms.

As cited above, Docherty as well speaks about the importance of place – the city as having the ability to represent *urban chic*, which draws attention towards its center via cultural activities, nice living facilities etc. Those circumstances attract “young mobile workers, who form the crucial human capital of the knowledge economy.” (Jacobs 1961, Rogers 1999, URBED 1999, as cited in Docherty 2004, p. 447) Thus, cities depict important centers for nation states to develop competitive advantage in comparison to other states or regions.

“Thanks to their size, their functional importance and the resulting attractive force, metropolises have specific location potentials; they concentrate a large working and employment potential and are locations for science and research as well as hubs for trade, transport and information.” (Bundesamt für Bauwesen und Raumordnung 2005a, p. 60)

Cities that strive to become competitive have to hold the ability to attract skilled people as well as innovative firms. As Florida points out, key factors such as “modern *loft-style* houses, effective internal public transport links and diverse continuing education opportunities, the provision of *lifestyle* amenities (...) together with a general atmosphere of youthfulness, social diversity and informality or *tolerance* (...)” play an increasing role within competitiveness equation. (as cited in Docherty 2004, p. 448) If cities succeed in building up such attractive centers, one of the best means to establish higher competitiveness is to collaborate with others.

Collaboration has been known as a successful advice in fostering economic growth in the private sector, meaning cooperation between firms, especially those that “might otherwise be in direct competition in particular markets.” (Docherty 2004, p. 449) Similar to such company-collaboration, cities are able to derive certain advantages and lessons out of cooperating with each other. One of the main points to be recognized here is to establish something unique and specifically creative. As Chris Huxham underlines:

Collaboration advantage is achieved when something unusually creative is produced – perhaps an objective is met – that no single organization could have produced and when each organization is able to achieve its own objectives better than it could alone. In some cases, it should also be possible to achieve some higher level...objectives as a whole, rather than just for the participating organizations. (Huxham 1993, p. 603, as cited in Docherty 2004, p. 449)

Cities with the aim to cooperate have to create certain outcomes, they would not be able to achieve on their own, but only in cooperation with others.

According to Docherty, city collaboration includes three stages. The first being the building up of networks between the cities institutions; the second the “development of cooperative events and institutional arrangements (...).” (Docherty 2004, p. 450) In the third stage the cooperation has to be monitored and evaluated, in order to point out where efforts are effective and where critical points, such as duplicating of effort, can be identified and avoided.

The most complicated start-out, identified by Docherty, can be found in the question of *why cooperating?* As Peter Nijkamp points out “It has (...) become clear that a network society generates a window of opportunities for new operators who are able to benefit from a multimodal infrastructure which emphasized complementary and competing networks.” (Nijkamp, 1995, p. 19) However, the query concerning the types of benefit remains. Cities always question what their personal benefit would be. Some might not be interested in cooperating, due to certain historic competition between the two cities in question. Furthermore, cities could step back from collaboration, when fearing that the costs of the cooperation would outweigh the actual benefits. Goals and benefits, thus, have to be made clear in advance, before starting any effort for collaboration. As an incentive for cooperation between cities, a common competitor can play an important role. If both cities have one competitor to compete against, their will to work jointly will be much higher. For example, national city

cooperation of two smaller cities against the great power of a single one e.g. the nation's capital.

Another problem can be high diversification between cities, their traditions and culture. The cities' institutions have to complement one another, despite frustrating collaboration through different organizational and political structures. But this risk can be outweighed, when seeing diversification as a mean of creativity and innovation. Different views on certain things might as well provoke a higher amount of productivity. Of course, such diversification should not exceed a certain amount. Institutions still have to be able to work with each other in the long run.

Territoriality plays another role within city collaboration, meaning the proximity between the cooperating places. Fixed links as means of transportation offer greater opportunities to depict two cities as one region, if mobility between the two is easy to reach. Besides transportation means, communication and knowledge exchange make mobility additionally easier and, thus, foster joint workforce in the regional cooperation.

As far as the number of cooperation cities is concerned, Docherty speaks about two phenomena. There can either be collaboration in a so-called 'polycentric urban region' (PUR), meaning a number of smaller urban centers joining into one region. Secondly, cooperation is observed between two greater urban centers. The latter can be identified as holding a greater potential for economic success, since economic activity in the 21st century is mainly concentrated in larger urban regions. Furthermore, large cities "(...) already have a substantial degree of critical mass in their own right, which is then afforded even greater value through collaboration." (Docherty 2004, p. 452) The strategy behind the collaboration of fewer, larger cities, in comparison to PURs, is named the idea of "borrowed size", meaning the sharing of a "specialist labor market, and concentration of universities with expertise in related fields." (Docherty 2004, 453). This idea leads towards the so-called 1+1=3 situation (Aaberg 2003, as cited in Docherty 2004, p. 453), describing the phenomenon of joining great forces and, hence, leading to an even greater outcome than working separately on one's own. Of course, mergers always face the risk

of resulting in a situation where the calculations rather come to the conclusion that one plus one equals somewhat less than 2. However, competition among firms in cooperating regions will mostly “(...) increase entrepreneurial activities and the potential for innovation” while “a larger market for firms, universities and other organizations would allow them to specialize, and in doing so achieve a division of labor, instead of duplicating services, education and research.” (OECD 2003, p. 77) Hence, a 1+1=3 situation would be reached.

If collaboration is well managed and well-thought about, several positive outcomes can be achieved, such as: “Access to new markets, improved city image and visibility, and increased corporate investment (...)” (Docherty 2004, p. 454). As the main incentives for cooperation the following benefits can be taken into consideration. Michael Porter identifies certain benefits of regional cooperation, on the one hand for developing economies, on the other for advanced economies. While the latter benefit out of such cooperation in terms of “access to larger markets and goods and especially for services” and “efficient specialization along the value chain”, the developing economies benefit in the following:

- “ Inflow of skills and technology via FDI
- Access to international markets and distribution channels
- Access to sophisticated customers
- Competitive pressure to upgrade the efficiency of operations”. (Porter as cited in Meristö 2001, p. 31)

Regional cooperation leads to major benefits for the economy of the region. Since the CCC in the Baltic Sea Region mainly represents developing economies, especially in the case of Tallinn, the present thesis will focus on the latter of Porter’s identified benefits.

However, cooperation does not only take place within national borders. Especially in today’s world, with higher abilities of communication and mobility, borders often lose significance. “Cities and regions tend to form their own strategic alliances without much consideration for the former borders of nation states.” (Nijkamp, 1995, p. 34) Nonetheless, as pointed out above, regional identity remains important, but within supranational

frameworks, such as the EU, states become closer and their political as well as economic systems become more related. When having a look at traditional forms of regionalization, on the one hand the vertical alignment talks about the transfer of power from the state to the regional level (decentralization), as taken into focus above. On the other hand horizontal regionalization takes place, meaning cross-border regionalization. This form of regionalization presupposes foreign contacts and some form of partnership between public authorities and institutions at the regional level. (see: Maskell / Törnquist 1999, p. 34) In Europe, cross-border cooperation is taking place and, under certain conditions, can be very successful, as will be discussed in the following chapter. "(...) Transborder cooperation may generate unexpected benefits, as the economies of scale of new strategic alliances across borders are significant." (Nijkamp, 1995, p. 34)

1.2. Cross-border Cooperation

Cooperation across borders means the involvement of two or more nations within one or more projects. As Tatzberger's brainteaser clearly shows, sometimes we have to look beyond the picture's borders, in order to find a suitable and working solution. It is not only about finding a solution in general, but in many cases about finding the *best* solution. However, cross-border cooperation is not an easy target and incorporates many obstacles. Why should nations / regions undergo such difficulties and how positive might the outcomes be which such cooperation produces?

Motives for cross-border cooperation are:

- Considerations of national security
- European integration process
- Transport and communication issues
- Cultural conditions
- Environmental problems
- Research and development
- Company development
- Tourism and education

Borders are fading due to increasing mobility of labor and capital and the ability of most people to communicate in a common language (mainly English) despite their mother tongue. Market protection as well as trade barriers decreased and, so, “competition between regions and cities has become more intense.” (OECD 2003, p. 30) Despite vast differences between the neighboring nations in Europe, similarities can be identified, too. Additionally, neighbor states often realize they are dealing with the same problems and tasks. Companies are acting across borders with subdivisions in different countries. Tourism as well affects neighboring countries likewise, since many overseas tourists visit more than one country during a stay in Europe. Furthermore, environmental problems are not at all limited to national borders, but rather have an impact on several countries and their fauna and flora. A polluted river in one country can have its cause in another one, air pollution doesn't stop at a national border and the Baltic Sea has its shores at all countries along the Baltic rim. Hence, all Baltic Sea countries have to counteract on environmental issues regarding their inland sea.

“Cross-border relationships can take many forms, from loose cooperation to integration.” (OECD 2003, p.30) In some areas a rather small amount of cooperation might be necessary, on other issues integration can be of higher interest and value for everybody within that network. Especially concerning the labor market and the related economy, the countries around the Baltic Sea are confronted with a difficult task. They have to create overall profit and ease the process related to cross border labor activities, such as a homogeneous labor policy, common tax policies and similar restrictions for import and exports.

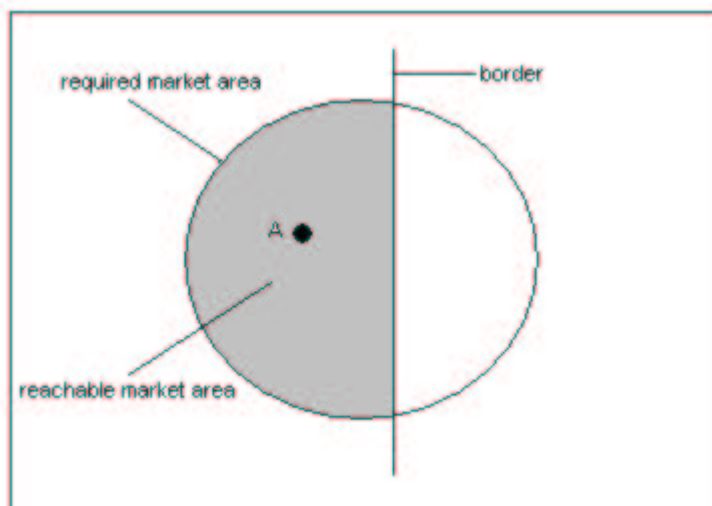
The OECD mentions two main effects when speaking about economic synergies. On the one hand the “Smithian Effect” states that cross-border cooperation leads to “a larger labor market and more diversified supply of skills”. Hence, if two or more countries cooperate, the new territory stands for the provision of superior comparative advantage. As a result a higher amount of FDI per capita can be attracted. The “Schumpeterian growth effect” anticipates robust entrepreneurial growth, due to the fact that cross-border regions set free their innovation potential, and, thus, make use of

their joint capacities. As Maskell and Törnquist point out as well, “Border cooperation is said to create conditions for growth by enlarging local markets, and by a more efficient use of labor and capital.” (Maskell / Törnquist 1999, p. 35.

Having a look at the findings of Lösch (1944), Giersch (1949/50), Guo (1996) and Heigl (1978), opinions appear that border areas are “deserts, wastelands in which products can only be obtained from a distance or not at all.” (Niebuhr / Stiller 2002, pp. 5ff.) They describe border areas as a distortion in a market area, which is visualized in the following graphic:

Figure 1.2.

The Border as a distortion in a market area



Graphic source: Niebuhr / Stiller 2002, p. 6

They see borders as distortions and obstacles to trade and come to the conclusion that firms would more likely settle away from the borders with a higher proximity to the state center. “(...) Firms will be the more distant from the border and the nearer to a nation’s geographical center the larger their required market area is.” (Niebuhr / Stiller 2002, p. 5) These conclusions were made, since the authors saw border areas as limiting the physical flow of goods. European developments have shown that these views are in many aspects things of the past. In order for border regions to flourish and to establish economically successful markets, borders have to be opened and trading obstacles have to be removed. Where this has already taken place, border regions nowadays lead to the opposite effect than described by Lösch and others. Border regions provide for even

greater market areas and allow firms to expand their trade activities across borders. As can be observed in many border areas, companies that settle in border areas often have advantages in trading with their direct neighbors. Deeply integrated regions have the ability to change the border as an obstacle into a border as the path to success. "Integration strongly raises the market potential of border regions." (Niebuhr / Stiller 2002, p. 12) In order for real integration and trade-success taking place, trade barriers have to be overcome and certain aspects of cooperation have to be fulfilled, as will be discussed in part 2.

On the European scene, economic cross-border cooperation has taken place for quite a while now and has produced so-called "new maps" of Europe. Examples of such maps are the *blue banana*, the *blue star*, the *green grape* or the *Euregg-model* (see: Nijkamp et al. 1993). Concerning the BSR, a new map is joining in – the so-called *Baltic Palette*. This palette is covering the metropolitan areas around the Baltic Sea. Up to now, it only includes the metropolitan centers of Sweden, Norway, Finland, Estonia, Lithuania and Latvia. From my point of view, Denmark has to be included as well, especially due to the important position of the Øresund in the BSR and its increasing importance confronting Stockholm. The *Baltic Palette* is working "to make the Central Baltic Sea Region a participant to be reckoned with, in Europe and in the world." (BalticPalette 2006)

Before going into detail how to become successful cross-border cooperation, the next chapter will shortly describe the history of cooperation within the BSR, in order to highlight the region's knowledge of cooperation and the prevailing preconditions of the area.

1.2.1. Cross-border Cooperation in the Baltic Sea Region

Close relations in the BSR have been established back in medieval times with the Hanseatic League that had its heydays from the 13th to the 15th century. The League covered a wide area, from the Netherlands to the Baltics and from Norway down to the south of Poland. More than 70 cities shared in the trade union. Its most important trade route ran between London and Novgorod – via Hamburg, Lübeck and Reval (ancient name

for Tallinn). London and Novgorod depicted the trade offices, whose closure was ordered by the Grand Prince Ivan III. back in 1494. Hence, the decline of the trading network began. In the following the nation state rose and gained importance, which resulted in the decline of supranational trading alliances.

Nevertheless, the Hanseatic League did not give in for all times, but came back into power in the end of the 20th century. Its traditions should not sink into oblivion. Thus, the New Hanseatic League was established in 1980, in order to keep the traditional relations. Its objectives are “to make a contribution to economic, cultural, social and civic unity in Europe, and thus to strengthen the self awareness of the cities and municipalities.” (cited in: Goethe Institut 2006) The New League mainly supports cultural as well as economic exchange between the Hanseatic cities of the region and has already 163 cities at its core. It now as well holds again Hanseatic Diets of modern times, the latest in June 2006.

In addition to the new League of Hanseatic cities a closely connected network within the whole of the Baltic Sea Region has been established regarding cross-border activities. Such organizations grew out of local and regional initiatives in the 1960s/1970s, after several needs were identified for cooperation exceeding national borders. (see: Nordic Council of Ministers) Some organizations are covering the whole BSR, such as the UBC, the CBSS or the BCCA. However, the Nordic Council of Ministers for example is another organization to be named, which focuses on different cross-border regions in particular. It was established in 1971 “and Nordic regional policy cooperation was launched a year later when the Nordic Committee of Senior Officials on Regional Policy (NÄRP) was set up. Cross-border cooperation became a central element in the work of NÄRP.” (ibid.) The Nordic Council of Ministers mainly supported the different cross-border regions financially, through funding. Its main task is to support those regions where national borders could become a problem for the development of the region.

In comparison to the Hanseatic League, the latter organizations mainly cover the regions' excess to the *mare balticum*. Nevertheless, here difficulties can be seen, regarding the exact number of members. The

members differ from organization to organization. Some include Iceland, some include Belarus, some do not. Even Norway, as not having direct access to the *mare balticum*, is excluded in some contexts. However, the main member countries counted as belonging to the BSR are: Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia and Sweden.

One of the core regions of the BSR is the *Baltic Palette*, covering “meeting places” of East and West and places where “divergences between technological and institutional fundamentals are particularly deep.” (Löwendahl / Persson / Karlson 2005, p. 715) Those regions can be seen as the driving forces for transition and globalization, and play an even more important role in the metropolitan centers of the BSR, such as the Øresund Region (Malmö and Copenhagen), Stockholm, St. Petersburg, Helsinki, Tallinn and Riga regions.

After the EU accession of Sweden and Finland in 1995, the cross-border cooperation was strengthened through EU programs, such as INTERREG, as will be taken into focus in the next subsection. Furthermore, the EU enlargement of 2004 brought another major step towards questions of integration. Hence, INTERREG programs were enlarged as well and transformed towards the Eastern EU borders.

