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## Complementarities and competitiveness on an asymmetrical border. Towards transboundary regionalism in Northern Europe

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## **COMPLEMENTARITIES AND COMPETITIVENESS ON AN ASYMMETRICAL BORDER. TOWARDS TRANSBOUNDARY REGIONALISM IN NORTHERN EUROPE.**

### **1. Introduction**

Cross-border cooperation was introduced in Western Europe as early as the 1960s in terms of individual initiatives and experiments; these later led to the formation of joint supporting organisations such as the Association of European Border Regions (AEBR). Since the late 1980s, the second phase of cross-border cooperation and related institution-building has been proceeding at a brisk pace. The EU Interreg initiative (Interreg I in 1990-93, Interreg II in 1994-99) has provided this activity with resources, and it has also implied a kind of competitive setting between earlier and newly established cross-border institutional structures and initiatives (see Blatter & Clement 1999).

From its very beginning, cross-border cooperation in Europe has been intertwined with supra-national political and economic integration. Border regions have been able to promote their joint activities as an essential element in the realisation of the idea of a unified Europe; for instance, the development of transnational cross-border cooperation in a meso-region context has been argued

as a strategy to strengthen European competitiveness (cf. European Spatial Development Perspective 1999). In addition, the initiation of cooperative structures across the East-West divide in Europe in the 1990s is a clear-cut illustration of how sea changes on the political and economic scene have conditioned activity at a regional and local level.

Cross-border cooperation is one form of a more general phenomenon, interregional cooperation, and as such a vehicle for regionalisation processes. The increased permeability of borders is reflected in the institutional and functional position of border regions, and thus they provide a kind of testing ground for transboundary regionalisation.

Here, the focus is on one example of the above mentioned setting, the Finnish-Russian border region. With regard to preconditions for creating integrated structures across the border, it can in several respects be regarded as an extreme case, even in comparison to the ones prevailing along the East-West border in several other regions in Europe. Until the final years of the Soviet Union, there were only a few crossing-points for bilateral trade and tourism was controlled by Intourist, cross-border contacts based on the geographical proximity of individual partners were not allowed, and most of the border region in the Soviet Union was closed to foreigners. During the last ten years, however, new crossing points have been opened, travel restrictions to Russian regions have been abolished, national and EU-sponsored initiatives have been launched to support cross-border cooperation, and even a blueprint for a local variant of a Euroregio has been proposed. Overall, possibilities for cross-border interaction and regionalisation processes have been sought at various spatial levels, from large multinational arrangements, such as the Baltic region, to very small, local regions, next to border-crossing points.

This paper attempts to investigate the experiences of cross-border cooperation between Finland and Russia against the background of ongoing regionalisation processes. Special attention is devoted to how the Finnish and Russian partners, at various spatial levels, have seen the potential for increased cross-border interaction, and how the introduction of the Interreg initiative has influenced on this sole land border between the European Union and the Russian Federation.

The paper is structured in the following way: Section 2 outlines some aspects of the European cross-border cooperation regime, and Section 3 summarises some specificities of the Finnish-Russian case. In Section 4, the phases of cross-border cooperation between Finland and Russia are surveyed and evaluated. The empirical findings concern the border of Russian Karelia (the

Republic of Karelia), where the proposal for a Euroregio has been put forward. Section 5 summarises the findings and attempts to draw some conclusions.

## **2. Cross-border Cooperation Practices and Institutions**

Basically, practices and institutions of cross-border cooperation have largely been geared to country- and region-specific circumstances. This has resulted in their variety and complexity, which implies that there are many potential lessons to be learned from a plethora of pragmatic solutions to different cross-border problems. Yet on the other hand, the jungle of parallel and uncoordinated initiatives may have led to a waste of resources.

Since its turn towards the deepening integration process in the 1980s, the European Union has become an important actor in cross-border cooperation. Its active role has been partly motivated by regional problems as many border regions have been national peripheries lagging behind in development (see, e.g., van der Veen and Boot 1995). Yet the involvement of the EU has not only been prompted by the desire to tackle regional disparities, but has derived from even more fundamental targets: the one-sided orientation of many border regions towards national centres clearly undermines the plausibility of the functional integration process itself.

