

Changing Foresight Practices in Regional Development  
- Global Pressures and Regional Possibilities  
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## **Globalization and regional development**

Ladies and gentlemen, I would like to welcome you all warmly to this seminar in the former capital city of Finland.

In Finland, through the past 30 years since the 1960s both regional development policy and the development of the regions were based on public sector actors. Public sector kept increasing its proportional share of the economy.

A significant change took place in the development of Finnish economy and the regions at the end of the 1990s. Public sector lost its leading role in the economic and employment growth. New jobs and migration were concentrated in the five largest city regions and Salo. Especially the intense growth of the ICT-sector in the cities was the reason for this.

After the economic and unemployment crises of the early 1990s Finland was one of the most developed countries in the EU using production growth, inflation and better employment as criteria. Finland's rise from the recession was based on skill and innovative actions. Finnish economy moved from an investment driven growth into an innovation-driven economic growth in which private sector rose to a key position. Focusing on human capital has alongside technological development been the key factor of the economic growth. Investments on expertise have increased considerably and investing in fixed capital has stayed lower than before. In the investment structure this means a big change of principle. At the same time, the importance of major city areas as strong innovative environments and motors for national economy grew substantially.

At the moment regional structure is being formed especially by the integration of the markets and global economy. The general trend of development is concentration but at the same time the whole economic structure changes the way that also many smaller areas may get more new production. Economic- labour market- and regional development takes place in a completely different manner and logic compared to the development of the 1980s. The intense growth that was dominated by public sector is no longer possible. There is no way back to the old development model.

The factors affecting development will not allow the present regional structure to remain unchanged. Concentration will occur in the future, too. The outermost regions in particular will inevitably lose population. The objective of balanced development must be to control the process. The dwindling population in these regions must not be allowed to curb the growth of their residents' prosperity. The speed and nature of the change must remain such that growing regions can avoid an excessive rise in their cost level, for example in housing, as well as major problems in service provision or in the effectiveness of the labour market. Regions with population overflow must also be given enough time to adjust their service structure in an economically sensible way.

A strong focus on programmes and development in Finland's regions, and the related interaction between cities and rural areas, form the basis for a balanced regional structure. Development must focus on a broad-based business policy, the strengthening of expertise structures and the improvement of innovation

environments. This will help identify and realize the powerful potential that exists for innovation and development.

The aim is a polycentric structure which keeps all the regions viable. Within such a structure, global, national and local centres will form a broad network and function as the core of the strengthening integration of town and countryside, helping to enhance the latter's viability. An efficient network of villages will provide further support for the rural structure.

In a small country such as Finland, only a limited number of internationally competitive innovation poles can exist. Enterprises can also succeed outside these poles as long as they can acquire the necessary know-how through networking. It is important to offer opportunities for less-developed areas to utilise these immaterial resources. A closer interaction between innovation poles and actors in more remote regions is needed.

In northern Finland, a particular network of innovation centres has been developed for this purpose. This Multipolis model connects different smaller innovation centres in sparsely populated northern Finland into network co-operation, with the leadership of the Oulu Region Centre of Expertise.

Trans-regional and even trans-national development corridors will strengthen regional growth and success amid global competition. The development of a polycentric, balanced regional structure and exploitation of regional resources requires fast, high-quality connections between population centres. The rail network must offer fast, safe and punctual connections for passengers and cost-effective goods transportation. The road network, too, must provide fast and safe connections between the urban centres. In addition, attention should be paid to the service capacity of the lower-level road network. There must be a network of airports to ensure extensive connections. To enable equal development of all regions and communities, at least a basic traffic network must be ensured to meet the normal needs of the population, business life and regional needs for mobility and transportation in a sustainable way.

In an open economy the pressures for change in regional structure and the speed of changes are faster than before. All companies take part in global competition irrespective whether they produce goods or services for the local, regional or global market. Global economy gives new challenges even for the regions' ability to offer an attractive operating environment for businesses and skilful labour. In different parts of the world regions compete more and more explicitly of companies and high-skill labour.

The global economy underlines the importance of local economies and their ability to innovate. The development takes place locally, which means that even development policies should be implemented as local measures. No government is able to make a change alone, but in a sound co-operation between national and regional efforts. Especially urban localities are essential focal points of the knowledge economy. City regions have the knowledge infrastructure, direct connections to global economy and the most fluent exchange of expertise.