1.2.2. EU support for Cross-border Cooperation: INTERREG

For a long period of time, cross-border cooperation did not play a major role concerning EU support programs. Until the 1980s the Union only gave out a small sum, about EUR 1 m. for such projects, mainly for individual studies of cross-border action programs. The joint initiative INTERREG I was founded in 1990 and can be related to the completion of the Single European Market (1992). With the initiative, the Union reacted to the changes taking place at the internal and external borders of the EU. The program period of INTERREG II was introduced in 1994 until 1999. Cross-border cooperation and development remained the main issues of the EU support program (INTERREG IIA), but as an addition the task range of INTERREG II was widened towards the area of transport and energy

supply (Transeuropean Networks – TEN) (INTERREG IIB). The budget for IIA comprised EUR 2.4 bn. and for IIB EUR 500 m.

Due to the success and positive experiences with all INTERREG initiatives, the idea was brought forward and the budget was raised for INTERREG III. The IIB initiative was institutionalized in ten cooperation spaces. Since 1st of May 2004, the relation to the new eastern neighbors of the EU played a major role regarding cooperation. During this time two of the main cooperation spaces were introduced and developed: CADSES and Baltic Sea. (see: Görmar / Müller / Schäfer 2005, p. IIIff.)

As mentioned above, the INTERREG program has three dimensions: A, B and C. Dimension A deals with cross-border cooperation, meaning in detail the support of common development strategies for neighboring regions as well as the development of cross-border economic and social poles. Dimension B then covers transnational cooperation between national, regional and local authorities in order to foster a higher degree of spatial integration within the Union. Furthermore, INTERREG C programs are aiming at designing efficient policies and instruments for regional development through a more extended exchange of information and experiences. The total INTERREG budget amounts to EUR 4.875 bn. (see: European Commission 2006a)

INTERREG IIB focuses on different NUTS1 regions, e.g. the Alps, CADSES, northwest Europe, North Sea area and the Baltic Sea. The Baltic Sea priority covers the development and support of specific territories and areas, as well as structural territorial support for a sustainable development of the Baltic Sea Region. Furthermore, the support of the development of institutions, which are strengthening the transnational spatial development, is included. Concerning the Baltic Sea, different partnerships exist, mainly between neighboring countries. The Øresund as well as the Talsinki region accommodate a major amount of projects in which at least one institution, located in the local municipality, is involved. Hence, the program plays an important role regarding the development and EU support of the BSR. However, up to now there are no bilateral projects in the Baltic Sea cooperation space of INTERREG IIB.

An additional special EU-program for interregional cooperation can be found in the INTERREG IIIC program. It focuses on NUTS2 regions and functions in four different areas: North, East, South and West.¹ The strand C is mainly concerned with “underdeveloped regions and those undergoing structural adjustment. Interregional cooperation covers the RECITE and ECOS-Overture programs, two innovative pilot project programs run under the former Article 10 of the European Regional Development Fund (ERDF) regulation for 1994-1999.” (European Commission 2006b) Besides supporting cooperation between Member States and neighboring third states, one of the main working areas of the C strand are sectors involving research, technology development, enterprise, the information society, tourism, culture and the environment.

The INTERREG IIIC program is financed via the ERDF, as part of the Structural Funds. Co-financiers are various national project partners of the different region. “The application period is 2002-2006. All activities have to be finalized by the end of 2008.” (INTERREG IIIC 2002)

¹ North: Northern part of Germany, Denmark, Northern part of Poland, Estonia, Lithuania, Latvia (inland), Sweden (BSR minus Norway); East: Eastern part of Germany, Czech Republic, Poland, Hungary, Austria, Slovenia, Slovakia, Eastern part of Italy, Northern part of Greece; South: Western part of Italy, Southern part of Greece, Cyprus, Malta, Southern part of France, Spain, Portugal; West: Western part of Germany, Belgium, Netherlands, Luxembourg, Northern part of France, United Kingdom, Ireland.

Table 1.1. Different levels of cooperation and their theoretical basis

Level of Cooperation	Authors / Theorists	Theoretical basis / Reasons
Regional Cooperation	European Commission Lethi McNeill	<ul style="list-style-type: none"> ○ Democratic deficit (McNeill) ○ Preservation of cultural identity (McNeill) ○ Linguistic identity (McNeill / Lethi) ○ Prosperous economies (McNeill) ○ Success of key regions (Rhône Alps, Greater London, Bavaria) (McNeill / Lethi) ○ Eurobarometer: public regional attachment (European Commission)
City cooperation	Delamaide Docherty Florida Hospers Labasse Lethi Magnusson Maskell McNeill Nijkamp Perroux Törnquist	<ul style="list-style-type: none"> ○ Rising urbanization (Delamaide) ○ Trans-city-activity (Delamaide) ○ Cities as agglomeration and growth centers (Delamaide / Labasse) ○ Agglomeration of power and potential / growth poles (Perroux) ○ Cities as melting pots (Maskell / Törnquist) ○ Cities imply key factors for economic success (Florida) ○ Information gathering (Docherty) ○ City as center of networking (Magnusson) ○ Financial provisions (McNeill) ○ 3C-plus regions (creativity, competence, connectivity) (Nijkamp) ○ Emergence of innovations (Docherty, Hospers) ○ Historical legacy, networking, traditions and culture (Lethi)
Cross-border cooperation	Niebuhr / Stiller OECD Tatzberger	<ul style="list-style-type: none"> ○ Need to look beyond one's nose (Tatzberger) ○ Fading frontiers (EU integration) ○ Increasing mobility of capital, goods, labor, services (EU integration) ○ Environmental aspects (environmental organizations) ○ Motives: national security, European integration process, cultural

<p>Cross-border cooperation (CCC)</p>	<p>city</p>	<p>EU Maskell McNeill Törnquist Nijkamp</p>	<p>CCC in the Baltic Sea</p>	<p>Delamaide Goethe Institute EU (INTERREG, PHARE etc)</p>	<p>conditions, R&D etc. (OECD)</p> <ul style="list-style-type: none"> ○ Rising competition (OECD) ○ Larger labor market through cooperation (OECD) ○ Rising market potential in integrated regions (Niebuhr / Stiller) ○ Key regions: Øresund, Euregio, city cooperation around lake constance (Mc Neill) ○ EU support programs for regional survival and city cooperation across borders (EU) ○ Combination of the above mentioned theories ○ Baltic Sea region as thriving economic and cultural contact (Delamaide) ○ Hanseatic League – long traditions (Goethe Institut / History) ○ Various support programs in the Baltic Sea region, focusing on cross-border cooperation (EU) ○ The <i>Baltic Palette</i> (EU / BalticPalette Organization)
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Source: Author

1.3. Sub-Conclusion

Regionalism is experiencing a major upswing on the European continent. European citizens feel closely attached to their regional surrounding, although the nation state still plays an important role. However, the international level has not, yet, succeeded in overruling the people's attachment to their *home base*. Furthermore, cities depict great growth centers, where life takes place and where, according to Jönsson, Tägil, Törnquist, Delamaide and others, economic growth is most likely to turn up. Such economic development can even be brought further, when setting up a twin-city region: combining the cities' values, networks, knowledge and cultural merits. Cooperation leads to major benefits, e.g. increased FDI, access to greater international markets as well as to sophisticated customers and higher efficiency of operations.

Still, city cooperation does not only take place within national borders, but in today's world crosses borders and makes use of them as bridges and higher incentives for economic development. National security can be risen through such trans-border cooperation, the European integration progress is brought forward as well as transportation devices exceed national territory, environmental problems are easier to be fought off, companies might develop and tourism and education does not stop at the border line.

The Baltic Sea Region stands for Europe's region with thriving economic and cultural contact. CCCs around the Mare Balticum enjoy a long history and Eastern European integration is at the core of this special region. Furthermore, the region has to assert itself over Western Europe and the United States. Its great diversification can lead to great problems, especially regarding the period of Soviet power. In order for the region to prosper and to help especially the new EU Member States to catch up on time, the European Union is supporting the region via various programs, e.g. INTERREG. The great EU effort points out the importance of the region for the Union as a whole and the future relation to the East.

CCCs in the Baltic Sea, such as the Øresund and the Talsinki regions have to be taken into focus as European growth centers with significant importance.

Rise of the region

Public Support for the Region

Importance of growth centers
(metropolitan areas, industrial
agglomeration)

Ability to concentrate on a small scale
Economy; higher possibility to achieve
innovation and success in small area

Cooperation between Growth
Centers (City Cooperation)

Possibility to make use of combination
Of abilities and special characteristics

Cooperation between two
Growth Centers (City
Cooperation)

1+1 = 3 situation

Cooperation across Borders

Growing Labor - and Trade Market /
Increasing Innovation

Rise of international orgs.
(EU)

Low confidence in the public
opinion

Importance of the
economy as a whole

Great area to be covered –
great diversity has to be taken
into consideration

Solo effort of one growth
center (city)

Concentration lies on one city
only – the region is not covered

Cooperation between
polycentric urban regions
(PURs)

1+1 = less than 2 situation

Cooperation within national
borders

Smaller Labor Market / No
foreign contribution

Cross-border City Cooperation –
Rise of regional cooperation across borders

Source: Author

2. How to Become a Successful Cross-border City Cooperation (CCC) – Identification of Success Factors

After framing the theoretical basis of city networks and cross-border cooperation, I now turn towards the framework for becoming a successful cross-border city cooperation (CCC). Certain criteria have to be fulfilled, in order for a city region to become economically successful.

Anssi Paasi identifies four main stages in the process of regional transformation, namely “the (1) constitution of territorial shape, (2) symbolic shape, (3) institutions, and finally (4) the establishment of the territorial unit in the regional structure and social consciousness.” (Paasi 1996, p. 33). For the region to become institutionalized, Paasi sees the three shapes (symbolic, territorial, institutional) of the region and its established role as being most important. The following chapters will specify different factors, which have to be taken into account when setting up a CCC. Anssi Paasi underlines the importance of links and spatial location as well as identity², while Annekathrin Niebuhr and Donald McNeill talk about the economic preconditions as important factors. As cited above, Ian Docherty sees the identification of a common competitor and/or a common goal as one of the essential features of successful cooperation between cities. In works of Peter Maskell, Gunnar Törnquist as well as Anders Malmberg and Ray Hudson the emphasis is placed on the development of an institutional framework. Last but not least, Hudson, Eskelinen and Snickars, Huxham and Nijkamp, amongst others, evaluate on the importance of uniqueness within successful regional cooperation. A significant interplay can be identified between geography and links, economic conditions, regional identity, a common competitor and/or goal, common institutions and unique characteristics, when looking at CCCs.

First of all the two cities in question have to lay geographically close or have to be connected via specific links. Without such linkage, cooperation cannot be started from the beginning. If this spatial connection is prevailing, the economic situation of the region has to be evaluated.

² The European Commission also stresses the role of identity in various papers about regional economic development.

Certain economic factors have to fulfill for the region to become economically successful. Too vast differences and missing economic preconditions will handicap economic cooperation significantly. If those basic factors are taken care of, we can have a look at the region's identity, historic relations and social cohesion, which can be influenced through the cooperation development. Of course, regional cooperation always has at its core aim to fight for the region's economic development as a common goal. However, if a common competitor can be identified, the incentive for cooperation can be increased. Last but not least, the CCC should establish a unique form of industry, economic cooperation, university cooperation etc. in order to become successful. Thus, the order in which the factors are named plays an important role. Without the first factors, the cooperation does not ground on a stable basis. The following factors either are minor conditions or develop out of the cooperation itself. The stronger the factors become, the more likely does the CCC establish economic success.

Hence, the six factors mentioned, will be presented in the following, before combining them in an overall graphic, in order to show their interplay and the specific importance each factor has within CCCs.

Table 2.1. Success Factors and their theoretical basis

Factor	Author / Theoretical Basis	Theory
Geography / Links Homogenous Economy	Malmberg / Maskell Paasi Delamaide Docherty Lethi Maskell McNeill OECD Törnquist	<ul style="list-style-type: none"> ○ benefits of spatial proximity ○ right type of local milieu ○ cities as agglomeration and growth centers (Delamaide) ○ broader economic market (Lethi / OECD) ○ monetary union (Maskell / McNeill) ○ common tax and labor policies
Identity	Paasi European Commission	<ul style="list-style-type: none"> ○ social relations, trust and solidarity ○ regional identity joins people / provision of shared values and self-confidence ○ social cohesion ○ culture of commitment ○ mutual involvement and community action (Paasi)
Common Competitor	Docherty	<ul style="list-style-type: none"> ○ key to generate support for the concept of collaboration (Docherty) ○ finding incentives for joined action (Docherty)
Institutional Framework	Hudson Malmberg Maskell Paasi	<ul style="list-style-type: none"> ○ cooperation, networking, trust (Lethi) ○ accountability ○ adopting and implementing common laws and regulations ○ institutions as carriers of norms
Uniqueness	Eskelinen / Snickars Hudson Porter McNeill Nijkamp	<ul style="list-style-type: none"> ○ surviving omnipresent competition ○ development of special features to distinguish oneself from others ○ new combinations (Hospers) ○ potentials of new infrastructure (Eskelinen / Snickars) ○ guarantee of regional revitalization (Nijkamp) ○ 3C-plus regions: creativity, competence, connectivity (Nijkamp)

Source: Author

2.1. Geography / Links

“Distance still matters (...)”

(Paas / Tafenau 2005, p. 15)

Geography depicts one of the essential features when talking about cross-border cooperation. Malmberg and Maskell, as well as Paasi and Florida, identify “the benefits of spatial proximity” and the “right type of local milieu” as being existential for successful regional cooperation. (see: Malmberg / Maskell 2003, p. 11) Industry agglomeration can be found in twin-city regions, hence, the region in question has to be equipped with a certain amount of industrial power, in order to develop further. But not only the location as such, having the right economic milieu, is an important precondition for successful CCC, but, as pointed out above, as well the connection between the cooperating cities. Two cities wanting to cooperate across their national borders have to lie, at least

The Øresund Bridge and Future Scenarios

The bridge's construction was finalized in June 2000, and since then depicts the symbolic link between Malmö and Copenhagen. The total construction costs for the bridge and equivalent landworks amounted up to 30.1 m. DKK (2000 prices).

The Consortium has set out three scenarios for the bridge's future: the growth scenario, middle scenario and stagnation scenario. However, all three scenarios foresee further an annual traffic growth up to 2025, ranging from 3% in 2025 (growth scenario) to 1% in 2025 (stagnation scenario).

to a certain extent, spatially close to each other. In order to create proximity between two cities, transportation links have to be established, such as railroad tracks, ferry connections, roads and bridges etc. Furthermore, communication between both sides has to be made easy to get access to. In order to create incentives for workers to make use of the region as a whole, their mobility has to be guaranteed. Thus, collaborating cities do not always have to lie spatially close, but at least have to be connected via certain transportation as well as communication links. Furthermore, fixed links can function as symbolic devices to join the cooperating cities and to draw a picture of the connected region.

2.2. Homogenous Economy

When speaking about the factor of economy in CCCs, a homogeneous economic system is meant. The region as a whole should have more or less similar economic preconditions, for both sides should be able to profit in a similar way. If this is not the case, the stronger side still has to be able to draw profit out of the cooperation. Otherwise, cooperating is not a high incentive for one of the partners. Here the factor of a common currency has to be taken into account as well. A Monetary Union between the cooperation partners makes trade and exchange a lot easier. Prices and wages are easier compared, firms can operate on an easier basis and tourists do not face the problem of having to exchange currencies when crossing borders.

Furthermore, common tax and labor policies ease the cross-border cooperation regarding labor mobility. "The movement of factors across countries can face obstacles related to different national institutions and laws." (OECD 2003, p. 104) This problem especially occurs in cross-

Øresund Territorial Employment Pact (TEP)

The employment pact is going to meet strong desire of the region to harmonize legislation and public administration procedures on both sides of the sound, in order to maximize benefits of the new opportunities.