The actual practice of the EU's participation has taken place mainly in terms of the Interreg initiative. It has contributed to a tendency towards a more uniform cross-border cooperation regime in Europe. Scott (1999) describes this regime in terms of norms, imperatives, institutions and instruments: see Figure 1.

For the present purposes, two issues in particular are worth noting as qualifications to the European regime outlined in Figure 1. Firstly, the regime obviously incorporates the idea that there are built-in tensions and institutional competition between the domains and authority of different involved actors, for instance, those responsible for the "high politics" of security and those responsible for the "low politics" of local development in border regions. This regime does not in itself imply any overall solution to the dilemma. Secondly, different border regions are proceeding at different speeds to initiate working practices and to create an institutional base for them. In particular, this holds true in the comparison of the internal and external borders of the EU.

<b>Norms</b>	<b>Imperatives</b>	<b>Institutions</b>	<b>Instruments</b>
<ul style="list-style-type: none"> <li>- national (and/or senior government)-mediation</li> <li>- synergy: exploitation of complementarities</li> <li>- partnerships: multi-level policy coordination; additionality through co-financing</li> </ul>	<ul style="list-style-type: none"> <li>- cohesion</li> <li>- "pre-integration" of Central European States</li> <li>- decentralization and regionalization</li> <li>- promotion of regional and local initiative</li> <li>- development of competitive regional policies</li> </ul>	<ul style="list-style-type: none"> <li>- intergovernmental commissions</li> <li>- informal parliamentary working groups</li> <li>- Euroregions: locally based institutions</li> <li>- voluntary organizations, NGO's</li> </ul>	<ul style="list-style-type: none"> <li>- structural policy incentives</li> <li>- transboundary regional development programmes</li> <li>- informal policies and transfers of cooperation and know-how</li> <li>- publicity forums and political platforms (e.g. Council of Europe)</li> </ul>

*Figure 1. Basic Elements of the European Cross-Border Cooperation Regime (according to Scott 1998)*

The European cross-border cooperation regime was originally developed for the internal borders between Member States. More recently, it has been introduced, where applicable, to the Union's external borders.

Overall, the initiation of direct cooperation across the East-West divide has been intimately intertwined with the upheaval in the earlier international political order, and thus it could be seen as a salient policy achievement in its own right. In more practical terms, the challenge to it stems from the fact that cross-border cooperation activities are usually proposed on functional grounds in the sense that they are based on problems and opportunities faced by the partners. Thus their results are conditioned by the appropriateness and potential of the functional linkages concerned (see Keating 1998). The existence of complementary assets tends to facilitate the construction of integrated cross-border structures, whereas regions too far apart in terms of available resources and policy goals find it hard to initiate cooperation. Against this background, the neighbouring regions along the East-West divide are confronted by the dilemma that their decades-long disconnection from each other has seriously undermined the preconditions for actual cooperation: the asymmetry may have grown too large. The discrepancy in living standards is in many cases deep, infrastructure networks deficient, and the problems of cultural and institutional incompatibility severe.

Obviously, possibilities for developing cooperative practices depend on relations between actors on various spatial scales, from the local to the multinational. This is a particularly demanding challenge to the external borders.

In the following, the European cross-border regime and its above-mentioned qualifications will be used as a point of reference in the analysis of the Finnish-Russian case.

### 3. Finnish-Russian Border Region

Since Finland became an EU Member State in 1995, the European Union has had a land border with the Russian Federation. It runs from the Baltic coast almost to the Barents Sea. The neighbouring regions, among the 89 so-called subjects of the Russian Federation, are the Leningrad region (including the city of St. Petersburg as a separate administrative entity), the Karelian Republic, and the Murmansk region (see Figure 2).