Key question of the future regional development is whether Finland will be successful as a user of the new information technology and not only a producer. To produce services and contents can take place on a much wider basis than what now is the case. All regions cannot be successful ICT producers but all of them can increase their competitiveness as its skilful users.

The comprehensive educational network of Finland enables development based on expertise: universities, polytechnics and second grade vocational training support city regions on every level. In order to get developed every production field needs top expertise. Universities, polytechnics and science parks are thus central actors in the new growth. Basic factors for growth in the urban regions are technology oriented research- and development operations and productive applications, inputs on expertise and

human capital, social innovations, functional infrastructure as well as good accessibility that requires functional logistics.

The competitiveness of the regions consists of quality factors that make one region an attractive operating environment for businesses and skilful labour to get settled. More and more the competitive ability of companies consists of local resources and quality factors that are mostly decided locally. National politics without local commitment and division of labour is not effective enough.

Narrow technology policy will no longer be sufficient, we need an extensive innovation policy and development of innovative environments. Finland is a small country and that is why we need a special policy that is suitable for a small country in which different actors of innovation policy work intensively and systematically together. We need specialisation of the regions, deepening division of labour inside the country and between city areas as well as networking, cooperation and creation of clusters. The competitiveness of the regions ought to be strengthened so that they become internationally attractive operating environments in their own fields of expertise as well as pleasant living environments for skilful labour. Decentralization of the national innovation policy is necessary.

In Finland the emphasis of the innovation policy has traditionally been on national viewpoint and nationwide arrangements. Regional viewpoint came into the Finnish innovation policy during the 1980s and it was consolidated and established in the mid 1990s. However, regionalism was also emphasized earlier e.g. by establishing new universities, in industrial policy and especially in the legislation of regional development. For twelve years the Centre of Expertise Programme has been the driving force of regional innovation policy. It has received considerable help from the regional policy and Structural Funds of the EU. One part of the regional innovation policy and partly alongside with it has been the cities and city regions that have become active in developing innovative environments.

The importance of knowledge and expertise as a factor that creates competitiveness is marked in the fields where technological development is fast. Primarily new products will be created by research- and production development activities and as an outcome demand and the number of jobs will increase. Companies in these fields intend to get settled in the biggest cities near university campuses and research institutes. The fruitfulness of innovations depends probably highly on local and regional resources. The important question is, how to promote creation and development of new competitive and innovative operating environments?

Is it possible that national innovation policy and cluster policy inside of it as well as networking have a special task in regional development and on the other hand, is it so that the regional innovation policy has a role in the decentralization of national policy and the division of labour between different regions and the deepening of technology and innovation policy? When the international innovation competition is stepping up, national resources should probably be directed more clearly to the existing and developing strong fields and the role of the regions and regional diversity should be strengthened.

No matter how well or effectively the existing tools are getting us forward, we still need some future visions on policies of cities in the knowledge economy. One step forward from the Finnish point of view is designing innovation strategies for the major cities. The Helsinki Region as well as eight other major urban regions in Finland are now creating innovation strategies for themselves. These strategies can assist urban regions in directing and allocating their own development resources, but also in drawing up the guidelines for national policy. The local and the national innovation system enrich each other. This is why the local and national innovation policies should be synchronized together in a dynamic way.

In order to perform in the global knowledge-based economy, city regions do not need only high-level education, expertise and straightforward co-operation between institutions of knowledge. They also need knowledge on how to create innovations through a multi-player co-operation between institutions of

education, incubator organisations as well as financing actors. This knowledge relates to the question on how education can be turned into expertise, expertise into high-quality products and finally how to put these products into the market.

In addition to innovation strategies, the second future outlook on forthcoming policies would be how to diversify and tailor development programmes and instruments. As noted in the Common Framework on Future Urban Policy, “one size fits all” strategy should be avoided. Instead, adjusted diversification according to the local conditions should be promoted. The need and the potential of the cities vary from the case to case. This kind of tailor-made policy should be elaborated from two points of views. Small cities and major cities need a different kind of policy, which requires tailoring by size. At the same time, declining cities and growing urban regions have different kinds of needs, which increases the need for tailoring by character of challenges in the city.