The TEP-Roundtable held its first ordinary meeting in October 1997. Its strategy is focusing on four levels of interaction: the labor market, industry, universities and users. Success can already be registered on most levels, e.g. via the Øresund Labor Market, the Øresund University, Medicon Valley Academy, the Øresund Business Group, as well as the Scania Manifest.

border regions, due to a high frequency and very intense exchange from one country to the other. According to Niebuhr and Schlitte, "labor mobility is (...) an important actor with respect to the speed of convergence." (Niebuhr / Schlitte 2004, p. 175) However, the EU still struggles in many respects, such as tax harmonization and

common labor policy. There does exist a European Employment Strategy (EES), which is based on the Open Method of Coordination. Hence, the EES is still in transition and labor policies are not yet fully harmonized EU-wide. Additionally, efforts are taken towards harmonized taxation,

especially regarding value added taxes (VAT). However, major areas are still not covered, such as capital income taxation. However, unharmonized tax rates leave the way open for free competition, such as attracting foreign capital. Facing a high degree of international capital mobility, every country is expected to reduce its tax rate in order to attract new capital or not to lose capital allocated in the country. Hence, some critical voices fear a *race to the bottom* without tax harmonization. In contrast, one has to take into account that an EU-wide harmonized tax would probably lead to higher tax rates within the EU.

Thus, harmonization can have negative as well as positive effects. However, in order for cooperating cities in cross-border regions not to compete with each other, but rather to take joint action against a common competitor and adaptation of various policy fields is required.

2.3. Identity

In order to establish a successful CCC, the region combining the cooperating cities should create a common identity. Creating such feeling will support overcoming barriers between the two cooperating cities within the region. If the region's inhabitants identify themselves with their surrounding, the effort made regarding the progress of the region can be a lot higher than without such common identity.

Popular support plays an important role when trying to foster a certain region. Without the people's approval and the accountability of the institutions working in and for the region, its success will most likely fail to appear. As shown in figure 1.1., the main percentage of European citizens feels closely attached to the city and region they live in. Hence, CCCs can take advantage out of such attachment, by creating a regional identity and hence, creating the people's acceptance and support for the region's development. Anssi Paasi as well relates the regional economy to the community belonging to it and speaks about the "ideal community (...) as an ideal state of affairs, in the form of a more or less abstract we-feeling or common identity." (Paasi 1988, p. 10) Furthermore Paasi states that common identity will support "mutual involvement and community action." (ibid. p. 22)

The development of a regional identity can take place via joined views and actions taken together towards another level, e.g. the nation state. In many cases such identity requires a common history and shared traditions. People often feel closely connected via historical bonds, such as a common ancient reign and historical events both sides share. Political and administrative practices “connect individuals and their personal histories to the society and vice versa.” (Paasi 1988, p. 14) Hence, shared culture and the creation of a common identity does not only base on the history as the “past, which manifests itself in different traditions. Instead it has different roles and manifestations, which are bound together in collective and individual practices.” (ibid. p. 14)

Euroregional Identity

Euroregions are connecting European states and provide for a specific identity, their own administration, financial as well as technical resources and their own decision-making body.

A common identity and shared ethnic roots are strong incentives for cross-border cooperation.

Cross-border identity can be divided in two types: historical-cultural identity: having historical, ethnic and cultural bonds at its base, and institutional identity: produced by cross-border cooperation actors and institutions. (Bomann 2005, p. 30ff.)

Additionally, language similarities support such development. If the people from one region do not suffer great difficulties communicating with each other, they feel a lot closer; especially in regions, where the neighboring countries

do *not* share the same linguistic origins. Furthermore, cultural heritage is able to join people. This can be prevalent through the history, but can as well be fostered via joined cultural events, such as music festivals or the exchange of cultural knowledge and individual traditions.

2.4. Common Competitor / Common Goal

Within city collaboration the two cooperating partners have to take action towards one common goal. Both sides have to realize that through joint action they will achieve greater surplus than if each is working individually. As Docherty points out in his article *Exploring the Potential Benefits of City Collaboration* “the key to generating support for the concept of collaboration between cities previously noted for their mutual competition

Twin-City Regions

One great example for transborder city regions is the San Diego-Tijuana city-region, between the US and Mexican border. Its combined population amounts up to 4.5 m. people and it is the world's busiest border crossing point. (see: Pezzoli, Marciano, Zaslavsky 2001, p. 22 ff.) Furthermore the Rhine-Ruhr area has to be mentioned as a polycentric urban region with a success story. High-tech was combined with low-tech industry; cultural exchange and university cooperation takes place in a very successful way.

Both twin-city regions have to compete against other growth centers. The first e.g. against Mexico City or economically strong US towns. The second against European growth centers, such as the London area or the Sunbelt in the South.

is the identification of a *shared competitor*.” (Docherty 2004, p. 451) Thus, if cities, which previously might have been competitors to each other, find something or *someone* to take joint action against or for, the incentive for the joint action is much higher on both sides.

2.5. Institutional Framework

A common institutional framework is one of the most important pre-conditions for successful cooperation between two cities within different countries. “On either side of the boundary, there are usually different laws, statutes and regulations.” (Maskell, Törnquist 1999, p. 77) In order to pave the way towards a fully integrated region and to take joint actions in various areas, those differences have to be limited or even diminished. Areas such as labor law (wages, labor policies, taxes), environmental actions, infrastructural regulations, collective bargaining, taxation etc. depict fundamental areas regarding cross-border city cooperation. A more homogenized economic system will be reached far easier and faster when being able to apply a common institutional framework. Such framework will not only create a legal basis for regional action, but as well represent the region and its concerns towards the outside, especially towards other authoritative levels, such as the nation state or the European Union.

2.6. Uniqueness

One of the most essential features in order to become a successful and competitive CCC, uniqueness has to be created. Malmberg and Maskell

speak about “regional specialization” as being at the core for regional development. (Malmberg / Maskell 2003, p. 11) Cross-border cooperations, wishing to become competitive have to stand their ground against the international market. Incentives have to be created to draw attention and economic power towards the cross-border region. FDI will only be attracted, if the region offers interesting conditions for investors and companies.

Furthermore, in order for the region to be recognized on the world market and to be able to survive omnipresent competition, CCCs have to develop some special features. The basis of the cooperation’s economy has to be something unique – something only such special cooperation is able to create, to offer and to develop. Such unique development is often found in the northern periphery and is likely to develop in the European integration region, where East and West meet each other. “The Nordic peripheries provide an interesting laboratory for assessing the structural adaptation and strategies regarding non-metropolitan areas at large.” (Eskelinen / Snickars, 1995, p. 13)

Examples for 3C-plus regions

Silicon Valley, the Greater Boston area, the London-Bristol Corridor, the Dutch Randstad, and the greater Barcelona area – all depict 3C-plus regions as in terms of Nijkamp. In those regions, according to Nijkamp, creativity, competence and connectivity are combined, and thus, successful regions are developed.

Uniqueness can furthermore develop through new combinations. Traditional techniques can be combined with new inventions of high technology, as well as the combination of the local

and regional political level can foster special characteristics. “The creation of a *new technology* niche in a region is often regarded as guarantee of regional revitalization.” (Nijkamp, 1995, p. 36) Additionally, certain human assets, such as highly promoted knowledge development in forms of education support, can create great unique features of a region’s economy. “Basic mechanisms such as the utilization of new material and human resources, the socio-economic restructuring, the redesign of the local and regional political system, and the potentials of new infrastructure networks may all trigger development.” (Eskelinen / Snickars, 1995, p. 13)

As Nijkamp explains, regions containing creativity, competence and connectivity, so called 3C-plus regions, “are the most promising areas for spatial-economic dynamics.” (Nijkamp, 1995. P. 35) The above mentioned success factors can be seen in addition to such three Cs. Nijkamp furthermore speaks about the 3C-minus regions as the ones representing congestion, criminality and closure. Hence, such factors can be identified as being great barriers to the creation of successful and competitive CCCs. Additional to the different importance of the identified success factors, their relation has to be taken into consideration. Whether the relation between the various factors is not-existing / low, existing or even highly significant, will be shown in the following figure 2.1.

Table 2.2.

Success factors and their relations

Category	Geography/ Links	Homogenous Economy	Identity	Institutional Framework	Common Competitor	Uniqueness
Geography/ Links		X	XX	X	X	O
Homogenous Economy	X		XX	XX	X	O
Identity	XX	XX		XX	XX	X
Institutional Framework	X	XX	XX		X	X
Common Competitor	X	X	XX	X		O
Uniqueness	O	O	X	X	O	

Source: Author

<p>Legend:</p> <p>O = no / low relation</p> <p>X = existing relation</p> <p>XX = significant relation</p>

As the final graphic shows, the various success factors have different relations to each other. The most significant relations can be found in the fields of homogenous economy, identity and institutional framework. Hence, such factors play the most important roles to create a successful and competitive CCC. However, the other factors cannot be left out and have to be taken into consideration as well. The graphic only illustrates, that a CCC will not be able to develop into a competitive region without such factors that share significant relations with others.

Furthermore, the table demonstrates, that certain factors influence each other. Some factors are fulfilled, if another factor is already created. If cooperating cities lie spatially close to each other, the development of a common identity is far easier to create than within a region not being highly connected. People have to come close to each other, in order to respect and to feel attached to each other. As a consequence, a homogenous economy can be developed much faster, if their inhabitants feel closely connected. Joined political bases will meet much more acceptance and hence, the accountability will be much higher. These circumstances then lead to another relation – to a regional institutional framework. If such framework is set up, the region's people will be able to rely on a similar political basis, the economy will become more homogenous and vice versa. The setting up of such framework will be fostered by a prevalent common identity or a homogenous economy. If people feel attached to each other within such cooperation region, a common competitor is far easier to be identified than without such identity.

Thus, some factors promote each other and are more likely to occur if developed simultaneously. Some will even develop as a coincidence of each other. Factors such as the geographic locality of the cooperating cities are prevalent and can only be influenced by the creation of artificial links as pointed out above. The creation of uniqueness cannot be influenced by any other factor significantly, but rather depends on the region's characteristics, history, traditions and new inventions, as well as the cooperation's ability to make positive use of both sides specialties and their combination.

3. The Øresund

When talking about CCCs in the BSR, one region is of major importance due to its great experiences in setting up a cross-border cooperation between two cities: namely between Malmö and Copenhagen. One of the main goals of the Øresund's regionalization process "is to achieve economies of scale and economies of scope through regional integration." (OECD 2003 p. 77) The so-called Øresund Region has been developed and today looks back on a long history of cooperation. The following chapter will present this development, pointing out the important historical events of the region and the rising cooperation between the two cities on either side of the sound between Denmark and Sweden (part 3.1.). After doing so, a picture will be drawn of today's Øresund, using facts and figures to illustrate the present status of the region (part 3.2.). Subsequently, the region's success factors will be analyzed in part 3.3., in order to find out whether the region developed into a successful CCC. Besides defining the factors of success prevalent in the region, part 3.4. will focus on the problems the region is still facing, before a conclusion will be drawn in part 3.5. to draw an overall picture of the Øresund and its future perspectives, in relation to the theoretical framework and the success factors discussed in chapter 2. The chapter will conclude in a table, briefly showing the region's success factors.

3.1. Development towards CCC

Copenhagen

Copenhagen was first mentioned almost 1,000 years ago, when it was still a small fishing village, profiting from the herring in the small sound, which back then was "only" a connection between the Baltic Sea and the North Sea. The city was founded by Absalon, the first Danish Bishop. The region covering the two sides of the sound was characterized through two religious centers: Lund on the Swedish - and Roskilde on the Danish shore. Here the greater Copenhagen area grew into an important trade center. However, in the Viking age and the early Middle Ages, the whole Øresund was still under Danish control. Copenhagen already became the royal capital of Denmark in 1416. The two countries on the sound's shores

suffered some battles between each other, such as the Vikings' forays, as well as the attack by the Swedish Carl Gustav X. in 1658, in which the Swedes conquered the region of Skåne (see: OECD 2003, p. 75ff.) and also took over Copenhagen. Later on, the sound was turned into a dividing line between the two nations. After Sweden developed strong bonds with Norway in the 18th century, they supported Denmark in putting down a turmoil in Schleswig-Holstein (GER). Following, a strong friendship developed between the neighboring countries.

Denmark's capital Copenhagen is home to 1.5 million people and represents Europe's oldest kingdom. It is famous for its many towers and spires, narrow streets and ancient buildings. Copenhagen is equipped with a well functioning public transportation system, since October 2002 even with a Metro.

Malmö, on the other side of the sound, has 270.000 inhabitants, with a great variety of languages and nationalities. In addition to Copenhagen's well-constructed infrastructure, Malmö is as well equipped with functional means of transport; not only within the city, but additionally in terms of connections to others. Malmö can be reached either by car, boat, train or plane. Its harbor is operating internationally, and the two airports are located very close to the center. Furthermore, the motorway and railways are linked from the inner city towards all over Europe.

Malmö

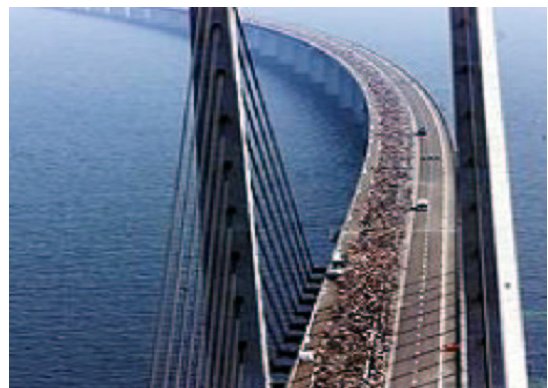
Malmö depicts Sweden's commercial center and is the state's third largest city. It once has been an industrial center, but is now in transition towards a "city of knowledge." (see: City of Malmö 2005) Its university was opened in 1998, accommodates 15.000 students and has already developed a variety of technology and training programs as well as great cooperations with the University of Copenhagen. "The strongest sectors in Malmö are logistics, retail and wholesale trade, construction, and property." (see: *ibid.*) The region of Skåne is well known for its development in biotechnology as well as medical and environmental technology, IT, and digital media fields. Through a great potential of cooperation with the city of Copenhagen, the whole region was expanded into a knowledge center, which focuses on the above mentioned sectors.

Due to the regions efforts within medical technology, it is also known under the expression: Medicon Valley.

Furthermore the region has developed the brand “Øresund – The Human Capital”, due to the high efforts regarding education.

The cooperation

For several hundred years, the Øresund depicted a passage way between the North Sea and the Baltic Sea, before it became the border between in Sweden and Denmark in the 1600s. The two countries, Denmark and Sweden, share very similar languages, which only differ in certain vocabulary and some grammar rules. Hence, people from both sides can easily understand each other. Which contributes to this circumstance even more, is the high amount of educational degrees and the ability of most people within the area to speak English, German or French. (see: OECD 2003, p 75 ff.)



Picture: Øresundsbro Konsortiet (2006)

Traditions and history within the area are connected; especially since one can find many people who immigrated to the other side they were born. However, this was not always the case. “Until the 20th century, the Øresund strait constituted a mental barrier between the two countries.” The positive effect of political cooperation was first realized by both sides in the 1960s, when Swedish-Danish cooperation increased. Nevertheless, the region still had to fight off political obstacles, which stood in the way for support of the Øresund Region. The founding of the Øresund Council in 1964 was a great attempt to bring cooperation forward, but did not succeed as wished for. One of the main reasons for this failure were the different system structures in the neighboring countries: “Sweden had a strong tradition of centralization that did not encourage the delegation of national decision-making power. On its side, Denmark was going through a decentralization process.” (ibid. p. 77)

The common history of the region supports the people’s coalescence. Due to the small size of both nations, Sweden and Denmark, there always

existed the need for closer cooperation with others. Trade became one of the essential assets within the nations' economy. Hence, people from the region have to look beyond their own nose and are open-minded and interested in others. Although the mentalities of the two nations are similar and connected in many ways, there is still room for some jokes about each other, which as well plays important roles within the development of bonds between two sides of a border. Nonetheless, for many a long time, the sound depicted a mental barrier between the two nations. But, their common history should, nevertheless, overcome this division one day.

Not only has the common Danish-Swedish history supported this development, but far more the joint efforts within the region itself. Especially the efforts regarding the ports, the two cities are cooperating jointly already for a long period in time. This cooperation was deepened with the idea of building a bridge / tunnel between the two ports. "Finally, in 1973, the Swedish and Danish governments signed an agreement on the construction of a permanent link across the sound." (OECD 2003, p. 77) After several protests against such link, invoking environmental threats as well as financial issues, the idea was established with the construction of the fixed link in 1991. The construction was completed and the bridge inaugurated with a bridge run in June 2000. "The Øresund Bridge was built with a very clear vision – a vision of a new Øresund region integrating Skåne in Southern Sweden and Copenhagen and Zealand in Denmark." (Øresundsbro Konsortiet 2005, p. 2) The region has developed into a "bi-national, integrated and functional metropolis" (ibid. p. 2), supported by the people living and working in the region. Besides the port cooperation of Malmö and Copenhagen, the Malmö-Sturup Airport as well offers a linked organization, having the slogan: One Airport – Two destinations. Furthermore, the Øresund University has been established and is combining the educational forces of the two cities.