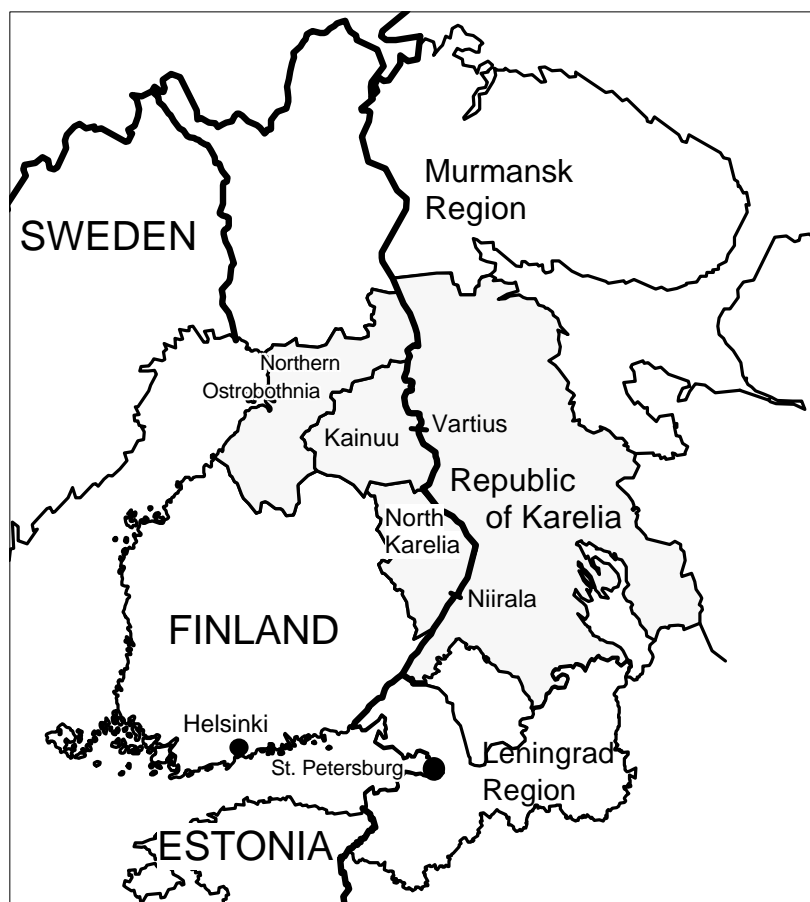


Figure 2. Finnish-Russian border region. (Shaded area = the Karelia Interreg region.)

Historically, the Finnish-Russian border region has been an interface and a buffer zone between eastern and western cultures and politico-economic spheres of influence in northern Europe. In the past, the border through the region was shifted many times, but it did not make itself felt as an effective obstacle to interaction until after the October Revolution and Finland's independence in 1917 (see, e.g., Laine 1994, Paasi 1995). However, the institutional and technological models for conquering northern nature, that is, policies for utilising natural resources and establishing settlements in the northernmost areas of Europe, were already different on the two sides of the border before the Soviet era. This contrast became even more clear-cut after the October Revolution, and has contributed, in addition to the divisive border itself, to the existence of two separate and dissimilar socio-economic systems parallel to each other.<sup>1</sup>

During the Soviet era, direct exchanges across the border between individual partners were not allowed, and foreigners were only permitted to visit a few places on the eastern side. Crossing points for international passenger and goods traffic were located in the southernmost part of the border area, along the routes to St. Petersburg, which is by far the largest centre of the region.

Economic relations between Finland and the USSR were organised through bilateral agreements after the Second World War. Even if they were strictly centralised arrangements, some measures to exploit clear-cut economic synergies in cross-border exchanges were incorporated into them. In particular, the canal connecting the Baltic with the Saimaa lake district in eastern Finland was leased to Finland, roundwood was imported from the Soviet Union, and the mining community of Kostamus was built by Finnish companies on the Soviet side (see, e.g., Tikkanen & Käkönen 1997). From the current perspective, these projects can be seen as precedents to direct cross-border cooperation.

The Finnish-Russian border during the Soviet era provided a textbook example of how an international boundary can have a major negative effect on the development of the regions adjacent to it.<sup>2</sup> In the Soviet Union, activities in the closed border zone were subordinated to security and military considerations. In Finland, the eastern part of the country suffered from a lack of contacts to its historical centres of gravity (St Petersburg, and since the Second World War to Vyborg as well), and its regional economy has been on a long-term decline relative to the rest of the country.