The Finnish opportunity-creating urban policy is one way to ensure the success of cities in the global knowledge economy. This policy aims at establishing mutual co-operation between research and educational institutions, business life and public actors. Recognizing the strengths and opportunities of the city in the global framework is the very foundation of the development work. Through this, we are able to diversify the development policies according to local needs. At the same time with the development policy based on expertise, the views of social participation into knowledge economy have to be given a sufficient attention. As Common Framework puts this, comprehensive urban policy should support both places and people. In urban policy, the knowledge is a good flagship, but not a star alone.

The regions have quite of course been the main targets for regional development policy. Universities, research institutes and public development and financial institutions have already for long been important player in this work. This will certainly be the case also in future. Currently however, business-driven clusters lie in the centre of innovative development. Since the actors of clusters may be situated in different regions, settings of regional policy and the role of different stakeholders in it keep changing. A pure regional viewpoint is not sufficient. We need policies and tools to create networks between actors that are linked within the same cluster in different regions.

Finland’s experience proves that it is worth investing in innovation environments. Unique operating models and development platforms based on high-level expertise and co-operation provide a permanent competitive advantage for regions. The global economy underlines more than ever the importance of local economies and their ability to innovate. As professor Michael E. Porter have pointed: “Macroeconomic, political, legal and social circumstances that underpin a successful economy are important but not sufficient conditions. Competitive advantage lies increasingly in local aspects - knowledge, relationships and motivation - that distant rivals cannot replicate.”

The change in the operating environment has also changed the nature of regional development. Increasingly, crucial decisions are taken at the regional level. Indeed, regional development has evolved into a process where decisions and effectiveness are continuously evaluated, programmes and other tools are continuously developed, and strategic focus areas are changed if necessary.

Competitiveness requires more regions to acknowledge the importance of various competition factors and to find their own strengths and success factors. These stem from a solid special expertise, concentration of expertise, the accessibility of the region, the quality and functionality of the business and living environment, and social capital. Every region should not compete for the same kinds of company; each region should identify the ‘target groups’ with regard to whose key factors they consider themselves competitive, internationally as well as on the home market. The function of central government is to take action to support the advancement of expertise and sufficient availability of labour, and to ensure that the taxation system is supportive of entrepreneurship and paid employment.

The regions must further improvements in their social capital and cooperation networks on the partnership principle. The important thing is to enhance the mutual trust needed for cooperation and to define shared targets and strategies.

Efficient anticipation of regional development is vital for the timely application of measures. Anticipation relies on sufficient monitoring data. It is important to anticipate population and labour trends and to identify as early as possible growth and decline in industries, professions, expertise, technologies and production practices.

Future trends are anticipated from a variety of viewpoints at ministries, research institutions and regional administrations. Sector-specific labour demand prognoses and job structure prognoses up to 2015 have been drawn up in the *Työvoima 2020* (Labour 2020) project headed by the Ministry of Labour and involving several other ministries. The Ministry of the Interior and the Ministry of Labour have jointly produced region-specific labour supply and demand prognoses by sector up to 2015 within the same project. The Ministry of Education, in cooperation with other ministries, is responsible for training needs anticipation, and a proposal for training supply targets up to 2008 have been prepared in *Koulutustarjonta 2008* (Training supply 2008).

At the moment, we are into the *Työvoima 2025* (Labour 2025) anticipation project, which will incorporate sections on the regions. Anticipation of training needs up to 2012 is also ongoing.

Regarding anticipation, the Permanent Secretaries decided on February 3, 2003 to set up a joint network between various ministries for the anticipation of training and labour needs.

For comprehensively outlining future trends in the various regions, it is essential for bodies involved in regional development to use anticipation data. Such outlines must then be taken into account in regional strategic plans and programmes.

On the regional level, anticipation systems for changes in business, working life, and expertise needs have been developed, particularly by the Employment and Economic Development Centres. Provincial state offices also engage in training needs anticipation. Regional Councils do various types of anticipation work as a basis for regional strategic plans and programmes.

Evaluation and anticipation have been coordinated on the regional level so that work done by Employment and Economic Development Centres, local authorities, provincial state offices, Regional Councils, universities and business organizations have been harmonized. The task of coordination have been given to the Regional Councils in their capacity as regional development authorities; they will include the evaluations and anticipations in the regional strategic programmes. The intention is further to prepare evaluation and anticipation measures in regional cooperation groups where the above-mentioned actors are represented.

**Ladies and gentlemen,**

I wish you all an interesting seminar and an enjoyable day here in Turku.