The EU characterizes the Øresund as a model region. Whether or not this holds true, will be analyzed in the following pages.

3.2. The Øresund in Facts and Figures

I will now turn to the hard facts about the Øresund region. The following statistics will give an overview over the region's development throughout the last years. Of course, these figures only show the mere increases or decreases – often without taking into account side effects. However, in this chapter I will show the progression the region has undergone during the last years, along facts and figures, in order to develop a more concise picture. Side effects will be considered and kept in mind.

One important number is to be mentioned, concerning the population. The Øresund Region is home to 3.5 million inhabitants, who represent 25% of the sum of the populations of Sweden and Denmark, while only covering 5% of the surface of the two countries. Hence, a great amount of skills and capital is accumulated in this region, which gives a clear rationale for the fact, that the Øresund depicts the “most productive³ (...) urban pole of the Baltic zone.” (OECD 2003, p. 78)

The areas where the greatest growth takes place are pharmaceuticals, medical and bio-technology industries, information technologies, environmental technologies and food processing industries. Additionally, the region also has core competencies in less high-tech industries. According to the OECD Report of 2003, the main areas of interest are the following:

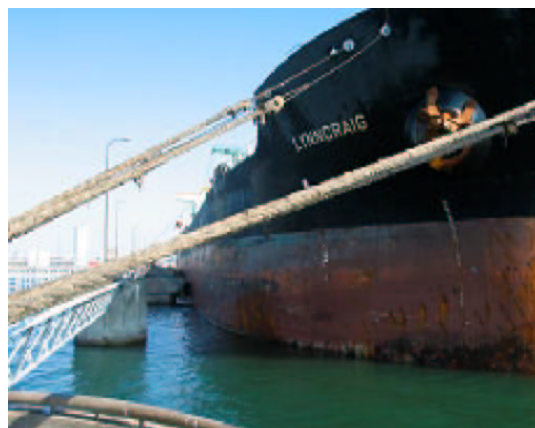
1. “to lower the perception of the border as an impeding factor for interaction in the region (...)
2. to promote the Øresund as a common region for inhabitants, firms and educational and research institutions
3. to foster a common solidarity and identity among the region's population” (ibid. p. 79)

In order to reach those goals, the region has already performed in several areas in a certain way. First of all concerning the cooperation between ports, the developments of the Øresund bridge and its use, but also regarding the institutional framework and university cooperation in the region.

³ In GDP per capita or by employment

Cooperation of the Ports

The cooperation regarding the port of Malmö and Copenhagen is a unique example of port cooperation. In January 2001 their ambitions to join the two ports became a fact. It was the first time that two ports from two different countries established a cooperation under one roof.



Picture: Øresundsbro Konsortiet (2006)

Table 3.1.

Key Data of Copenhagen-Malmö Port

	2001	2002	2003
Net sales (SEK millions)	464,0	473,4	509,7
Operating profits (SEK millions)	8,8	13,2	31,0
Total assets (SEK millions)	224,8	226,8	149,5
Net margin (%)	1,9	2,8	6,1
Solidity (%)	56,6	58,4	60,6
Profit / equity ratio (%)	7,1	10,2	21,8
Net sales per employee (SEK 1.000)	1052	1081	11511
Net sales from operations per employee (SEK 1.000)	343	379	392
Number of employee	441	438	443

Data source: Copenhagen Malmö Port: Annual Reports, in: <http://www.cmport.com>

As it clearly appears in the preliminary table, the Copenhagen Malmö Port has increased its capacity during the last years. Although the number of employees did not rise significantly, it even decreased in the year 2002, the profit / equity ratio rose from 7.1 % in 2001 up to 21.8 % in 2003. This can very well be seen in the operating profits as well, which increased between 2001 until 2003 from 8.8 million SEK to 31.0 million SEK. Hence, the cooperation regarding port activities supported the port's development and profitability.

As seen above, despite the growth regarding the port activities, the number of employees did not increase significantly. This could indicate,

that cooperation can have negative effects as well. One drawback of cooperation is the loss of job opportunities, due to a more efficient method of operation. Certain tasks only have to be fulfilled once, and hence in several areas fewer jobs will be offered. However, the creation of new jobs is likely and the merits out of this avoidance of double operating expense should be taken into consideration. Consequently, double costs will be reduced as well, which in turn, contributes to the region's positive economic development.

The Øresund Bridge

The Øresundsbro Konsortiet, a Swedish-Danish company, is based on an agreement found in March 23rd 1991 between the Governments of the two countries. Its main responsibilities are the



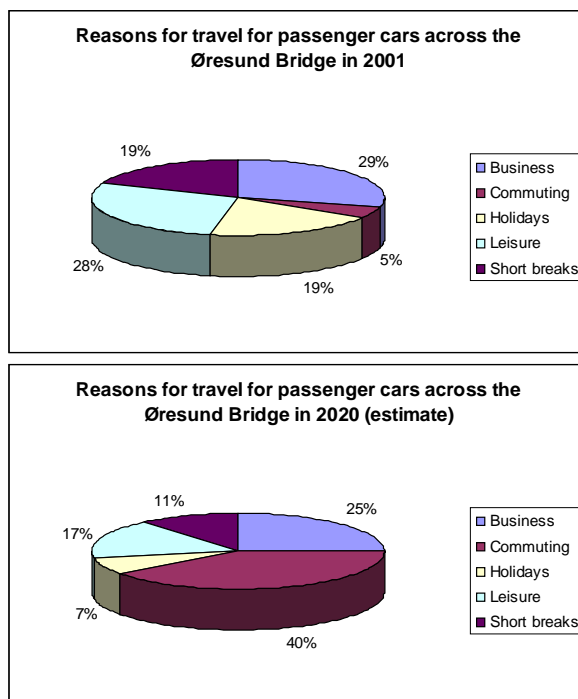
Picture: Virtual Tourist 1994 - 2006

ownership and operation of the Øresund Bridge. As cited above, the bridge's construction was finished in June 2000. Its length amounts to 16 km, at "its task is to provide a fast, safe and reliable passage at competitive prices." (Øresundsbro Konsortiet 2005, p. 4) Additional to the fixed link in forms of the bridge, the connection "comprises a 4 km immersed tunnel, the artificial island, Peberholm, which is 4 km long, and an 8 km cable-stayed bridge with a main span of 490m." The bridge has two separate levels – railway tracks on the upper deck, the motorway on the lower one. The bridge is extended on both sides two the central station of Copenhagen (approx. 12 km) and to the railway sections of Malmö (approx. 10 km). The bridge and landworks are financed via Øresundsbron Konsortiets, A/S Øresund and SVEDAB AB, as well as through the bridge's revenues. The bridge's debt at the end of 2004 amounted up to DKK 19.8 bn. (approx. EUR 2.6 bn.). The Øresundsbro Konsortiet calculates that the debt will be fully paid off after 35 years in operation. The debt amount does not include the landworks, which amount up to another DKK 10.5 bn. (approx. EUR 1.4 bn.). 2004 was the first year for the Øresund Bridge to reduce its debts. However, several critical voices

can be heard considering the bridge's financing. The BUND for example criticizes the high costs for the construction. They state that the needed financial means highly exceeded the given prognoses and hence, depicted a burden for the taxpayers. (see: BUND 2004)

Reasons of passenger cars for traveling across the bridge are commuting, holidays, short breaks, leisure and business. The Øresundsbro Konsortiet estimates that the percentages for the different reasons will change significantly through the next 15 years. Commuting is seen as an increasing reason for the bridge's use, while the percentage for using the bridge for holidays will decrease. The following figures demonstrate the changes as foreseen by the Øresundsbro Konsortiet in 2005:

Figure 3.1.

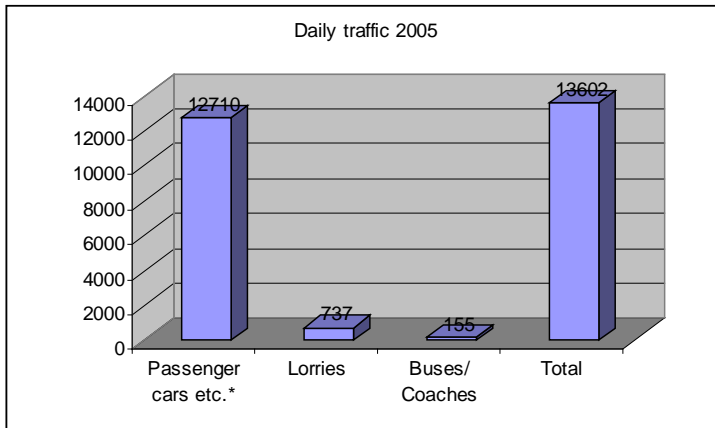


Data source: Øresundsbro Konsortiet 2005, p. 13

Hence, the bridge's backers see the bridge's future in functioning mainly for employees living in one country and traveling across the link in order to work on the other side of the sound.

Since the construction of the bridge across the Øresund, its capacity has increased significantly. The following graphic shows the daily traffic over the bridge in 2005.

Figure 3.2.



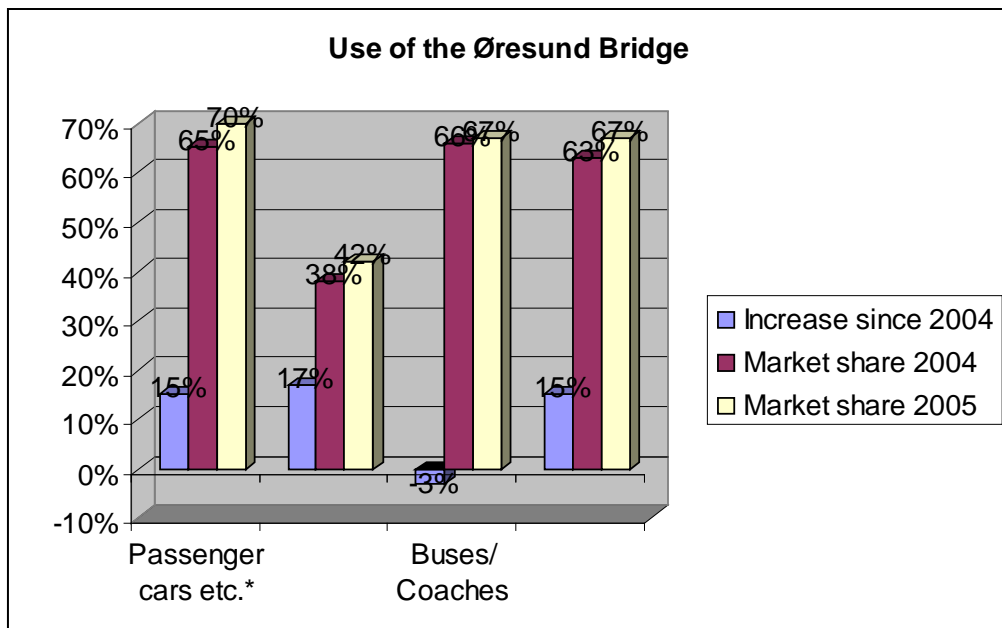
* Passenger cars include vans, passenger cars with trailers and motorcycles.

Data source: Øresundsbro Konsortiet 2006:

<http://osb.oeresundsbron.dk/news/news.php?obj=3538&menu=642>

The bridge's use started out much lower than expected, but as the following graphic shows, it already has and still is increasing.

Figure 3.3.



* Passenger cars include vans, passenger cars with trailers and motorcycles.

Data source: Øresundsbro Konsortiet 2006:

<http://osb.oeresundsbron.dk/news/news.php?obj=3538&menu=642>

However, its potential is much higher. Hence, the bridge's supporters expect an even higher increase for the following years. Detractors condemn those developments as false planning.

Institutional Framework in the Øresund

The Øresund has already established an institutional framework. The first attempts for such framework came up in the early 1980s with the foundation of the *Øresundkontakt*, as “a contact for firms that wanted to settle in the region.” (OECD 2003, p. 160) Since the decision to built the fixed link in 1993 – the Øresund Bridge - Politicians from both nations are working together. Hence they set up the Øresund Committee. The main goal is to diminish barriers between the two sides of the sound and to foster integration within the region. The Øresund Committee is one of the most important institutions of the region, formalizing advice and information exchange. The area covered by the Committee's activities includes: Copenhagen County, Frederiksborg County, Roskilde County, City of Copenhagen, City of Frederiksberg, County of Storstrøm, County of West Zealand, Regional Municipality of Bornholm, Region Skåne, City of Malmö, City of Helsingborg as well as the municipalities of Landskrona and Lund. The governments of both countries hold observer status. The Committee's meetings take place four times a year. Its “function is to stimulate transborder cooperation and has a major role to play in relation to research, culture, education, the environment and the labor market.” (Maskell / Törnquist 1999, p. 36) However, the Committee is not able to deal with all problems occurring in the region as a real government would be able to do. In 2003, the OECD report identified six challenges the committee has to face:

- The Committee's strong institutionalization might “jeopardize the flexibility of co-operation and cause efficiency losses.” (OECD 2003, p. 168)
- The international tax system approach of the Øresund region benefits Copenhagen, as the region's center, while the suburbs are lagging behind, concerning tax revenues.
- The region has to deal with metropolitan governance across a national border, which makes it even more complicated.
- Up to now the Committee is only composed of representatives from the public sector (delegates from local and national governments). “The inclusion of private actors enables a more rapid flow of information and

well-targeted action plans for the economic development of the transborder region.” (ibid. p. 173) Furthermore, organized interests would have a better say in political decisions, if private actors were included.

- The Committee has already succeeded in coordinating the regional, local and national level; the international one is still facing certain challenges. Strategic links with the European level, especially regarding the INTERREG programs and financial funding of the region’s development, could be strengthened.⁴
- Increasing endeavors to enhance horizontal agreements across the border, instead of taking decisions on the governmental level, have led to decreasing democratic accountability and legitimacy. On the one hand this development fosters the integration process, on the other hand “with time, a non-transparent entanglement of special bodies with different legal backgrounds and differing territorial coverage, leaves the citizens with little influence on local and regional public services and local development programs.”

Concluding, the Øresund Committee still has to face a wide variety of challenges, in order not to lose track and not turn the region’s governmental structure into fragmentation. Up to now it works well and the last years have shown, that the above-mentioned problems have not, yet, turned out to jeopardize the region significantly. The challenges can also be seen as merits for the region, since many actors still have a great freedom of self-organization in the private sector. Furthermore, the Committee itself sees the differences of both sides, e.g. differing tax-systems, social security or health care, not as barriers but rather as possibilities. “This will also enable people to take part of the capacity on the other side, to share experiences and know how.” (Øresundskomiteen 2006) The OECD suggests “forms of light-institutionalization”. Not all mentioned challenges really impede the integration process. The institutional framework only needs some minor reforms, in order to avoid

• ⁴ Currently the committee is working on developing a new INTERREG program, concerning the period from 2007 to 2013. (see: Øresundskomiteen 2006)

real fragmentation. Additionally, a new political unit in terms of an autonomous Øresund Government is “neither feasible nor desirable in the long run.” (OECD 2003, p. 176)

Since 2003 the Øresund Region as well established a certain amount of representation on EU level, by setting up the *Forum Øresund* as an Øresund Platform in Brussels. Furthermore the EU is asking the Region’s advice in different aspects, especially regarding expertise in regional cooperation and innovation. For example in the EU pilot project *Knowledge Orientated Regions* in 2004 the European Regions and Innovation Network (ERIN) in Brussels demanded expertise from the Øresund Committee. Furthermore, the Committee works closely together with the Brussels representatives of the Region Skåne as well as with the city representatives of Malmö and Copenhagen.

Additionally to the Committee, the region has built up several other networks, such as the Øresund University, Medicon Valley Academy, Øresund Food Network, Øresund Environment Academy as part of the Øresund Science Region etc. Concerning the *Human Capital*, the region has developed a well functioning university network. The educational institutions within the region are well developed, which can be underlined by the following numbers:

- 14 universities and colleges
- 150 000 students
- 12 000 researchers
- 6 500 Ph.D.-students
- 7 science parks based in the region

Data source: <http://www.oresundregion.org/c9f000c/code/1>

Hence, the region has already succeeded in combining the forces of the two sides into one framework, being able to formulate and communicate the region’s needs, ideas and demands towards the local, regional, national and international level.