In general, the legacy of history resulted in the fact that interaction across the Finnish-Russian border had to begin from scratch after it gradually became possible since the final years of the Soviet Union. With regard to the basic technical and institutional preconditions for cross-border cooperation, that is, factors such as a network of infrastructure links, a sufficient supply of public and private services, and the compatibility of institutions, the conclusion is straightforward: viewed from a European perspective, the technical and organisational prerequisites for efficient cooperation across the Finnish-Russian border have to be regarded as deficient indeed. It is not only history but also geography which matters here: with a few exceptions, the border region is very thinly populated, and part of it practically uninhabited. For instance, along the 1200-kilometre-long border there is only one bi-national town of any size which could provide an opportunity to form a unified cross-border urban region.

Notwithstanding the severe constraints mentioned above, interaction and cooperation across the Finnish-Russian border has emerged in many forms in the 1990s. This striving for transboundary regionalism, albeit in its embryonic form, was given a boost by the upheaval on the global political scene, and has been linked with changes in the relationship between central and regional levels of governance and administration on both sides, and more recently, by the involvement of the EU. However, as the Russian Federation will not be a candidate for EU membership in the foreseeable future, preintegration, that is, preparation for membership, is not a relevant motive for EU involvement in cross-border cooperation between Finland and Russia. This is in sharp contrast to the situation prevailing in the EU border regions in Central and Eastern Europe (cf. Figure 1).

#### **4. Evolution of Cross-Border Cooperation; the Case of Russian Karelia**

As part of the perestroika process, travel restrictions were relaxed in the Soviet Union in the late 1980s. This facilitated the growth of direct contacts between partners across the Finnish-Russian border. Especially those persons who had been compelled to leave their homeland in the aftermath of the Second World War went to see it, and also initiated collaboration in various grassroots-level activities. Several civic associations and local organisations, such as municipalities and schools in the border region, also joined in, and the central governments had to react to this spontaneous activity as a fait accompli.



Before Finland's membership in the European Union, cross-border cooperation was a bilateral issue between the two countries.<sup>3</sup> The governments of Finland and Russia signed treaties concerning neighbourhood relations, trade, and so-called near-region cooperation in 1992. The last-mentioned treaty was the first of its kind in Russia. It implies that not only Finland but also the Russian Federation accepts the development of direct interaction and cooperation between border regions and, at least in principle, supports such strategy.

In Finland, the issue of cross-border cooperation was first placed on the agenda of national policy-making mainly in two contexts, in regional policies and as so-called near-region cooperation. In both these fields, tensions between various spatial levels have been apparent as regions have tried to strengthen their roles as policy strategists and actors.

### *Regional Policy in Finland*

As part of the anticipated and later realised membership in the EU, domestic regional development policies have been reorganised in Finland in the 1990s (see Eskelinen, Kokkonen and Virkkala 1997). Responsibility for regional development was transferred to regional councils, which are bottom-up organisations based on municipalities, whereas in the past this responsibility lay with top-down regional organisations of the central government. In addition, regional development strategies have been reformulated to harmonise with EU practice in terms of programmes, the promotion of border region development being one such programme. Even if these changes have in institutional terms been profound, the actual practice has not changed that much. The central government still has the decisive say on funding since regional councils have no right to levy taxes. This also concerns the co-funding of EU structural funds operations.

In practice, the regional and local actors most motivated to initiate cooperation across the border did not have (before the implementation of the Interreg programmes in 1996) resources earmarked for this. However, these actors, with regional councils and municipalities in the forefront, created unofficial consultative bodies (for instance, between the regional councils of eastern Finland and the Republic of Karelia), which have later proven to be of practical importance in the creation of contacts for cooperative cross-border projects as well.

Specific state-funded measures for purposes of border region development in Finland have primarily focused on the improvement of transport connections and border-crossing facilities. The requirements of new trade links and transit traffic towards the core areas of Russia have been the most important reason for these investments, and facilitating interaction between the neighbouring border regions only an additional argument. This is also indicated by their location. Overall, the development of border regions and cross-border cooperation has not gained any prominent role in domestic regional policies in Finland. This also reflects the fact that the enterprise sector has not made any major advance into the neighbouring regions in Russia.

