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ON THE IMPACT OF INTERNATIONALIZATION PROCESS ON THE FINNISH SETTLEMENT SYSTEM

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In the near future the economic forces connected with a growing process of internationalization begin to change the settlement system of Finland. They are the heightening competition in a possible member country of the EU and the consequences of wider free trade agreements to a northern agriculture and to the industry using these products as raw material. Probably, the process of concentration of industry will continue benefiting many-sided industrial centres, which already are rather internationalized. Population will grow in bigger cities and in corridors leading to them. Services are improving, too. The public sector seems to be under very heavy restrictions because of difficulties in state finances. The development of settlement system seems to be a retreat of countryside, the expansion of urbanized areas and possibly even the return of wilderness to newly founded rural settlement areas. This means a major turn of settlement development towards a more intensive form in Southern Finland and a more extensive form in other parts of the country.

Key Words: Internationalization, Competition, Concentration, Northerness

1. INTRODUCTION

As a result of an extensive study of the national settlement system of Finland in the situation prevailing about 1985 (Atlas of Finland 1992: Folio270), the system is characterized as being rather small, only moderately urbanized, hierarchically organized with only a few really specialized communities. It is internally well connected and strongly dominated by its Capital District. It is fairly dense only in its southern parts and fades out towards north in accordance to the worsening physical conditions.

The inner structure of the system is very much influenced by physical geographic and economic factors. Today the process of internationalizing seems to come more and more forward as a changing factor. As a small and peripheral country with high quality of life Finland has depended on international trade, and the dependency is increasing. The markets for large scale and growing forest based industry are international. The competition in connection with European integration is increasing and that forces the country to adaptations in economy and other fields, even in administration system. All these developments have a direct or indirect influence on settlement system, too.

2. PROCESSES

The process of internationalization seems to be a many-faceted complex of threads, possibilities and needs of adaptation to new demands. The *agriculture* in Finland operates in a very northern position. To make it competitive, it has been and still is very much subsidized. There has been also a strong control of imports of those agricultural products, were Finland has been a weak competitor. If Finland will become a member of EU, this situation will change radically. The same applies to that part of food industry using domestic agricultural products as raw material. The size of Finnish farms is small, on the average. One of the trends has been to enlarge the farms through purchases, but the process is slow. To reach an economically sustainable situation in the countryside the number of farms should be halved.

In the structure of *industry* as a whole there seems to be a process of concentration going on. The size of firms is growing and as a consequence of that, also a regional concentration is taking place. Finland has had a dense network of dairies (YLI-JOKIPII 1970), but because the firms have to be competitive with the European giants in the field, the strongest have bought the smallest, and only a few of the previously so thriving small dairies remain. The same applies to the industry based on meat, too.

In other branches of industry the development seems to take another way. Firms in woodworking, metal- and electrotechnical industry, for instance, seem to internationalize in a more direct way. Finnish companies buy firms in other countries, continue their operation and get a stronghold of the markets in that particular land. Arrangements will, of course, be needed. Internationalization takes place also through foreign investors buying shares of Finnish firms or whole firms and dividing the risks and profits of the activities. Some enterprises have founded new plants in Finland. The size of production units seems to get smaller, because these are easier to manage effectively in operation. A large part of the production is divided to subcontractors. This element seems to increase in the industrial regional system, too.

One of the greatest problems in the country since 1990 during the recession is a severe *unemployment* (about 20% of working force). Especially industry and construction have suffered. At first it was hoped that the beginning of the upswing in the economy as a whole would eliminate unemployment or in any case considerably diminish the rate of it. Now it seems that in spite of growing production, the unemployment falls much less than anticipated. Firms do not invest, they rather pay their loans back. With the developing technology industry is moving more and more towards automation of the production. There have been even philosophical questions, whether there in the future will be working possibilities in the present sense at all (VON WRIGHT 1993). Even a positive answer would mean less and less work especially in industry. The thinking on the nature of work has to take totally

different mode than today. What kind of influence this has on settlement system, nobody seems to know or even be seriously interested in.