3.3. Conditions of Success?

In the following, the Øresund and its condition of success will be analyzed. To which extend does the Øresund region represent a successful CCC?

Malmö and Copenhagen are spatially close located, only separated by the Øresund. The Øresund Bridge, finished in summer 2000, is the fixed link between the two sides of the sound. On the one hand, it stands for faster and better transportation between the cooperating cities, on the other hand it can be seen as a symbol for the linkage between Copenhagen and Malmö. The traffic across the bridge increased significantly during the last six years and the bridge promoters still foresee even higher increases for the next decades. It especially makes it a lot easier for commuters to travel from one city to the other. Once the bridge's costs are paid off, traveling across will become cheaper and even increase further – the only question remaining: how much longer will it take for such development, since the construction was costly, not only in a financial way, but as well regarding the environment.

The two cities share a common history as well as traditions. Their relation dates back to the middle ages, when both cities were under the Danish crown. They fought together against the Swedes, but later on were divided again, when the sound functioned as the strict division between Sweden and Denmark, since Malmö and the region of Skåne became Swedish. Nevertheless, a close friendship was established in the 17th century, which developed further during the following centuries. The Swedish and Danish languages have similar origins and hence, people do not have great problems understanding each other and learning the language of the neighboring country. However, the sound always depicted a mental barrier between the two nations, which was to be overcome by building the fixed link: the Øresund Bridge. The link should create a further incentive to establish a common identity: the *Øresund identity*. As Jensen and Richardson as well point out,

“the fixed link will act as a potential symbolic signifier for the attempt to construct not only a transnational mobility region, but also in due time to the construction of a new transnational regional identity.” (Jensen / Richardson 2004, p. 147)

Cooperation in various fields was set up, mainly in the sector of education, e.g. in forms of the Øresund University. The creation of the “Medicon

Valley” and the term “Human Capital” should bring forward the region’s development. The first aiming at the comparison with the great US role model of Silicon Valley, representing strong regional competency, the latter representing “a particular *Øresund Way of Life*.” (ibid. p. 152)

FDI attraction increased within the region.

„Via trade and factor mobility, in particular via foreign direct investment (FDI), new technologies and knowledge can be transferred to less developed regions. Therefore trade and factor mobility are regarded as important channels for convergence.“ (Niebuhr / Schlitte 2004, p. 173)

Hence, the region has succeeded in creating something unique: the “Medicon Valley”. The Øresund produces new inventions and specialization in the medical sector and the University cooperation is highly successful. The cities’ cooperation is something unique in itself and from an EU point of view, functions as a model region. Especially due to the fact that cooperation dates back to the days before Denmark became an EU Member State, such cooperation can function as a model for EU integration. Since both states are members of the European Union, cooperation became a lot easier, and many obstacles were solved on the European basis.

The region has already established the Øresund institutions, e.g. the Øresund University and the Øresund Committee, functioning for the needs of the cities and their surrounding area. Since Malmö as well as Copenhagen have to cope with the economic power of Stockholm, Sweden’s capital can be identified as the common competitor of the CCC. When having a look at the region’s attractiveness on different levels, the regional, the national and the European level, we come to different conclusions. At the regional level, the “intensified interactions increase the *value* of internal interdependence as a factor of robustness of the local economy and society in terms of competitiveness.” (OECD 2003, p. 95) Furthermore, the connections between the cores and the hinterlands increased and, thus, fewer problems occur concerning spatiality and links within the countries and towards the centers. Greater dynamism was

achieved through the region's general growth, and both cities have profited from the cooperation, Copenhagen to a greater, Malmö to a lesser extent. Having a glance at national competitiveness, meaning the relative position between the two countries, one can clearly see that Malmö is extending its competitiveness confronting Stockholm as Sweden's capital. The nation has got another growth region, which at some point upset the regional policy of the country. "(...) The north has always been strongly privileged in the allocation of *regional* subsidies (...)." (OECD 2003, p. 96) However, the concentration on dynamism is fading and rather moving towards equilibrium, which means an increasing support for the southern region, also due to its connection to the rest of Europe. The third competitiveness level, the international scale, brings the following perception: the Øresund region is becoming "a joint global hub and [has] climbed in the European hierarchy of metropolitan areas (...)." (ibid. p. 96) Most significant in its development is the unique integration process underway.

Following, the region can be described as being on a competitive way on all three levels: regional, national as well as international. However, the area is still facing some problems, which have to be overcome in order for the region to develop further, to become stronger as a model region for others.

3.4. Faced Problems

The bridge's use is not yet as high as speculators thought it to be before its completion. Furthermore, speculations about further increases have to be seen in a critical way, since most calculations come from the bridge's operators and hence, cannot be seen objectively. Furthermore the bridge's costs have to be taken into account. Construction was costly and will need a long time to be paid off together with the daily operation and maintenance costs. In addition, environmental activists saw a great intrusion into the sound's nature by the bridge's construction, disturbing fish swarms and the birds' clutch. As Jensen and Richardson cite an environmental lobbyist saying: "We were against new motorways, and the TEN-T plans were shaped by and for industrial giants like Volvo, Philips

and Fiat. (...)" (Jensen / Richardson 2004, p. 145) However, statistics say, that the environmental disturbance has already decreased and the natural circumstances have almost come back to normal. Nevertheless, the struggle between industrial growth and environmental issues remains, additional to the struggle "between Danish and Swedish communities, now linked in the new region; and between local, transnational and European scales of interest." (ibid. p. 145) Combining those different views and demands, will not be an easy task. The established Øresund Committee as well as additional regional institutions have to work hard in order to find compromises and to lead the region into the right direction.

Further, the so-called Øresund brand was to be established, but until now, has not yet succeeded as much as wished for. Furthermore, people of the region do not yet identify themselves as people *from the Øresund*. Hence, such development needs more time and efforts. Joined culture has to be promoted with means of e.g. cultural festivals, which already take place but should be extended and promoted more publicly. The costs for traveling across the bridge should as well be limited, in order to draw higher incentives for people from the region to use the bridge as a traveling device between the two cities. The travel costs should also attract commuters.

An additional difficulty that can be seen in the CCC of the Øresund is the fact that Malmö is not Sweden's capital. Hence, all economic power is concentrated in Stockholm. Malmö had to establish some special features, such as better tax conditions and higher incentives for firms to move to the region, in order to be better off than the nation's capital.

Regardless the region's institutions and the efforts already taken towards close cooperation of the two cities, differences in the tax systems remain as well as the problematic nature of different currencies, due to Sweden's as well as Denmark's refusal to introduce the Euro. Such great differences have to be fought off, in order for the region to develop further. Denmark has already coupled its own currency with the Euro over the exchange-rate mechanism, which allows a fluctuation up to 15%. However, Denmark even signed contractions with the EU, saying that the exchange rate should only fluctuate around 2.25%. If Sweden and

Denmark would at least have similar agreements with the European Union, the differing currencies would be less of a problem as they currently are regarding trade, business and employment.

Concerning the labor market, the Øresund still has to deal with different labor market policies on both shores. There are great differences in employers' contribution to social payments as well as total wage cost differences. However, there are only small differences in total labor costs for employers in Denmark and Sweden.⁵ Corporate tax levels differ, and Denmark has a much more liberal labor market legislation than Sweden has. Nevertheless, these differences can lead to high profit in the region, due to different demands and supplies. Denmark will "attract companies whose demand fluctuates greatly", which "are more dependent on greater labor flexibility." (OECD 2003, p. 105) In the meantime, companies with small profit margins can "take advantage of the corporate tax levels in Sweden (...)." (ibid. p. 205)

Some of the problems the Øresund is facing can be turned into merits, if the region is making the right use of it. Furthermore, most of the problems can be addressed and overcome.

3.5. Øresund Conclusions and Future Perspectives

When correlating the Øresund's preconditions and the identified success factors, the following conclusions can be made. Malmö and Copenhagen share a common history and thus long traditions and relations. They lie spatially close and the mental barrier in terms of the sound dividing the two nations has been overcome by the fixed link of the Øresund Bridge, which as well function as a symbol for the CCC. The link increased traffic between the two cities, as well as FDI attraction to the region was increased significantly during the last decade. Hence, the region represents a successful region. The differences concerning the labor market of the region can be made use of. Each side of the sound has its special attractions for different types of companies, which will settle either

⁵ Total wage cost per worked hour in Denmark: DKK 180,-, total wage cost per worked hour in Sweden: DKK 178,- (see: table OECD 2003, p. 105)

in Denmark or Sweden, regarding their needs and preferences. Furthermore, Denmark's prevailing labor shortage maybe addressed and overcome by the mobility of workers within the region. The region is developing and, hence, there is a raising demand for labor – mainly concerning high-level skills. Non-qualified workers will be of lesser demand. However, the main percentage of the “immigration population has low to medium skills” (OECD 2003, p. 105) and unemployment in this group will increase in the following years. Hence, the Øresund has to face this problem with active labor market policies.

Some additional barriers still have to be overcome, such as the development of a strong identity. The development of the uniqueness in terms of the *Medicon Valley* or the *Human Capital* already supports such identity and specialization in contrast to other European regions, together with the establishment of regional institutions. The Øresund's significant strengths lie in the field of medical and pharmaceutical industries, as well as in information and communications technology industries. Furthermore, food processing is an important sector of the region. Those sectors form clusters within the region and foster the regional competitiveness, together with the region's strength in environmental fields. Great R&D investments in the medical, pharmaceutical, IT and agricultural sectors have enhanced the region's competitiveness and the dominance of SMEs in the region. Networking and clustering play important roles in the Øresund.

The Øresund has built up an institutional framework in terms of the Øresund Committee and the strong university cooperation. Early attempts already existed with the *Øresundkontakt* in the 1980s. However, the Øresund Committee is not able to take full responsibility of governance in the Øresund CCC and the region is risking fragmentation. The OECD suggests “forms of *light institutionalization* of cross-border relations”, instead of either total fragmentation or an autonomous, regional governmental authority. (OECD 2003, p. 176) No new institutions should be created, but instead a system of incentives and contracts in order to reframe CCC.

Additional to European integration, Malmö and Copenhagen work together for a common goal: the competitiveness of the Øresund region in

contrast to other European regions, mainly those in the BSR. Furthermore, both want to compete against Stockholm as a great economic center. Thus, they have a common competitor as well as a common goal.

The region's cluster and networking development, together with the *Medicon Valley* and the *Øresund Human Capital* have produced something unique within Europe and hence, from many respects the Øresund is seen as a model region for European integration and regional development.

Nevertheless, the region has to keep on working to establish further joined policies and create higher acknowledgement of the people of the region.

Table 3.2.

The Øresund's success factors

Category	Low	Middle	High
Geography / Link			The Øresund Bridge
Homogenous Economy		Establishment of harmonized laws / Lack of common currency / Copenhagen has greater profits	
Identity		Øresund Identity still not as established as wished for	
Institutional Framework			The Øresund Committee working for the whole region
Common Competitor / Common Goal			Stockholm
Uniqueness		The Øresund Brand not yet as established as wished for	Medicon Valley / great University exchange: The Øresund University: "Human Capital"

Source: Author

4. Talsinki

After the presentation of the Øresund Region, we now turn towards the developing region of *Talsinki* – the cooperation between Tallinn and Helsinki. As seen in chapter 3, the development of the Talsinki Region into a CCC will be presented as well, including the historic relations of the two cities, additional to the cooperation issues the two cities and states are focusing on today. The Euregio HELTAL will also be presented in part 4.1. to give an example of the cooperation attempts in the cross-border region. In the following, part 4.2. will give the region's facts and figures in order to draw a vivid picture of the present status of the CCC, before part 4.3. focuses on the region's success factors and part 4.4. on the faced problems that can be identified here. Part 4.5. will then come to the conclusions and the perspectives closing in an overall table, presenting the region's success factors related to the theoretical basis of the thesis.

4.1. Development towards CCC

Finland and Estonia both represent economically strong nations within the BSR and both are characterized via high growth and economic success throughout the last decades. Estonia underwent a major transition period, after the fall of the Soviet Empire, but found its way towards re-industrialization. As stated above, the agricultural sector is still declining, but nevertheless, the sectors of transport, trade, communication, furniture and textile are increasing significantly. In addition, the Estonian population has caught up with modernization of the Western world, as can be seen in the fact, that the internet-use in the Estonia belongs to the highest in the western countries, almost 50% of the Estonians have direct internet access and usage. Furthermore, Estonia's export has increased almost four times within the last decade. (see: Raagmaa, Laan, Raamat 2003, p. 8ff.) The northern neighbor Finland is most important concerning Estonian export. Hence, both countries profit from each other. Labor costs as well as costs for real estate and construction are cheap in Estonia, which attracts FDI and industrial movement towards the Baltic country. Finland has opened its borders towards the CEE countries, following Sweden and the Baltic States, in order to create higher labor mobility. (see: Vogel 2006,

p. 7) Hence, the borders are open for Estonian's workers to commute or even move into Finland and vice versa, as well as for workers from CEE countries. The region between Finland and Estonia is growing. However, the relation between the two countries and especially between Tallinn and Helsinki did not start just within the last decades, but dates back centuries.

Once in history Tallinn and Helsinki both belonged to the Swedish empire and, hence, were united under one sovereignty. However, throughout history their relation changed rapidly. At a time they were brothers, then rivals, then re-connected through strong trade relations, before the struggle between East and West forced them into division once more. Today they have re-established close bonds; beginning with the collapse of the Soviet Empire, over Estonia's joining of the EU and moving towards the establishment of even closer cooperation in various sectors.

To which extend such cooperation has already developed and what potential lies in the relation between the two cities will be analyzed in the following, additional to the future prospective this cross-border city cooperation might have. Further, the question will be answered whether or not cooperation between the two cities will have the potential for success, which both sides will profit from.

Helsinki

The city of Helsinki, founded in 1550 by King Gustavus Vasa, is Finland's largest city with over 500.000 inhabitants – the whole region having a population of 1.2 million. In 1812 Helsinki became the country's capital and since then represents Finland's center of government, business, culture and science. The total area covers a space of 686 km², including sea and land and has a shoreline of 98 km on the mainland.

The University of Helsinki plays a major role in the city's history, since it is the "oldest, largest and most versatile university" in Finland and belongs to the top research institutes in Europe. (City of Helsinki 2006)

Tallinn

The city of Tallinn, on the other side of the Gulf of Finland, formerly known under the name Reval (German heritage) has gone through various struggles under different reigns. 1918 it finally became Estonia's capital. The overall population amounts to more than 400.000 inhabitants and it

covers a region of 160 km². The city's unemployment rate lies at 10%⁶ and the average gross wage per month amounts to EUR 592,-.

Furthermore, the city is "home to about half of all Estonian companies, which are responsible for ca. 50-60% of GDP and nearly ¾ of total business profit." (Tallinn City 2005) Hence, the capital can be characterized as the country's driving force.

Relation throughout History

As stated above, historic relations between Estonia and Finland date far back in history. Their two languages resemble each other and, hence, Estonians and Finns do not have great problems understanding each other, though they are still speaking in their mother tongue. However, historians are unable to specify the exact period where the close connection between the two languages comes from.

Traffic in the Gulf of Finland has been prevalent since boats are in operation and able to drive in such waters. However, Finnish foreign relations are more linked to Sweden, while Estonia for a long time has been under the influence of the Baltic German/Russian Empire. Here the close linkage to the German Hanseatic League has to be mentioned as well, which Tallinn was a member of. No Finnish towns have been part in that league as full members, but nevertheless, German tradesmen were as well active in some smaller Finnish towns such as Turku (Åbo) and Viipuri (Vyborg). When the Hanseatic League activities disappeared in the 16th/17th century, mainly Dutch ships were operated in the Baltic Sea, trading most with cities as Danzig (Poland) and Tallinn.

1550 King Gustavus Vasa of Sweden found a town on the northern shores of the Gulf of Finland, for the boats then did not always have to go to Tallinn, but could establish trade with the northern part of the Baltic Rim as well – the city was named Helsingfors: the Swedish name for Helsinki. However, the history of the small town was not very fortunate, since it suffered major damage through great fires several times. Back then, Helsingfors was not at all comparable to the rich city of Tallinn, hosting the Oleviste Church, which managed the construction of the highest building within whole Europe (159 meters).

⁶ 2004 data

1561 rich Tallinn feared the approaching of the Polish and Russian troops and, hence, asked to affiliate to the Swedish crown. In the renewal years both Estonia and Finland were under Swedish rule and, thus, became closer connected. However, Helsinki did not inhere a much greater role than being the stationary for the military boats being sent to the battlefields in Germany and Poland.