### *Near-region Cooperation*

The targets of the so-called near-region cooperation in Russia, which is funded from the Finnish state budget, are the Karelian Republic, the Murmansk and Leningrad regions, as well as the city of St Petersburg (see Figure 2). This activity was launched in the early 1990s on a decentralised basis in the sense that each sectoral ministry undertook its own programme and established administrative procedures for its implementation.

More recently, the Ministry of Foreign Affairs has taken a decisive role as the coordinator, and the activities are regulated by regional working groups which include representatives from governmental ministries and regional organisations. According to the revised strategy for this policy, accepted in 1996, official policy should include the alleviation of environmental risks, the promotion of stability, security and welfare, and the improvement of preconditions for economic cooperation. In practice, various environmental and educational projects have been the most important instruments for achieving these aims. Finland allocated approximately 490 million FIM (incl. humanitarian aid and loan guarantees) from the national budget for near-region cooperation with Russia in 1990-96 (Julin 1997, Statistics Finland 1997). Russian Karelia received approximately one-third of this funding, that is, a proportion considerably higher than its relative population or economic potential among Finland's neighbouring regions.

From the Finnish perspective, near-region cooperation has faced problems similar to those often encountered by recipient and donor countries in development aid programmes.<sup>4</sup> Expectations have also been contradictory: the donor focuses on technical assistance, whereas the recipient calls for direct investments. Yet, contradictions are not limited to the qualities of projects in Russia, but they are also evident among those Finnish actors which actually plan and implement

projects. Large projects in certain priority areas are the declared purpose of state-funded near-region cooperation, but this is bound to conflict with regional and local needs and plans, as small partners such as municipalities and educational institutions in border areas are easily sidelined.

### *Perspectives of Russian Border Regions*

Finland's neighbouring regions in the Russian Federation differ from each other in several important ways. The relevance of these differences might have been accentuated as a result of the process through which regions (oblast, respublika, krays, okrug) have in general grown as political and economic actors in relation to the Federation. Yet the four neighbours (St Petersburg, Leningrad, Russian Karelia and Murmansk, see Figure 2) share at least the characteristic that, in contrast to many fringe areas in Russia, they have not attempted to sever their ties with the Federation. Instead, these regions have tried to utilise their geographical position to initiate their own paradiplomacy and establish direct economic ties with foreign countries (Bradshaw & Lynn 1996). Cooperation with neighbouring regions has been a significant line of action in this opening strategy.

The city of St Petersburg, located inside the Leningrad region, is the largest city on the Baltic Sea, and its role in relation to Finland and also to other European countries, to an important degree, depends on the dynamics of the Greater Baltic Region. The Barents Euro-Arctic Region (BEAR) forms a similar meso-regional context for the Murmansk region (see, e.g., Br`ms et al. 1994). The Republic of Karelia (Russian Karelia), whose case will be discussed in the following, is a member of the BEAR, but an obstacle to the implementation of various cross-border activities in this setting is the fact that the bulk of its neighbouring region in eastern Finland has been excluded from the Barents cooperation. Basically, Russian Karelia lies both geographically and functionally between the two prospective transnational meso-regions, and the same applies to its neighbouring region on the Finnish side of the border. As a result, these regions on the fringes have turned to each other for purposes of creating cross-border regionality in the area.

As in other border regions of Russia, the continuing political and economic crisis has given an important impetus to the Karelian Republic's efforts to establish direct relations with foreign countries, and has also implied an increase in its internal autonomy.<sup>5</sup> Many of the necessary legislative changes have been based on case-specific agreements between the Republic and the Federation, and thus contributed to the increasing variation in the rules of the game facing foreign

firms and other organisations in Russia. In practice, the Government of the Republic has been given more say in taxation, use of currency revenue, natural resources and environmental issues. However, the impact of these changes has remained limited due to the unclear division of power and responsibilities between the Republic and the Federation. In addition, some privileges supporting the establishment of cross-border links were later cancelled (see Eskelinen, Haapanen & Izotov 1997). However, the opening of crossing points for international traffic without case-specific permission has been of long-term importance. This occurred on the western border of the Karelian Republic in Vartius in 1991 and in Niirala in 1993 (see Figure 2).