The role of *services* has grown considerably in the economy of Finland. In 1985 the share of service employment was already more than 50% (Atlas of Finland 1992: Folio270, p.12) in most of the rural communes, too. The recession has had its effect here. Wholesale and retail trade have lost much of their markets because of diminished purchasing power of population. Banking has met great difficulties because of careless lending in the late 80s, and many other mistakes. This has led to a huge support to the banks by the government, amalgamations of banking firms, closing of many offices and raising the price of money. Planning services have suffered from recession in construction. Most successful firms have tried to offer their services to bigger countries with some success. Tourism, on the other hand, has benefited from the lower price level in the country and the number of foreign tourists has increased. So, services seem to be such a heterogeneous field of economy, that internationalization has no easily explainable influence on it. Clearly, however, the smallest communities seem to loose most in the development.

Administration suffers from the deficit in the state and communal budgets and the heavy debts of the Finnish state, which has compelled to cuts and savings in expenditure not only in pure bureaucracy but also in linked fields such as social and health care and education. The number of civil servants has diminished, some functions have been privatized and some administrative functions have been eliminated. There have been attempts to reduce the cost of administration by reconsidering the need of agencies on central, regional and local levels. Finland takes part quite actively in international political affairs, but the possible joining to EU will increase this form of participation very much. This seems to affect the administrative system of the country, too. The regional divisions are influenced already.

Communication systems are developing all the time for national reasons. However, some developments, are planned also for international needs. The increasing goods transports between industrialized Western Europe and Russia, especially that of St. Petersburg, requires a higher port and railway capacity than what the Russians have today. Because the Finnish railways have the same rail gauge as the Russian, Finnish seaports and railways have received much of that transit traffic. It seems now, that the capacity ought to be increased. It is also obvious that an increasing part of that international flow will go on lorries.

Nearly all of these more or less spontaneous developments would lead to a greater concentration through greater efficiency of operations and hardening competition. The countereffects are mainly new modes of regional development policy, whose main aim is to keep the whole country settled and even having more or less same welfare level for population in all parts of Finland (Maaseudun kehittämissuunnitelma 1991). Regional policy is financed by national funds, but also by EU funds in the case, that Finland will join this organization as a full member. Just now there is a

heavy discussion going on concerning the benefits and drawbacks of such a vital decision. There will be a referendum in October 1994.

3. REGIONAL CONSEQUENCES

3.1 Degree of Internationality at the Beginning of the 1990s.

It can be supposed, that a place which already is in its functions more internationalized than its competitors will also in the future keep its relative position. This is so, because people there are already used to cooperation across the borders and have created connections, which can be useful in creating new ones. Therefore it is interesting to see, which Finnish cities have this position of "early beginners".

The analysis by PAJUNEN (1994) was restricted to Finland's provincial centres, because it was obvious, that large and middle-sized cities have the most favourable situation in developing international connections. Indicators were the share of the city of international trade among the cities compared in 1991, the share of headoffices of foreign firms in 1992, the share of inhabitants of foreign nationality in 1993, the share of foreign students in 1992, the share of foreign tourists, international congresses, consulate offices, friendship cities, and the accessibility of the city from abroad.

All of the cities studied had begun the process, but were very different in the degree and content of internationalization (Figure 1). The large cities are mainly at the top of the list, but not all. There are also discrepancies in comparison to the hierarchical position. Maariehamn in the Åland islands has only 10,000 inhabitants and is a very weak provincial centre, but has a third place on the list. On the other hand, Kuopio in Eastern Finland has about 80,000 inhabitants and is a supraprovincial centre for a very wide area, but it is only ninth on the list. Factors affecting positively the internationalization seem to be bilingual population structure, location on the coast and the size of population.