Two centuries later, relations changed again, when Estonia became part of Russia as a consequence of the Nordic War. However, the Baltic German landlords remained in Estonia. During the following years, Finnish-Estonian relations almost totally diminished, until the 19th century. The Swedish-Russian war (1808-1809) led to the Treaty of Fredrikshamm, signed September 17th 1809, in which Sweden had to cede Finland to the Russian Empire.

Neither Estonia nor Finland was independent at those times. Following, one cannot speak about actual political relations between the two countries, but rather about mere trade relations. Nevertheless, two important phenomena have to be mentioned, which depict friendly and close relations between the two nations.

On the one hand the so-called *sepra-trade* between the Virumaa coast in northern Estonia and the Kymen lääni coast in the eastern part of the Gulf of Finland, where Finnish fishermen characterized their trade with the Estonians as “sepra” - the word “sepra” coming from the Estonian term “sõber”, meaning friend. Their relations were based on the Finnish luxury of plenty herring, while the Estonians denoted a great surplus of cereal. Such grass-root level trade established strong intra-generational friendships between the two nations, when the families living along the coast of the Gulf of Finland became to know each other through such exchanges. The sepra-trade tradition lived on until the 20th century, and one can even characterize the alcohol smuggling from Estonia during the times of Finnish prohibition law, as falling under that relation.

The second phenomenon in Finnish-Estonian relations can be seen in the work migration of Swedish speaking Estonians to Helsinki. Since Finland had been under the Swedish rule for a significant long period time, the majority of the Helsinki population spoke Swedish as first language

until 1890. The same held true for people from the Swedish speaking districts in Estonia. As historians found out, the majority of migrant workers in Helsinki came from such Estonian districts, since it was easy for them getting along with the prevalent language in the Finnish town.

During the times of the Estonian Revolutions against Russia in 1906 and 1918, many intellectuals fled to Finland due to a fear of prosecution by the Russian government. In the following decades (1920s / 1930s) the bonds between Estonia and Finland strengthened, mainly through cultural ties, e.g. as Finnish authors, choirs and presidents visiting their southern neighbor country. Especially university relations were established, via a vivid exchange of scholars.

Ari Kallinen, information advisor of the Helsinki Information Office, criticizes the Finnish attitude towards Estonians between 1944 and 1991 and the underestimation of the influence the southern neighbor had throughout Finnish history. From his point of view, the Fins mainly saw in Estonia “just another Russian province of the Soviet Union.” (see: Interview: Kallinen 2006) Heikki Kallio, from Tallinn Pedagogical University, on the other hand sees great relations between the two countries, even in the above-criticized period of time. He points out the visit of the Finnish President Urho Kekkonen⁷ to Estonia as being a major turning point in the countries' relations. (see: Kallio 2004, p. 4) After that visit, relations flourished and University exchanges increased, as well as the traffic between the towns of Helsinki and Tallinn. Today the ferry traffic in the Gulf of Finland is more intense than the one between Helsinki and Sweden's capital Stockholm.

However, a negative light falls on Finnish tourists coming to Estonia for cheap vacation. For quiet some years the Finnish behavior in Estonia did not contribute to a positive image of the Finns. Meanwhile Estonians come to Finland mainly to work, instead of for touristy reasons. Hence, the picture of the Finns widened during the last decade, when Estonians got to

⁷ Kekkonen had been ministerial president five times in the 1950s and became state president in 1956, as successor of Paasikivis, both known for their support of the Eastern relations. (see: Zetterberg 1991, p. 113ff.)

know a different side of the northern neighbor than just the tourists – the ordinary working and family life of the Finns.

As UNCTAD as well as the World Trade Organization (WTO) state in their latest statistics, both, Finland and Helsinki have increased their export as well imports significantly. Finland even holds one of the top ranks concerning im- and exports in different fields within Europe. Hence, the regional economy is prosperous, but still holds growth potential, which can be supported via regional cooperation.

Cooperation issues

As we have seen, Finland and Estonia as well as the two cities of Helsinki and Tallinn, have long been connected and established special relations. Today's cooperation between the two countries takes place in various issues, such as culture, politics and economy. In the field of defense, Finland and Estonia have established cooperating contracts, which comprise frequent political and defense consultations, additionally to practical joint actions in defense matters. Since Estonia joined the NATO, there no longer is the need for a close cooperation of just the two countries, as they did via the joint *Viro Project*. Nevertheless, both continue in exchanging knowledge and cooperating in the area of military training and education.

Estonia's embassy in Helsinki e.g. depicts the NATO Contact Embassy in Finland. The crime prevention program FINESTO has been highly successful in the common border area, especially concerning illegal drug activities. Furthermore, cooperation in the field of justice is of great importance since 2001.

One of the major issues concerning joint action of Finland and Estonia can be found in the field of environmental matters. Their common habitat, the Baltic Sea Region, is seen as in major need for protection. Hence, both participate in various action programs for environmental issues and in order to supplement to their bilateral actions, participate in different international organizations.

After 1991 and before Estonia's EU accession, the two countries had already established special agreements, as for example:

- Agreement on Environmental Protection Cooperation (came into force 03/02/92);
- Agreement on the Promotion and Protection of Investments (came into force 12/03/92);
- Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital (came into force 12/30/93);
- Agreement on Cooperation in Combating Crime (came into force 10/12/95);
- Agreement on Mutual Assistance in the Event of Disasters (came into force 07/31/96);
- Agreement on Environmental Impact Assessment in a Transboundary Context (came into force 06/06/02);
- Agreement on the Transmission of the Data of the Population Register (entered into force 02/01/05)

Since Estonia becoming a member of the EU, most agreements are prevalent due to the fact that both countries now belong to one Union covering political, judicial and economic issues. However, the two countries on the shores of the Gulf of Finland play important roles to each other. Their trade relations are significant, as Finland depicts Estonia's largest trade partner with EUR 3.2 bn. in total trade (50,5% exports / 49,2% imports). Machinery and equipment are the greatest articles being im- and exported between the two countries. The trade volume will be further increased through the movement from many Finnish companies into Estonia as production location. At the same time a great move of labor is taking place from Estonia to Finland, due to great differences in prices and wages in the neighboring countries. Statistical forecasts say that between 2005 and 2009 annually approx. 1,500 Estonians will seek work in Finland. However, it is impossible to determine the exact number of Estonian workers in Finland, due to the new labor market law after which Estonians working in inland for a longer period than three months, no longer require a work permits, but the majority finds jobs through so-called *labor-rent* companies. For Estonians it is of higher value to work in Finland, but take back the savings back to their home country where their

purchasing power is higher. Nevertheless, the forecasts as well predict, that the foreign workers coming to Finland from all nations, will only be able to satisfy 1/10 of the country's growing labor market. But the economic gap will remain, most probably for the next 20 years, until Estonia is able to catch up with its northern neighbor.

Besides trade activities, the relations between Finland and Estonia are of major importance regarding foreign direct investment (FDI). Finland, after Sweden, is responsible for second most direct investment in Estonia (20.3% of total FDI). (see: Bank of Estonia 2006) In 1990, Finland and Estonia established a joint Trade Association (SEKY), which mainly works for Finnish enterprises either being already active or being potentially interested in investing in Estonia. Its main purpose is to establish close contacts between the two countries and their companies. In the future, the SEKY wishes for a more active participation of Estonian business in the association. In order to reach such a goal, SEKY set up an annual award of EEK 5.000,- (approx. EUR 320,-) scholarship for Estonian university students studying Finnish and business.

As a further issue concerning cooperation, tourism can be seen as being of major importance. Estonia is Finland's most important tourism location and both countries exchange cultural events. Furthermore, educational cooperation is of high value between the two countries, as universities have a long tradition of exchanging scholars and students and setting up higher education programs joining the two countries. (see: Estonian Ministry of Foreign Affairs 2006: http://www.vm.ee/eng/kat_130/)

However, concerning only the two boarder cities and the twin-region of Uusimaa-Helsinki and Harjumaa-Tallinn one of the major cooperation organizations can be found in the Euregio HELTAL, being occupied with the development of a cross-border cooperation program between the two cities, which will be presented in the following.

Euregio HELTAL



A cross-border cooperation network between Helsinki and Tallinn was started with the Euregio HELTAL in 1999. The non-profit association (NPA) was established in 2003 and since then actively works for the

development of the region. On its website the Euregio defines itself as the following:

- A political discussion forum
- An initiator of cross-border and inter-regional cooperation projects
- A forum for experience sharing
- A mediator in the dissemination of know-how and information

In 2001 a vision project for the Tallinn Helsinki twin-region was brought forward, whose final report stated that the region ought to become the most innovative regional economy within Northern welfare societies. Additional to the report carried out by the twin-city project, Euregio's goals are developed through the vision adopted by the Joint Program Document of Interreg IIIA Southern Finland Coastal Zone and Phare CBC Estonia.

The most significant characteristic about the twin-region is its special location, both on internal and external borders of the EU. Furthermore, the region is characterized with a healthy, steady and growing economy, especially since Estonia's independence. Euregio's aim is to create a prospering region with functioning cooperation "in such conditions where diversities of the two regions are utilized." (Euregio HELTAL 2006, in: <http://www.euregio-heltal.org/webtest1/index.php?pg=sisu&id=41&keel=eng>)

For Euregio HELTAL the region is identified as the following:

"The Tallinn-Helsinki Twin Region is defined as a natural area to co-operate, communicate and work together. The twin-region has the possibility to provide an attractive atmosphere as well as an efficient, safe and nature-friendly environment for citizens, tourists, students and business people among others across the cultural, geographical and political borders." (Meristö 2001, p. 15)

Some voices might say, that Helsinki is not as interested in a cooperation as its poorer southern neighbor Tallinn. However, despite Helsinki's great successes in various fields such as adaptive materials and Microsystems, logistics, gene technology and molecular biology, medical and welfare technologies, digital media as well as software product

business, the greater Helsinki Region definitely has a significant interest in the cooperation with the greater Tallinn area. Several of the mentioned fields can be extended and both cities and their sub-urban surroundings can profit from networking and clustering in the region. The cooperation will be based upon the building of a Helsinki – Tallinn Knowledge Area. In order to realize this ambitious project, the non-profit association Euregio HELTAL and Culminatum Ltd Oy Helsinki Region Center of Expertise invite to the Estonian-Finnish conference Helsinki Tallinn Knowledge Arena. The conference took place in March 2006 and focused on “the vision that Helsinki and Tallinn will constitute a coherent twin region of science, education, art and knowledge-based business in the future.” (Culminatum Helsinki Region Centre of Expertise 2006) Instead of building a bridge of steel and stone, the organizations on the two sides of the Finnish Gulf are aiming at building a *knowledge bridge*.

4.2. Helsinki in Facts and Figures

In the following the statistical facts about the region will be presented, in order to draw a statistical picture of the twin-city region. Besides figures and tables about the current situation in the region, its development throughout the last 15 years will be made visible. Future developments will base on prognoses and extrapolations, in order to emphasize the CCC’s potential.

Table 4.1. Vital statistics

Vital Statistics	Population total	Proportion of <15 years	Proportion of >65 years	People with tertiary ed.
Helsinki	560.905	14,5	13,8	28,3
Stockholm	765.044	15,8	14,8	17,7
Oslo	529.846	17,1	13,0	29,4
Copenhagen	502.362	14,9	11,4	20,3
Tallinn	396.375	15,1	21,0	28,7
Riga	731.762	12,6	17,5	16,0
Vilnius	553.076	14,7	12,9	28,9
Warsaw	1.690.800	11,9	16,8	21,0
Berlin	3.387.800	12,2	16,6	21,4
St. Petersburg	4.661.000	12,2	15,1	32,0

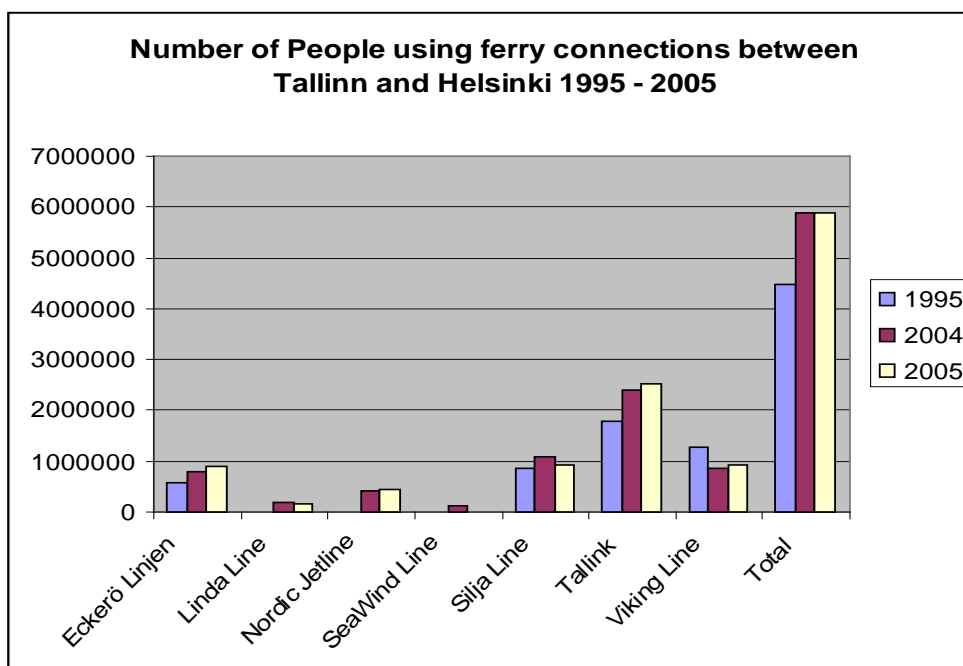
Source: City of Helsinki 2006, p.5

When having a look at the vital statistics of the BSR's main cities, we can see, that the proportion of the population in the active working age is at a very positive level in the region. Especially Helsinki has only a small proportion of people over the age of 65 years. However, 21% of Tallinn's population exceeds the age of 65 years, which could mean a great problem concerning demographic conditions. Nevertheless, when having a look at the education level in the two cities, we can see that Tallinn as well as Helsinki have a very high amount of inhabitants with tertiary education. Hence, the education of the region is at a high level, which turns out to be a great precondition for economic development. Additionally, as pointed out above, Estonians are very well equipped with Internet devices, especially in comparison to their eastern neighbors.

But in order to combine the great conditions of the two cities, we have to turn to the links, connecting the two shores. The main and most direct transportation device between the two capitals is the water transportation. Of course, air transportation does exist as well between Tallinn and Helsinki Airport. Estonian Air as well as Finnair operate daily flights, in addition to a helicopter operation by Copterline (Finnish Copter Action OY) operating a regular helicopter line Tallinn-Helsinki. However, commuters and tourists mainly use ferry connections and the numbers given on this transportation device very well show the development of the movement in the twin-city region.

Every year ShipPax Information in Sweden publishes the newest statistics on ferry connections in Europe. In the following the evaluated data on ferry connections in the Baltic Sea will be used, including the main carriers.

Figure 4.1.



Source: ShipPax Information: *STATISTICS – Outlook 06* (2006) pp. 160-164

As the above graphic shows, ferry connections between the two cities have increased significantly between 1995 and 2005. This depicts an additional evidence for increasing connections between the two cities and the growing importance of cooperation. At current, more than 40 daily connections are run between Tallinn and Helsinki, conveying up to 5.800.000 people per year.⁸

Table 4.2.

INTERNATIONAL PASSENGER TRANSPORT THROUGH PORTS by Quarter, Year, Passengers and Vessels by countries (Estonia)

Vessels total	
1st-4th quarters	
2001	
Passengers total	5 956 466
..passengers from Finland	3 042 854
..passengers to Finland	2 367 406
2005	
Passengers total	7 192 059
..passengers from Finland	3 052 264
..passengers to Finland	3 031 987

Source: Statistics Estonia (2006): www.stat.ee

⁸ Daily passenger traffic differs throughout the year due to seasonal changes.

The above table includes all passengers travelling from Estonia to Finland, without particularly dealing with the connections between Tallinn and Helsinki. But when comparing the statistics by ShipPax Information and Statistics Estonia, one can see, that the overall number only differs slightly. Hence, one can assume that the main connections between the two countries, conveying passengers take place between the two capitals. As we see, passenger traffic in total between Estonia and Finland has increased from approx. 6 Million passengers in 2001 to approx. 7,1 Million passengers in 2005. Of course, here transportation for touristy reasons is included, which increases the annual numbers, as we very well see in the following table. The second and third quarter show much higher passenger travel between the two countries, which can be ascribed to high tourism movement in the summer months.