In more general terms, Russian Karelia is an example of a region which is attempting to redefine and reconstruct its role as a kind of national unit within the context of the Russian Federation. This form of regionalisation derives from its institutional position in the Soviet ethno-federalist system, where there was a link between a titular group (in this case: Karelians) and its administrative territory (until 1991: the Karelian ASSR), even if the actual role of the minority was politically and culturally marginal (see Lynn & Fryer 1998). The development of direct economic, political and cultural links with foreign countries, with Finland and its border regions in particular, has been seen as an important strategy in this kind of nation- or region-building process.

Although links between Russian Karelia and foreign countries, especially those with its neighbouring region in Finland, have grown very dramatically in the 1990s (see, e.g., Eskelinen et al 1999), the first and foremost goals of the opening process have clearly not been attained. The Karelian Republic has not avoided the serious all-embracing socio-economic crisis in Russia, but rather has been losing its relative position in recent years (Alanen 1999). This is a concrete manifestation of the lack of complementarities in the Finnish-Russian border region. In sum, cross-border cooperation has not turned out to be a shortcut strategy for successful development. This tentative conclusion is, of course, conditional to the circumstances which have prevailed in Russia - and also in neighbouring Finland - in the 1990s.

### *Karelia Interreg Programme<sup>6</sup>*

The EU Interreg initiative was introduced on the Finnish-Russian border at the end of 1996 when the first projects were given funding. This activity is organised through three programmes: Southeast Finland (towards St Petersburg and the Leningrad region), Karelia (the Republic of

Karelia), and the Barents (the Murmansk region) (see Figure 2). These three programmes, which received a total of MECU 33.9 from the EU during the period up to 1999, have had at least two significant implications for cooperation across the Finnish-Russian border.

Firstly, they have emphasised the role of regional actors in Finland because the regional councils have been given responsibility for running the programmes. In the case of the Karelian programme, for instance, three regional councils (North Karelia, Kainuu and Northern Ostrobothnia) share this responsibility (see the Karelian Interreg region in Figure 2). This institutional solution has, in fact, created a new cooperative region in Finland, defined on the basis of neighbourhood: the Republic of Karelia borders these three regions. On the other hand, the division of labour between the three different Interreg programmes on the Finnish-Russian border is not without problems, especially because functional connections between St Petersburg and more northern areas in eastern Finland were not given due attention in their preparation.

Secondly, Interreg funding, although its use is limited to the territory of the EU, Finland in this case, has clearly provided additional resources for cross-border initiatives. Many projects are genuine results of the programmes in the sense that their realisation would not have been possible from other funding sources. In terms of substance, their novelty is less clear, and they primarily focus on creating preconditions for cooperation. In addition, the actual involvement of relevant partners in Russia remains in many cases an open issue. Notwithstanding these qualifications, the Interreg initiative has to be regarded as a policy innovation in Finland by reason of the fact that no corresponding funding mechanism was developed for purposes of domestic regional policies or near-region cooperation. In addition, the fairly comprehensive programming activity involved in the Interreg programme has contributed to a more careful selection of policy priorities.

Given the short implementation period thus far, only very tentative conclusions concerning the effects of the Interreg programmes can be drawn. Some findings seem, in any case, quite evident.

Firstly, the constraints set by history, geography and the transition in Russia are clearly reflected in the implementation of the programmes. This can be seen, for instance, in cross-border initiatives by firms: only a few have been proposed in the Karelia programme. In spite of the superficial similarity in production structures (that is, the dominant position of the forest sector (forestry and forest-based industries) on both sides of the border), the development stage of these

neighbouring regions differs so much that economic resources are only to a very limited degree complementary, and the neighbours do not compete with one another (see Eskelinen et al. 1999).

Secondly, national government ministries have not been particularly interested in the Interreg programmes. This has also been a problem since the ministries in most cases serve as sources of domestic co-funding. Not surprisingly, this has increased the interest of regional councils in the genuine regionalisation of the programmes, especially if this involves the transfer of domestic funding as a lump sum under their control. This arrangement has been tested in the Barents Interreg programme.