3.2 Internationality of Industry

It can be supposed, with precursions, that the more the industry of a city is now involved in international markets, the better are its possibilities for competition in the future, too. In a calculation based on the Yearbook of Industry 1992, Table 1 (Central Statistical Office of Finland 1994) it was found, that there are very big differences in the international status of industrial centres. Using the value of exported products and the share of exports of the total value of production, a possibility to rank the cities was achieved. Comparing the results (Figure 2) with the composition of the industrial activities in centres (Atlas of Finland 1993: 21) also the important fields could be seen.

Figure 1 The index of internationality of Finnish provincial centres 1992

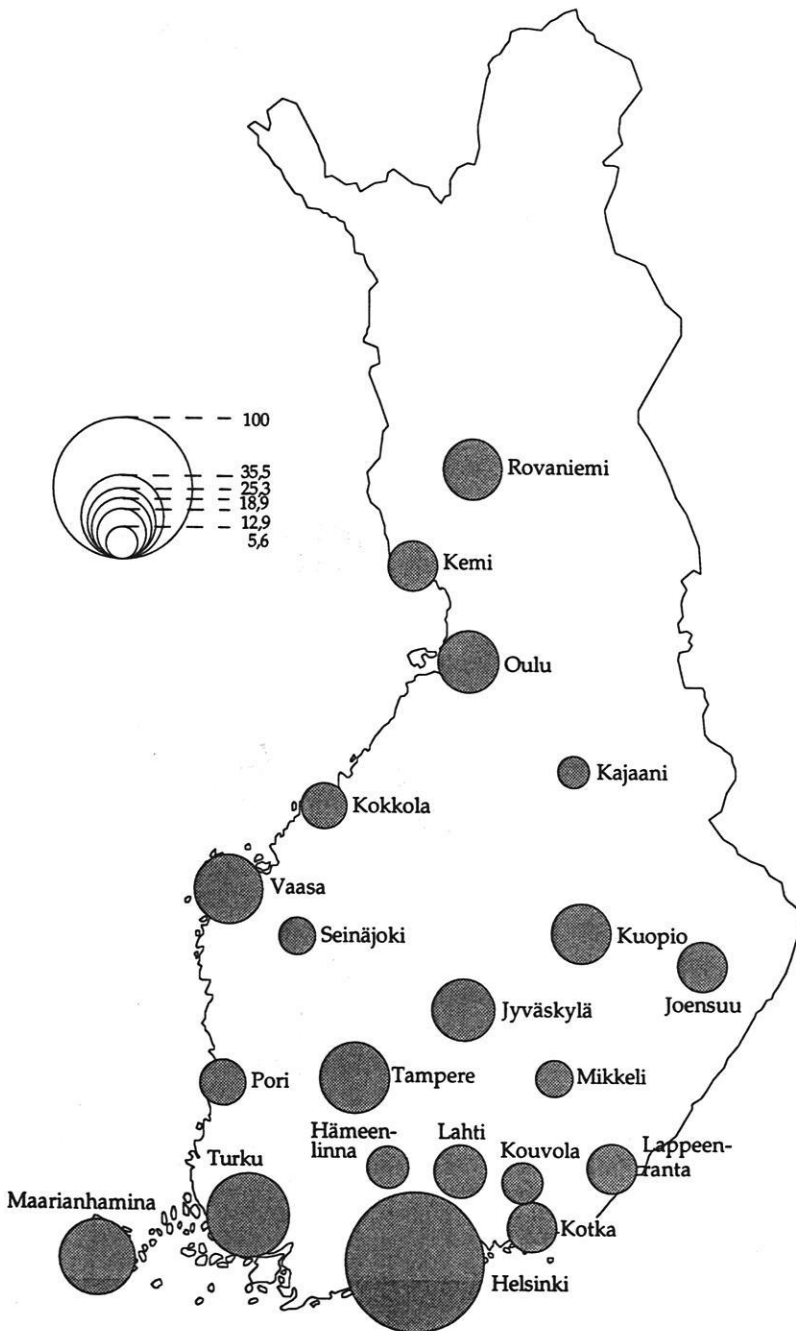


Figure 2a The export orientation of industry in Finnish municipalities 1992

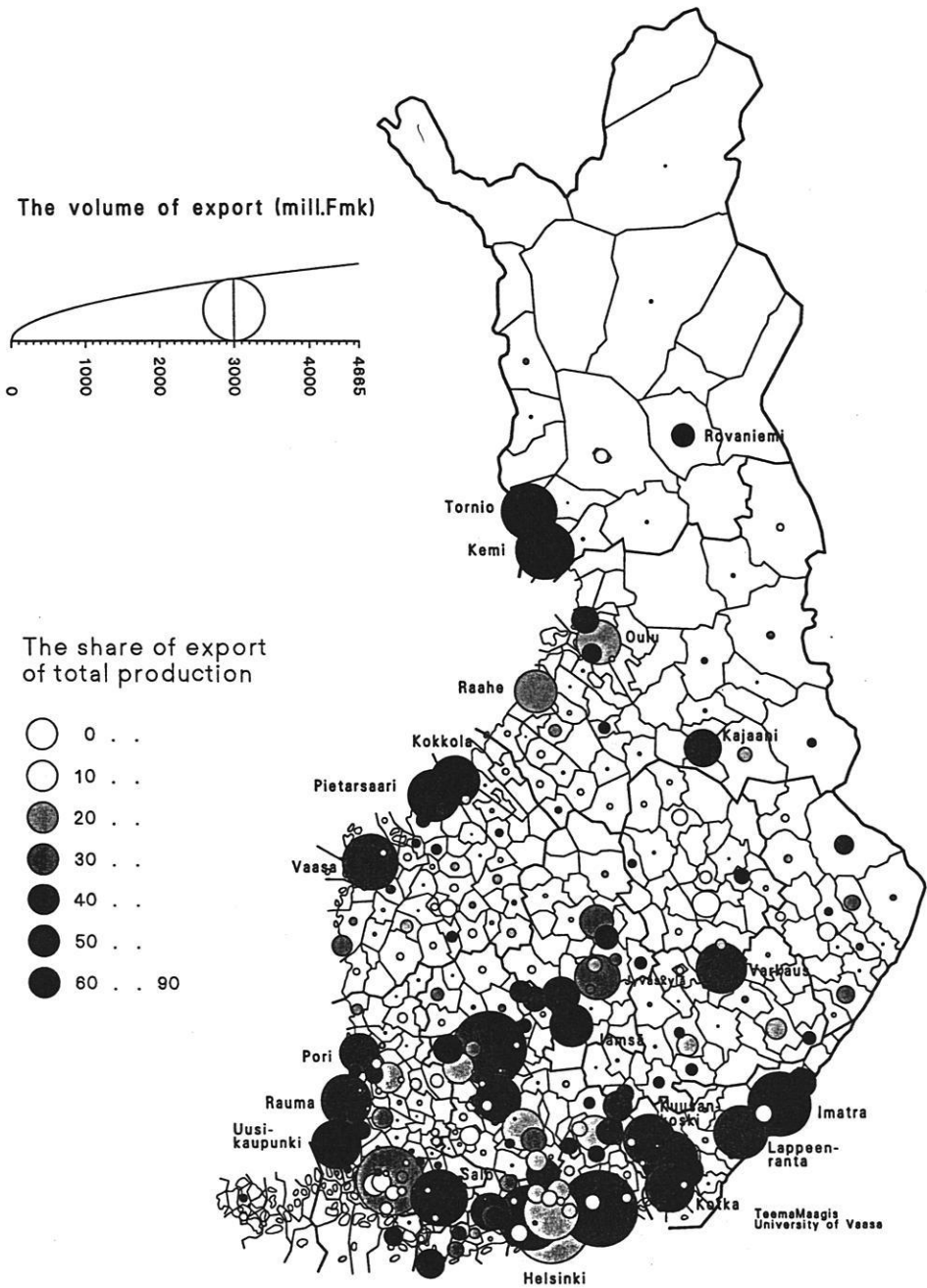
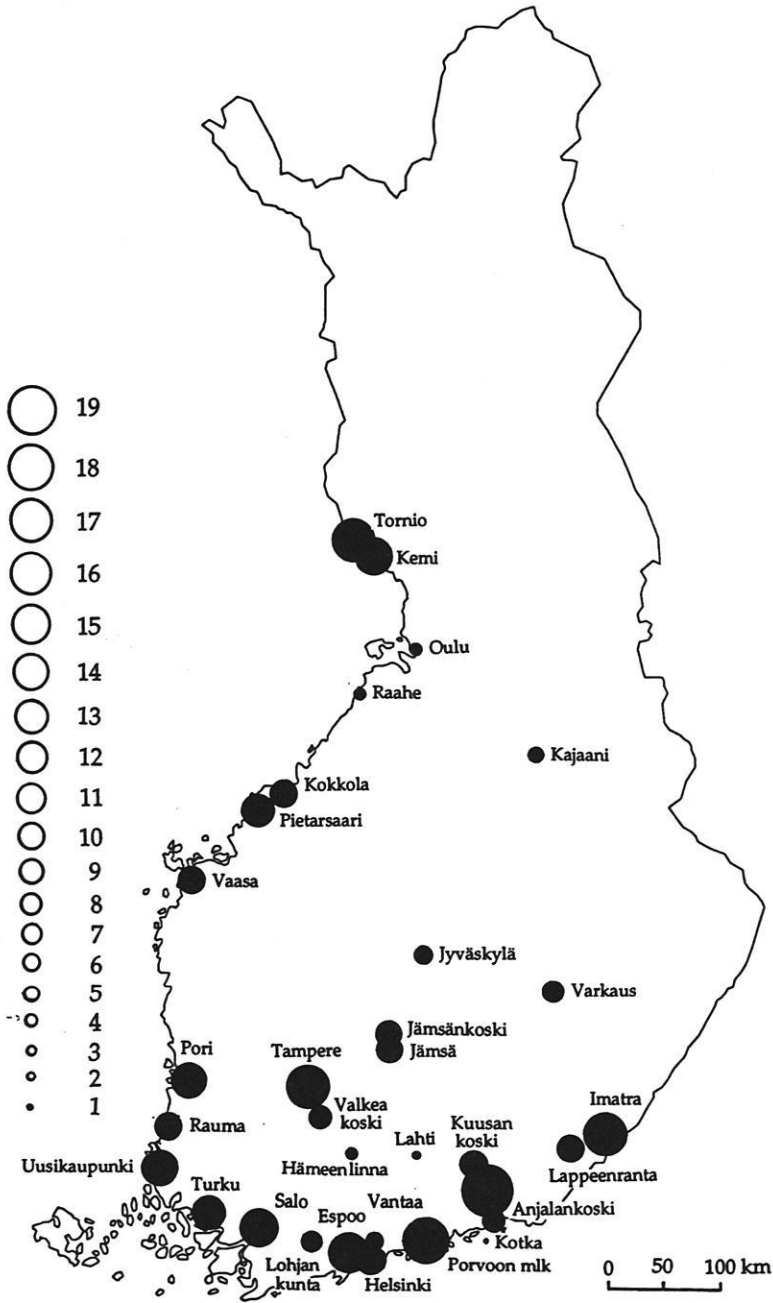