Table 4.3.

INTERNATIONAL PASSENGER TRANSPORT THROUGH PORTS by Year, Quarter, (Estonia)

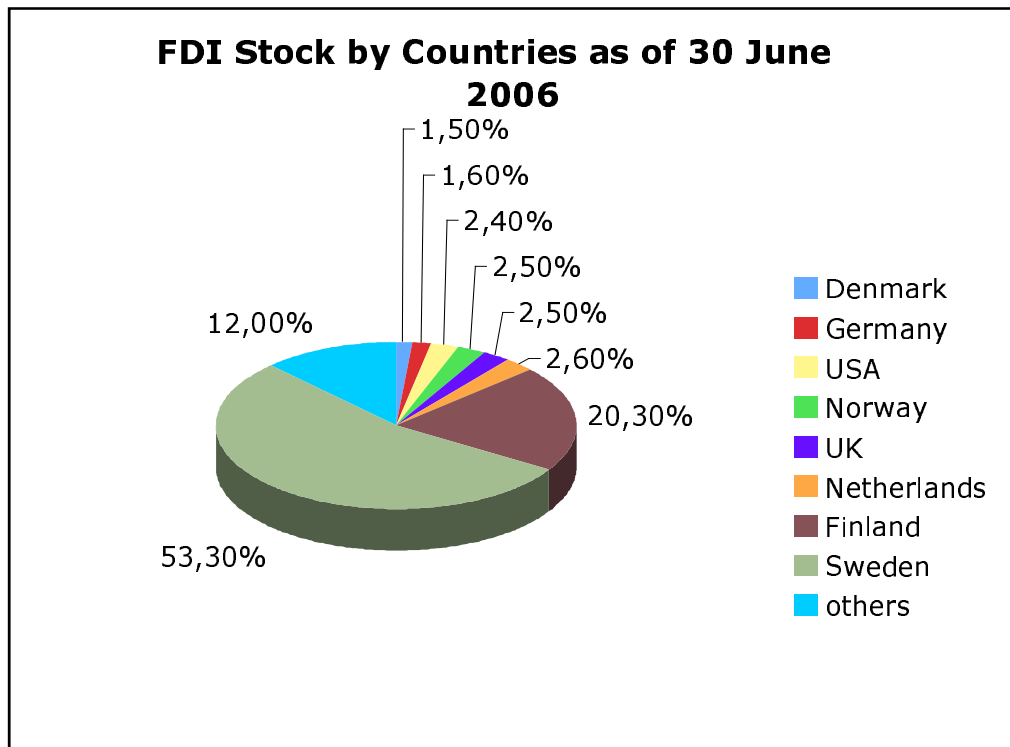
Passengers and Vessels by countries

	Vessels total
2005	
1st quarter	
..passengers from Finland	548 797
..passengers to Finland	542 784
2nd quarter	
..passengers from Finland	824 746
..passengers to Finland	819 081
3rd quarter	
..passengers from Finland	968 384
..passengers to Finland	964 640
4th quarter	
..passengers from Finland	710 337
..passengers to Finland	705 482

Source: Statistics Estonia (2006): www.stat.ee

Regarding their trade relations, as already pointed out above, Finland plays an important role for Estonia as well as vice versa. In turn, Finland has the second highest share in FDI in Estonia, as the following graphic shows:

Figure 4.2.



Source: Bank of Estonia 2006

This number is most likely to increase in the future. 31st December 2005, the bank of Estonia reports EUR 56.2 m. direct investment from Finland into Estonia. Additionally, Tallinn depicts Estonia's region that has attracted most FDI in 2005: 78,9%. (see: Bank of Estonia 2006) FDI in Estonia has risen in total during the last years, as well as in Finland. However, Tuomo Airaksinen comments "Competition between countries for FDI has become harder. The highest levels of growth achieved in Europe have been in the new EU Member States in eastern-central Europe. (...)" (Airaksinen as cited in Ideopolis 2006, p. 30) But as statistics show, Finland's FDI is increasing anyhow and the great number of companies operating in the country, especially in the Helsinki region, indicates that Finland is an interesting market area. The rising investment in the new EU member states, as well as Helsinki's and Tallinn's high market position, regarding company settlement and operation in Trade and Services, draws a picture of the twin-city region as an important center for the Baltic Sea region and for Europe as a whole.

4.3. Conditions of Success

The two cities lie spatially close, although divided by the Gulf of Finland, which cannot be overcome by a similar link as the bridge/tunnel of the Øresund region. However, the two cities are connected by a very high frequency of ferry connections, as well as helicopter flights and airplane operation. Hence, the connection is fairly easy and fast, due to new super-fast boat connections.

History has shown that Helsinki and Tallinn have always shared close relations and common traditions. However, at one point they got divided and it took long before their common history could be brought back to life. Nevertheless, they still share a common linguistic origin as well as cultural heritage. Following, people from both sides share some kind of identity, although some misunderstandings still have to be phased out. However, the two cities seem to be on a good way of sharing and enjoying their cultural heritage again and hence, developing a new, more modern, common identity across the Gulf of Finland.

Both cities are capitals, which makes it a lot easier to attract the main economic power of either nation towards the region. Nonetheless, neither of the capitals is strong enough to compete alone internationally. Hence, the pooling of resources enables the region to profit from the strength of both cities and is mutually beneficial.

The identification of a common competitor is a little more difficult than in the Øresund region. In the Helsinki CCC the overall economic success and attraction of FDI can be seen as the common goal. Furthermore, both cities are interested in close relations to Russia as well as towards the EU. Hence, the cooperation can concentrate on the EU integration and the development of Eastern relations as a common incentive for the region to prosper.

One of the major success factors in the Helsinki twin-city region is the fact of the close University cooperation. Both sides put much effort and support, in terms of personnel exchange and financial support, into the development of such cooperation. However, there still exists a strong need for closer cooperation regarding science and high-tech business

development, in order to create an even more special feature and to attract even higher amounts of FDI.

Nevertheless, the region already shows great success in various joint efforts and programs, such as the above mentioned Euregio, which very actively works for the development of the region, environmental programs and agreements in many other fields, such as law and trade regulations, border controls etc.

The last, and possibly most important point regarding the CCC of Helsinki and Tallinn, can be seen in it's spatially location towards Russia and the former Soviet Republics. Hence, it functions as a *gate to the East* and plays a major role considering the EU's efforts for Eastern integration.

4.4. Faced Problems

Certain barriers the twin-city region of Tallinn and Helsinki has to face can still be identified. First of all Estonia's economy will need approx. another 20 years to catch up with the prospering Finnish economy of Helsinki. The two cities do not, yet, share a common currency. However, some politicians foresee that Estonia will introduce the Euro faster than Sweden. Nevertheless, it will take approx. another two years for Estonia to introduce the Euro as the main currency.

Furthermore the Euregio sees "mis-management of public bodies and different administration traditions" as one of the major barriers towards successful CCC. (Meristö 2001, p. 2). The region has not yet established a common institutional framework, which is highly necessary in order to formulate the region's needs towards other levels such as the national or the European. Furthermore such institutional framework would allow for an easier development of a legal basis for the region and policy adaptation. In addition, such framework would support public awareness and acknowledgement.

As further critical remarks the Euregio HELTAL speaks about traffic arrangements between the two cities not being in balance, yet. However, the traffic has increased and there is a very high frequency of ferry connections and many possibilities for people to travel from one to the other side. Of course, there is no fixed link connecting the two shores.

Although there are ideas about building such link by the Finnish Rail Administration, such ideas are only future dreams and are not at all possible to be turned into reality. Such link, connecting two shores that are divided by a sea such as the Gulf of Finland, would have to be 80km long, which would be the longest bridge/tunnel build on earth. The costs would exceed everything the two cooperating cities could pay for and hence, the construction costs would not be paid off before centuries or crossing fees would be as high as nobody would be able to make us of it. Costs are estimated to EUR 2 bn. and the construction time to ten years. Furthermore, such link would be a great intrusion into the nature of the Gulf of Finland and hence, not be accepted by environmental activists and ministries.

Table 4.4. Talsinki's success factors

Category	Low	Middle	High
Geography / Link		80km distance, but frequent ferry connections	
Homogenous Economy		Various agreements on labor and taxes / Lack of common currency / Tallinn still in the process of catching up	
Identity	Historic relations, but still coping with long political separation		
Institutional Framework	No institutional framework / University cooperation existing		
Common Competitor / Common Goal		Common Goal: Eastern integration / fostering trade and economic relations to Russia	
Uniqueness		No "Talsinki" brand / development of high technology industry (combination of traditions and new inventions / high technology and low labor costs)	

Source: Author

4.5. Future Perspectives

Talsinki can look into a bright future, if efforts are taken to let the region develop further. Both sides shall not lose sight of the goal to turn the region into the most innovative regional economy within Northern welfare societies. As Euregio HELTAL states, the two cooperating cities have to make use of their differences.

HELTAL's expert groups see the region as developing in a very distinct way. Concerning geography and links, they foresee a strengthened infrastructure. Connections across the Finnish Gulf will fasten and increase, but only to a certain extent, since environmentalists will have a say in order to protect the fauna and flora of the region. Consequently, experts believe that "solutions for eco-efficient, all-year-round transportation will be available during the next 20 years." (Meristö 2001, p. 11)

The region's economic productivity will be growing, as well as prices and wages will be equalizing. As certain observers already state, Estonia and Finland are believed to succeed in applying the same currency – the Euro – on a fast scale, since Estonia is catching up fast. Differences regarding social policies, tax systems and labor policies, might remain to a certain extent. However, agreements are already found in several areas. In turn, such difficulties are far easier to be overcome since Estonia became a EU member state.

Forming a Talsinki-Identity will not be an easy task to fulfill. "Both areas are multi-cultural." (ibid., p. 11) The region is working hard in the cultural field, arranging cultural events with artists from both sides. Their common history and ethnic origin, being different to their additional neighbor states, will be able to join them, since the Iron Curtain fell. The language similarities will also contribute to a positive development. However, old burdens have to be overcome, as well as prejudices from one side about the other. Thus, increasing cooperation and exchange is of high importance to join the two regions into one and to produce comprehension and communication.

European integration is one of the region's central goals. Soon it might be seen as model region for East-West integration. To increase trade and

to turn the region into the most innovative regional economy of the Northern hemisphere is at the region's core. Furthermore, Russian relations are of interest for both sides. Economically active and successful Finland, as well as Estonia strive for increasing trade relations with Russia. In the future, Helsinki can depict the gate to the East, combining Western with Eastern culture, being located on the *Via Baltica*⁹.

Both countries are believed to stay independent in the European context, meaning that they will not establish a common institutional framework. They do not see any requirement for a higher decision-making level covering the Helsinki and the Tallinn region, but rather expect a stronger "focus on more network based activities guided by win-win situations among those partners it may concern." (Meristö 2001, p. 13) As we already see in the twin-city region's development, instead of building up a joint administration equivalent to the Øresund Committee, the region has focused on University exchange, as well as on cooperation in the fields of industry, tourism and culture.

According to Michael Porter (2001), six main factors are of high importance for the twin-cities' innovation development:

1. Integration of logistic infrastructure
 2. Preconditions for brain circulation
 3. Trans-regional development of higher education
 4. Co-ordination of environmental policies (Kyoto)
 5. Preconditions for fostering cross-border industrial clusters
 6. Inter-Regional governance (idea Baltic Rim Competitiveness Council)"
- (Porter, as cited in Meristö 2001, p. 18)

Hence, in order for the region to reach competitiveness and success, the above-mentioned factors have to be taken care to a lower or lesser extent. The infrastructure of both cities has already been combined, e.g. through a network on tourist basis for using ferry connections and transportation advices on both sides. However, the two ports will not work together in the

⁹ The Via Baltica is a trunk road, connecting Prag, Warsaw, via Lazdija – Kaunas – Riga – Tallinn and Helsinki. The step between Tallinn and Helsinki is taken via ferry. It stands for the most important road-connection of North-Eastern Europe. At current it is only motorway-similar, but plans exist for the Via Baltica to be parlayed into a full motorway.

near future, as stated by Tallinn port operators, due to very high complexity and the great distance lying between the two ports (80km). The universities are already establishing great exchange systems of students and teachers, as well as exchanges in the area of industry and knowledge exchange in other fields is taking place. HELCOM, the Baltic Sea's main environmental protection commission is located in Helsinki, and hence, protection of the Baltic Sea and the Finnish Gulf in particular, is close to the organization's heart.

As pointed out before, the development of a regional government, covering all administrative needs of the region, is not very likely. The Øresund Committee is already not as successful as its founders wished for, and it is not clear whether increased tasks would even lead to superior outcomes. Here the region should concentrate on specific exchange, in order to lead to win-win situations in areas where such joint force and a common administrative basis is expedient.

Some of the expected difficulties the twin-city region might face are e.g. differences in the tax systems, language issues, the quality of higher education, the future of the welfare state et. al. Adapting the tax systems on both sides will most probably not fully work. Furthermore, it is questionable whether both sides profit from the cooperation on the whole scale. A possible future scenario could be a rising migration from Estonia to Finland and perhaps the exploitation of the Finnish welfare system. Regarding this risk, an agreement has to be found, in order to avoid such scenario. Certain limitations have to be set up for Estonian and other migration into Finland, while there have to be special conditions for Estonians in contrast to migration from other states at the same time.

Referring to the language issues, the negative visions address the high value of Swedish, on the Finnish side, and Russian, on the Estonian side. Swedish is second official language in Finland and could allegorize a problem concerning cooperation with Estonia. Nonetheless, since Finnish and Estonian remain the main languages in the border region, those similarities have to be taken advantage off, instead of fearing dominance of the Russian or Swedish language.

Educational cooperation could lead to decreasing quality level of education in the region. Furthermore, the region's education policies differ to a certain extent. The EU is already working on a European education policy strategy, in order to adjust European education policies. Additionally, the exchange of knowledge and the combination of the different institutions, will lead to increasing quality on both sides, rather than to the opposite.

In the future the development of a cooperating triangle between Helsinki, Tallinn and St. Petersburg is very likely. Tallinn and Helsinki are already characterized as the gate towards the East. The region stands for European integration and trade relations additional to other connections with the Russian capitol are of high interest in both cities. At the Eastern shores of the Baltic Sea, Helsinki, Tallinn and St. Petersburg form an important triangle, which also represents Russia's connection to Western Europe.

Euregio HELTAL's vision report drew four future scenarios of the twin-city region: either Globalizing Estonia, EU-Estonia, In the shadow of Russia, or Wild South. (see: Meristö 2001, p. 20) All scenarios refer to Estonia's future and the graph shown in the vision includes the success potential of each scenario. Positive outcomes of the vision are situated between Globalizing Estonia and EU-Estonia, leading to the fastest success, being on a constant upstream. As we have seen in 2004, Estonia joined the EU and is already on a good track to adapt EU policies in time, as well as to comply with EU requirements. The sooner Estonia and Finland succeed in decreasing the price and wage differences, the more successful will the cooperation between the two cities be.

Most important for the regions development is the common market between Finland and Estonia. Company cooperation and support, as well as other commercial activities have to be taken care of. The administrative level only plays a supportive role, in order to coordinate the cooperation and to start certain initiatives.

Stated in the HELTAL vision project are the so-called PESTE issues: political, economic, social, technological and ecological factors. The

project names social and environmental aspects as being top-priority. At current, Talsinki is mainly active in those two areas. Cultural cooperation and knowledge exchange, as well as environmental cooperation are the main areas where the two cities find common solutions and take joint actions. Additionally, increase of FDI and industrial cooperation is taking place, which will have a positive effect on the economical factor. The combination of high-tech and low-tech industries influences the technological factor. Governments of the two countries, as well as the municipalities on both sides of the Gulf, have started to cooperate, to exchange views and to set up special arrangements between the two cities.

As cited in the Heltal report, three offices are at the core for the twin-city region's successful development: The head office, the heart office and the hand office. (see: Meristö 2001, p. 30ff.) If the two cities succeed in setting up joint actions via building a common heart, a common head and a common hand, perhaps with two souls residing peacefully and respectfully in the body's breast, they will create successful CCC.