Thirdly, the classical problem of the EU's external borders, the reconciliation of different programmes, has also been encountered on the Finnish-Russian border. The EU has no mechanism which would secure links between the Interreg projects in Finland, and the Tacis CBC projects which are currently under way on Russian side of the border.<sup>7</sup> However, the practical significance of this incompatibility may have been exaggerated as regional actors have utilised their existing unofficial contacts to exchange information on various projects, which has created links in several relevant cases. In fact, the lack of funding for potential cooperative projects on the Russian side is the key problem: funding from the Tacis and near-region cooperation programmes is only a small drop in an ocean of acute needs.

Both the tension between the central government and regional actors in the implementation of the Interreg programme and the technical problems encountered in cross-border programmes (between Interreg and Tacis) have contributed to the fact that the regional councils in the Karelia Interreg region have together with the Government of the Karelian Republic recently launched preparations for a Euroregio (Cronberg & Sljamine 1999). They aim at creating an integrated system of decision-making and administration to facilitate such cross-border cooperation which would not be dependent on the specificities of a certain programme period. This is clearly an ambitious target with far-reaching implications, as it concerns EU policies towards Russia. The relevant strategic decisions have to be made in the preparatory stages of the next Interreg programme period.

In sum, the Interreg programme has opened the way for official transnational cooperation by regional actors, although the scope of activity of the regional councils is still limited and they struggle to wrest more competence. Along with this development, the Interreg programme

management - not unlike the whole EU structural policy administration - is an arena of "contested governance" (cf. Lloyd & Meegan 1996), with competition being not only vertical, between the EU, state and regions, but also horizontal, between local actors, or, respectively, the ministries.

## **5. Summary and Discussion**

The Finnish-Russian border itself is still as carefully guarded as it was in the Soviet era and a visa is needed to cross it. In contrast, the cross-border cooperation regime has changed dramatically: direct transboundary links, which were illegal only a decade ago, are now supported by means of specific programmes. The process towards proximity-based relations between actors in the border regions was initiated at the grass-roots level in the late 1980s, a political framework for it was established in bilateral agreements between the two governments in 1992, and since 1995 the European Union has been a partner. At the regional level, informal information exchange between neighbours has developed into a joint political strategy to create integrated administrative structures spanning the border.

Clearly, these major advances represent an archetypal policy-driven approach to cross-border cooperation. It is not an instrument to reap immediate benefits, but rather a strategic investment for the future. This is frustrating especially to the Russian partners, who have expected immediate remedies for the serious crisis.

The evolution of cross-border cooperative structures and policies is intertwined with the processes of regionalisation. In particular, regional actors must have gained - or be entrusted with - in their national contexts the decision-making capacities required for building external links with foreign partners. On the other hand, cross-border cooperation aims at compensating for the negative influences of divisive and separating borders, and in the final analysis seeks to construct integrated functional transboundary structures. In the present case, the partners are highly asymmetrical, and the regionalisation processes related to cross-border cooperation have also evolved along quite different lines.

In Russia, border regions have tried to create direct links with foreign partners to escape from the economic crisis in the Federation, since its capacity to control decision-making in the regions and redistribute resources to them has weakened. In the case of the Karelian Republic, for instance,

the search for a kind of "national sovereignty" can be interpreted as a continuation of its earlier role as an administrative region nominally devoted to an ethnic minority - although the region was and is ethnically very much a Russian region. In practice, the vagueness of relations between the Federation and the Republic throughout the 1990s has been a serious impediment to the formulation of any coherent policy utilising cross-border links to alleviate the crisis.

In Finland, a partial regionalisation of the domestic regional policy institutions preceded EU membership. The Interreg programme has been a step forward in this respect, as it is run by regional councils, even if national government ministries have the final say in decisions on domestic co-funding. The so-called near-region cooperation, which started earlier, has been a national aid programme, and it has only to a limited extent provided actors in border regions in Finland with resources for cross-border activities. Viewed against this background, the Interreg initiative has been an important policy innovation in Finland. It has also led to cooperation between regional councils in consortia based on a new functional basis.