Figure 2b The export orientation of industry in Finnish municipalities - The alternative



The largest industrial centres topping the list (Helsinki, Turku, Tampere, Pori, Vaasa, Oulu) are versatile industrial places. Many of the big places are characterized by some prominent industry, which in most cases is forestbased industry, but may be metal and metalproducts industry, electrotechnical industry or production of vehicles. There is a group of small and highly export oriented places, but their total industrial production is very small and therefore they can not be regarded as centres with promising future in internationalized Finland. With a very few exceptions these are forest industry places.

The impact of change by the internationalized industry, so far, seems to be rather modest. This may be because of the uncertain situation in the country and abroad. Industry has not invested in Finland very much, because during the recession and bank crises it has been paying its debts with the money it is earning from earlier investments. Another factor is that the Finnish membership in EU is still an open question in July 1994. Meanwhile some important Finnish internationalized firms have moved their headquarters to cities within the EU area. This could be a sign of the future. The uncertainty in industrial organizations and their competition circumstances may cause unexpected results.

3.3 Services

Services have suffered very much from the recession, but not in the same way and degree. When the purchasing capacity has decreased, whole sale and retail trade have lost customers and profitability. Even big companies have proved to be unexpectedly weak, loosing their share in competition and also their presence in central places. Trade invested very much during the last years of the 1980s and that is one of the difficulties and reason for retreat. Banking was earlier very much regionally oriented in the competition of market shares, but now especially it is retreating from smaller places. Tourism suffers from the disease of overinvestment especially in northern part of the country and bankruptcies have been common. The services have, however, recovered quite rapidly and well, because the price level has sunk and seems to be a tourist attraction today. This will help some of the centres to stay in the fight against the recession. In the field of services the internationalization process seems to have less direct influence on the change of position of central places than the general downswing of the national economy.

3.4 Transportation

In traffic there are the same needs of adjustment as in other fields. For instance, the size of the planes on domestic routes have been diminished and the transportation capacity brought closer to the demand. Some routes have disappeared, but all airfields are in function. Quite a large share of investment is directed towards the highway network especially close to the bigger cities. Railways

are less active. They plan seriously to cut down old connections, especially in eastwest direction. With the coming of the high speed trains for passenger traffic this will alter the relative position of railway centres and make them even more selective.

The whole system of first class roads is under considerable improvement. E.g. a high-class road along the southern coast and further to Russia is being planned now. Especially around bigger cities the network is quite dense, but real interregional works have been proposed, too (Figure 3). They lead mainly from a major bordercrossing to another. Of course, these improvements benefit all centres along the routes. In any case it can be supposed that the new system will help to concentrate economic activities to places with improved accessibility within the country.

3.5 Public Administration

Public administration is not directly involved in internationalizing, yet. The process towards an EU membership, however, influences the development. Finland has had a shortage in democracy on provincial level, because the *lääni agency* is a regional general state administration agency. In Europe a democratic middle level is the norm. Finland has to have that, too. Now there is a new agency called provincial administration, which regionally is based mainly on functional economic provinces. The *lääni administration* has lost weight considerably. The new provinces are in fact coalitions of municipalities (SIPPONEN 1992: 21). To get really a direct democratic provincial administration there now is a political proposal, that in addition to the two operating provinces there should be a third one, which should keep council elections and have the right of taxation and this way it could be really self-supporting. So, in the best case there will be a double democracy prevailing in Finland at the provincial level! Of course, those centres, which have been selected as sites for this level administration, will profit.

Another type of impact is caused by the heavy burden of loans, which the Finnish Government has had to take to keep the state economy on the move. To lessen the budget deficit, different kinds of cuts are done and new ones are proposed. This concerns also the lower levels of state administration. The Finnish regional administration system now is quite complicated with 8 levels in central place and area hierarchy. The cuttings are directed towards all levels in order to diminish the agencies and especially the personnel.

Regionally, the development may mean a process schematically exemplified in Figure 4. The basis is a commune (460 in number). Local state administration consists of 7 different agencies and they are fewer (181) than communes. The municipality group centres and areas (57) are constructed of 6 agencies.