5. Conclusion

The following conclusion will sum up the findings of the thesis. First of all the conclusion will go back to successful CCC. Section 5.1. will give bring back to mind how to define a successful CCC, in terms of the six above analyzed success factors. All factors will be put together and in relation to the two regions in question: Talsinki and the Øresund. Subsequently, section 5.2. will give an answer to the research of question and thus, deal with the concept of lesson drawing according to Richard Rose. Here lesson drawing will be briefly described. Following, Rose's concepts will be applied to the Øresund and Talsinki, in order to see whether lesson drawing is possible and expedient for the two regions. The different steps in lesson drawing will be taken into focus and a table will sum up those steps that already have been taken in the lesson drawing process of Talsinki. Furthermore, the chapter will show all six success factors in the context of lesson drawing by comparing the Øresund with Talsinki. In turn, the factors will be broken down to that extent where Talsinki can learn from the Øresund and where it has to find its own solutions.

Last but not least, chapter 5.3. will give a brief outlook on CCC in the Baltic Sea as whole and future perspectives of the region.

5.1. Successful CCC

The trend towards new regionalism is highly evident and obvious, especially within Europe. The local level plays an increasing role, not only on the national scale, but as well across borders. As we can see, borders are losing their significance as main barriers for trade, transport and mobility between nations, but rather play a role concerning security. However, regionalism takes place across frontiers and in this context borders can even function as bridges, combining e.g. two cities of one region. In this respect, urbanization has to be taken into consideration as well. Cities are growth poles and attract FDI as well as industrial growth. Hence, regional revival and development mainly depends on the development of cities and their surrounding. Cross-border city cooperation can be seen as the major keyword for successful regional development. The Øresund represents one of the finest models for such CCC. Two cities

from different countries, combined into one cooperation project, leading the region to economic success.

Concluding from the above findings, a successful CCC can be identified as the following: Different success factors have to be fulfilled, while some are mutually influencing each other. First of all, the cities in question have to lie *spatially close* to each other, being connected via a fixed *link*, like the Øresund Bridge, or via close transportation, as can be seen in the Talsinki twin-city region. The economy of the two cooperation partners has to be somehow *homogenous*, meaning that both sides should be able to profit from the cooperation. Additionally meaning that the political as well as legal framework concerning labor and tax policies should be in adaptation. In order for a CCC to develop a strong and successful regional economy, a regional *identity* should be prevalent. This identity can be constructed via shared historic events, traditions, historic bonds, linguistic similarities, as well as a shared cultural heritage. Such identity can be strengthened through setting up an *institutional framework*, which can stand up for the region's interest and formulate the legal basis for the CCC towards the national and international level. The identification of a *common competitor* represents the fifth success factor, since if both partners fight against the same opponent or for the same goal, the incentive to work together and to take joint action is much higher than for working alone. As the final success factor, *uniqueness* can be identified. The creation of a unique economy or characterization of a region, which distinguishes the CCC from any other economy on the market, plays an important role. In order to attract FDI and to support industrial growth, the region has to create something special.

If those factors are fulfilled to a lower or higher extent, the CCC will be successful.

5.2. Lesson drawing from the Øresund

“The whole purpose of education is to turn mirrors into windows.”

Sydney J. Harris

Lesson drawing between countries means adapting and improving the design and evaluation of national policies and programs. The starting point of lesson drawing “is the observation of what is being done here and now.” (Rose 2005, p. 3) As a saying predicts, one learns from mistakes. And why not learn from the mistakes of others? It is a lot easier to learn from something that is already in action, instead of assuming what might happen when applying an untried idea. Concerning such policy learning process, evaluation can be seen as the key element, having two purposes:

- “To help policy makers and program managers design or improve the design of policies, programs and initiatives [and]”
- To provide, where appropriate, periodic assessments of policy or program effectiveness, of intended (and unintended) impacts, and of alternative ways of achieving expected results” (European Commission – Enterprise Directorate-General, 2002, p. 3).

Hence, evaluation is mainly used for sufficient lesson drawing in the EU, especially by EU institutions. However, lesson drawing can as well take place on the regional level and by regional institutions or local authorities likewise.

The main definition of lesson drawing can be seen as “a program for action, based on a program or programs undertaken in another city, state, or nation (across space), or by the same organization in its own past over time” (Rose 1993). Drawing lessons means to assess whether or not a certain program is fungible, in the sense of determining the capability of a program that is put into effect in more than one place. This kind of policy learning can take place in various ways. Policies can be transferred between states, between organizations, national as well as international ones, between individuals or between different institutional levels. Additionally, lessons can be drawn either across space or time.

Policies can be adopted and implemented in many different ways, as well as countries have to decide which country, region or organization and program they shall borrow from and for what reason. According to Richard Rose, the process of lesson drawing takes place in four steps: 1. Searching Experience 2. Creating Cause-and-Effect Model 3. Creating a Lesson 4. Prospective Evaluation.

Rose's lesson drawing makes arrangements for lesson drawing in ten steps (2005, p. 8):

1. Learn the key concepts: what a program is, and what a lesson is and is not.
2. Catch the attention of policymakers.
3. Scan alternatives and decide where to look for lessons.
4. Learn by going abroad.
5. Abstract from what you observe a generalized model of how a foreign program works.
6. Turn the model into a lesson fitting your own national context.
7. Decide whether the lesson should be adopted.
8. Decide whether the lesson can be applied.
9. Simplify the means and ends of a lesson to increase its chance of success.
10. Evaluate a lesson's outcome prospectively and, if it is adopted, as it evolves over time.

Table 5.1. Steps in Lesson Drawing

Step in the lesson drawing process	Action that has taken place	Success of this step
1. Learn the key concepts: what a program is, and what a lesson is and is not.	Learning from Richard Rose	Concepts of Lesson Drawing
2. Catch the attention of policymakers.	Catching the attention of policy makers in the Talsinki Region.	Governments of both cities are interested in the development of the region. Euregio HELTAL is working for the region's development.
3. Scan alternatives and decide where to look for lessons.	Scanning for cross-border city cooperation in other regions.	The Baltic Sea region has a region covering different cross-border city cooperation. The Øresund has a model region for CCC and European integration.
4. Learn by going abroad.	Going abroad to other CCC regions.	The Øresund as an example region – learning from the Øresund's experiences.
5. Abstract from what you observe a generalized model of how a foreign program works.	Strategies of the other CCC. Defining merits and drawbacks.	Having a close look at the Øresund's strategies, faced problems and conditions of success.
6. Turn the model into a lesson fitting your own national context.	How to define successful CCC.	Definition of success factors.

7. Decide whether the lesson should be adopted.	Is the Øresund successful?	The Øresund has been analyzed as fulfilling the defined success factors and hence, can be regarded as representing a successful CCC.
8. Decide whether the lesson can be applied.	Decide whether all strategies of the Øresund can and should be adopted. Where can problems be identified?	Differences between the two twin-city regions have been analyzed. Not all strategies should be fully adopted.
9. Simplify the means and ends of a lesson to increase its chance of success.	Simple definition of success factors. Analyzing the regions' differences.	The Øresund can function as a model region for Talsinki, but certain aspects have be left out, in order to avoid mistakes made in the Øresund and to draw up a unique successful CCC model for the Talsinki region.
10. Evaluate a lesson's outcome prospectively and, if it is adopted, as it evolves over time.	Drawing up future perspectives. Evaluation over time.	Future perspectives for Talsinki have been analyzed. Evaluation over time will show what becomes of Talsinki twin-city region.

Source: Author

Furthermore, Rose identifies different types of drawing lessons: Copying, Adaptation, Hybrid, Synthesis, Inspiration. Policy learning can either lead to total fungibility or total blockage, as the two extremes. In order to lead to fungible outcomes, the process of lesson drawing has to be questioned in various aspects. Does the program contain elements of uniqueness? Do both regions / organizations occupy substitutable institutions as well as equivalent resources? To which extent does the program in question offer a simple cause-and-effect structure? How large is the scale of change and can there be an interdependence of programs identified? Last but not least, the question for the congruity between values of the two regions / organizations has to be answered.

In the case of the Øresund and the Talsinki twin-city region, lesson drawing could take place in forms of adaptation and inspiration. The Øresund Region is a unique example of cross-border city cooperation, but nevertheless, contains similar elements to the Talsinki Region and hence, certain areas can be transferred. One of the main problems is the question of substitutable institutions. Talsinki does not, yet, have its own institutional framework. However, both regions belong to the EU and hence, have similar structures. In both cases one cooperation partner became an EU Member later than the other one and the both have/had to cope with the catching up process of one side, concerning the economy. This means the importer and exporter jurisdiction provide for some kind of interdependence. Both regions are supported via EU support programs such as INTERREG and hence, can rely on financial support. Copenhagen as well as Helsinki are strong cities, which are able to strengthen the cooperation process. The mechanisms by which CCC works are not totally simple (cause-and-effect structure), but can be adapted and the scale of change, which has to take place via the lesson drawing can be held on a small scale.

The Øresund as well as in the Talsinki region have at their core the economic development of both cooperating partners, additional to the Eastern integration process and the development of the BSR as a whole. Hence, values of the two regions are congruent to a certain extent. Of

course, Talsinki is a lot closer to the Eastern frontier and hence, the aim of enlarging the cooperation further East is a lot higher in this case, while the Øresund mainly wants to compete against Stockholm. However, both strive for economic development and integration and hence, programs can be compared and lessons can be drawn.

Coming back to the identified success factors, Talsinki can learn from the Øresund in some respects, in others Talsinki has to develop its own strategy, in order to turn into successful CCC.

Geography / Links

While the Øresund decided to build a fixed link between the two cities, Talsinki will not be able to follow this example, due to the great distance between the shores. However, the increasing number of ferry connections already depicts a very close linkage between the two cities and the University exchange can be seen as a knowledge bridge across the Gulf of Finland. However, concerning the increasing ferry connections, Talsinki has to take care of the environmental consequences. Due to the great efforts of the region in the environmental area, the connections hopefully will not exceed a certain amount, in order not to disturb the region's fauna and flora and maritime environment.

Homogenous Economy

Regarding the one homogenous economy, Talsinki still has to go a long way. However, concerning a monetary union, Estonia and Finland are more likely to be part of a joint one, than Denmark and Sweden are. Since Estonia became a EU member state, preconditions for policy adaptation are fulfilled and in various areas has already taken place. Here the Øresund represents a great model for agreements concerning the labor market, as well as tax agreements. Estonia and Finland have already developed a unique set of special agreements concerning migration policies, trade and the labor market.

Identity

The historic bonds, prevailing in the region, have formed an identity link between the two cities. Nevertheless, aftermaths of long times of separation and prejudices between the people from both sides of the Gulf

have to be overcome, in order for the region, not to face the same fate as the Øresund. As the success factors' interrelation table shows, identity is connected to all other relations of success. If the twin-city region succeeds in setting up the other areas in a positive way, identity should develop out of its own. Here the region is active in arranging cultural events, to make each side aware of the unique features of the other as well as to build incentives for both sides to cooperate.

Institutional Framework

The setting up of a sovereign regional authority should not be the region's main concern. As observations have shown, here it might be better to cooperate only in areas where it is needed and to leave the main authority to the city governments. Agreements and law bases have to be found only regarding certain areas, such as company cooperation, tax agreements and labor market policies. Furthermore, increased cooperation will take place in the field of education, culture and tourism. Here administrative institutions only regarding those certain areas will suffice.

Common Competitor / Common Goal

The common competitor in the Talsinki region can be found in other European regions. The common goal represents European integration and the aim of becoming the most competitive region in Northern Europe, as well as representing Europe's gate towards East.

Uniqueness

Uniqueness has been set up in the combination of low and high-tech industries. Estonia as well as Finland is highly attractive for foreign investment. Here the combination of East and West is performed exemplarily.

With the experiences of the Øresund, and the evaluation of problems still prevailing in Talsinki region, it can develop to become the Baltic Sea's most attractive place, for cultural events, education exchange, as well as investment and company settlement. The Øresund has a great searching experience, especially via its own institutions and the OECD report. The mechanisms by which changes have taken place have been identified as

well as the development of the region throughout centuries. Through the identification of the success factors as well as the faced problems in both regions, a clear strategy and tasks for future development were highlighted. If Talsinki learns from the lessons of the Øresund Region, to both extents – positive as well as negative outcomes, the Finnish-Estonian twin-city region can come to great success and hence, lead to economic development of both countries and further Eastern integration as well as the strengthening of Russian relations.

Table 5.2. Proposed proceeding for Talsinki

Success Factor	Øresund Strategies	Proposed proceeding for Talsinki
Geography / Links	The Øresund Bridge	High connectivity through ferry frequent ferry connections. → Awareness of environment has to be raised University / Knowledge exchange as a educational bridge.
Homogenous Economy	Diverse currencies Agreements concerning the labor market, investment and industrial settlement Further agreements on tax necessary	Diverse currencies → importance for Estonia to fulfil EU requirements, in order to be able to introduce the Euro Existing agreements on labor market and migration between Estonia and Finland → further agreements on tax policies necessary
Identity	Development of the Øresund identity not totally successful Remaining prejudices between the both sides	Historic bonds → long time of separation has cut a gap between the nations. → Cultural events, knowledge exchange etc. will contribute to the development of a Talsinki identity All factors interact with each other and their total interaction will contribute a common regional identity.

Institutional Framework	<p>Existence of the Øresund Committee, which still has to struggle with several difficulties.</p> <p>The Committee does not have full sovereignty and still lack accountability in certain areas.</p>	<p>No full regional government has to be set up. Instead:</p> <ul style="list-style-type: none"> → concentration on certain areas → agreements on laws and requirements in certain areas → national governments / municipalities remain the authorities of the region
Common Competitor / Common Goal	<p>Stockholm</p> <p>Fostering EU integration</p> <p>Turning the Øresund into a competitive CCC in the Baltic Sea and in Europe</p>	<p>Other competitive regions in Europe</p> <p>Becoming the most competitive economic region in Northern Europe</p> <p>Fostering EU integration</p> <p>Becoming Europe's <i>Gate to the East</i></p> <p>Combination of low and high-tech industries</p> <p>Combination of East and West</p> <p>Direct contact with Russia (Cooperating triangle with St. Petersburg)</p>
Uniqueness	<p>Medicon Valley</p> <p>Øresund – Human Capital</p>	

Source: Author

5.3. Outlook on CCC around the Baltic Sea

The Baltic Sea Region covers an area of 2.3 m. km² and, hence, depicts the greatest transnational cooperation space. The cooperation of the region has a long tradition that dates back to the early 13th century, meaning the Hanseatic League, which connected the Hanseatic cities of the BSR with other European trade cities. Cooperation within the region itself has a long tradition, too, but has been difficult for a long period in time, due to political struggles. However, since the Iron Curtain fell, the door has been opened again for regional cooperation all around the inland sea. Those cooperation attempts and the strive towards deeper integration can be seen in the development of the different Baltic Sea institutions, such as the UBC, CBSS or the BCCA and various other organizations set up for deeper relations and improved cooperation.

While covering the greatest expanse of cooperation regions, the BSR is one of the most sparsely populated regions with only 45 inhabitants per km². The population density changes significantly when moving from south to north: the southern regions having 50 or even more than 100 inhabitants per km², while some parts in the North are only populated by 10 inhabitants per km². Besides this population differences, the region is characterized through great economic divergence. These preconditions make cooperation difficult in some areas. However, the BSR has significant strength in the areas of its

*“high educational standards of the population, a well-developed social awareness, long traditions of transnational cooperation, the existence of leading research and industry clusters, particularly in the ICT sector, together with valuable natural area potentials.”
(Bundesamt für Bauwesen und Raumforschung 2005a, p. 50)*

Weak points of the region can be identified in the areas of transport accessibility, economic disparities, “unfavorable climate conditions of wide areas and the heavy burden of the ecological system of the Baltic Sea.” (ibid. p. 50)

When thinking about cooperation development in the Baltic Sea, such aspects have to be taken into consideration. In many respects CCC can

help the BSR to overcome its weak points and develop its strength even further. Joint action, especially in border regions and metropolitan areas, where a high amount of the BSR population is united, can foster the regions forthcoming. Economic difficulties can be softened when both cooperation partners pull together into the same direction. Environmental problems can often only be solved when looking beyond national borders. Learning from each other and drawing the right conclusions from the experiences made in the region, developing and strengthening the joint culture of the BSR and strengthening the regions identity will all contribute to its revival. Together with EU support programs, such as the INTERREG initiatives, the region will work for further EU integration and the development of deeper relations with Russian.

Spatially close metropolitan centers, which share a common identity, have homogenous economic preconditions, a common institutional framework, act jointly for the same goal or against the same competitor and create unique features in order to attract economic power, are likely to establish a successful region. Hence, in order to create a leading position of the BSR on the European continent, cooperation issues have to focus on inspiration, rather than on domination as well as on cooperation rather than on intimidation.

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