Currently, the regional councils of the Karelia Interreg region in Finland and the Karelian Republic in the Russian Federation are jointly preparing to form a Euroregio. The aim is to establish cross-border cooperation on a more permanent basis, and hopefully avoid dependency on the specificities of a certain EU programme period. Seen in a wider perspective, this Euroregio strategy attempts to fulfil the empty space, a "no sea's land" between the two major prospective transnational regions in northern Europe, the Baltic region and the Barents region. Yet, whatever the merits of the Euroregio Karelia conception, there is no guarantee that the region could evolve into a functional region. Even its identification as a region is an ambitious long-term target: a major obstacle is simply the fact that the prospective Karelia Euroregio is very large, and at present its different parts have quite different functional links and interests. In addition, the scarcity of cross-border links other than those that are policy-driven shows that the necessary complementarities of the partners are hard to find.

Overall, the findings on developments along the Finnish-Russian border are paradoxically dichotomous. On the one hand, the whole cross-border cooperation regime has been turned upside down in the space of a decade, and the region, to an increasing degree, resembles a normal European border region: as Christiansen and Joenniemi (1999, 11) put it, room for regionality has been created in the political landscape. On the other hand, cross-border cooperative activities



have not been able thus far to make a visible contribution to the fulfilment of the targets usually put forward as their primary motivation.

In the future, a fundamental strategic question facing the Finnish-Russian border region will concern the extent to which these peripheries are able to link their mutual cooperation to structures and lines of action at different spatial levels, from the local to the multinational. This is a demanding target on both sides of the border. In Russia, the Karelian Republic would need coherent policy support from the Federation to achieve a position as a kind of special economic zone. However, this is probably difficult as it also seeks to escape from the Federation's problems as a more sovereign "subject". On the Finnish side, the competitive setting between various regions along the lengthy border, especially for various gateway functions, tends to place the Interreg Karelia region on the sidelines. More recently, the interplay of various spatial levels have emerged in connection to the so-called Northern Dimension initiative of the Finnish Government. It strives to enhance the EU's policy interest towards northwestern Russia. Although this initiative is put forward in the sphere of high politics, it also provides a potential window of opportunity to actors in the target regions along the border.

## **Endnotes**

<sup>1</sup> For long-term differences in settlement policies in the northernmost areas in Russia, the Nordic countries and North America: see Kauppala 1998.

<sup>2</sup> The negative repercussions of the closing of the border were accentuated by the fact that a part of eastern Finland, approximately one-tenth of the land area of the country, was ceded to the Soviet Union as a consequence of the Second World War. The population of the ceded territory, more than 400 000 people, fled to Finland, and they were replaced by a population from various parts of the Soviet Union. As a result, functional regions were split, important infrastructure networks were cut off, and the region on the eastern side of the border was effectively disconnected from its previous history. In addition, this created a potential border dispute, the Karelian issue, which has repeatedly emerged in the public discussion in the 1990s with the realigning of Finnish-Russian relations in new circumstances.

<sup>3</sup> An important political precondition for improving direct economic, cultural and other connections across the border was Finland's decision not to raise territorial claims against the Russian Federation. This was also an important prerequisite for EU membership, although it did not play an explicit role in the public debate which preceded the referendum in October 1994.

<sup>4</sup> A recent evaluation of rural and agricultural cooperation formulates this issue as follows: "The recipient administrations' role in distinct phases of the project cycle was a non-active one, with the exception of some few projects. While a more active role could increase the relevance,

sustainability and efficiency of the projects, the recipients often lack adequate institutional and financial means to do this." (Terra Consulting Limited 1999, iii)

<sup>5</sup> The following brief account is based on a number of studies which have followed developments in Russian Karelia in recent years: see, e.g., several articles in Eskelinen, Liikanen & Oksa (eds.) 1999. The focus here is on the official policy; there is, however, a variety of opinions in the public debate on the pros and cons of outward-looking policies.

<sup>6</sup> Findings on the Interreg programmes on the Finnish-Russian border are based on their mid-term evaluation: Segercrantz et al. 1998.

<sup>7</sup> The responsibility for the programmes lies with DG XVI and DGI, respectively. They are worlds apart in regard to programming practices, decision-making and administrative procedures.

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