This system is changing as a result of two impacts. Individual municipalities in order to lessen their economic burden are striving for cooperation - regionally the process of "tractation". This term at the beginning meant the functional expansion of

Figure 3 The future Finnish Trans-European highway network (decision 24.2.1994) and the proposed support areas for Finnish agriculture

1) Trans-European highway

2) Border crossing point. A, B, and C support zones for agriculture (see text)

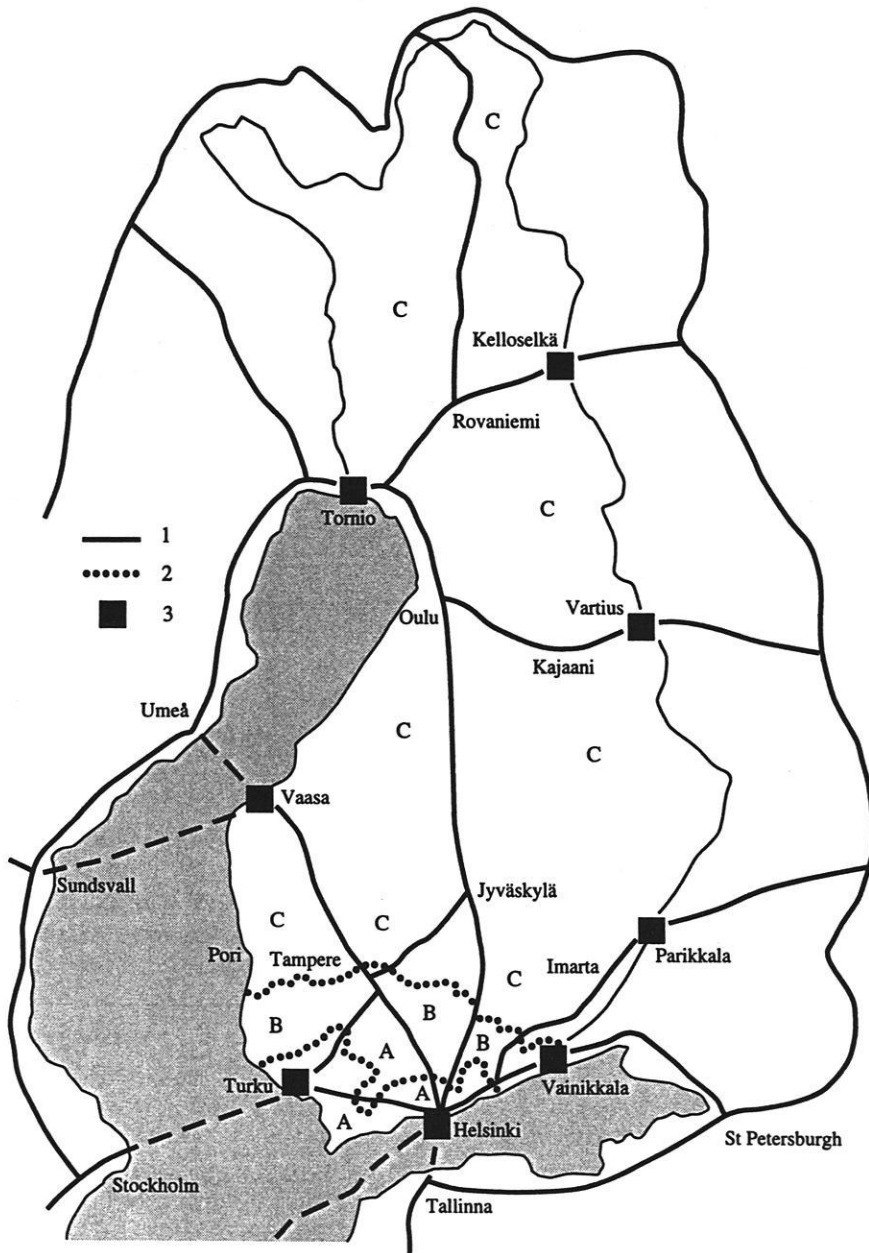
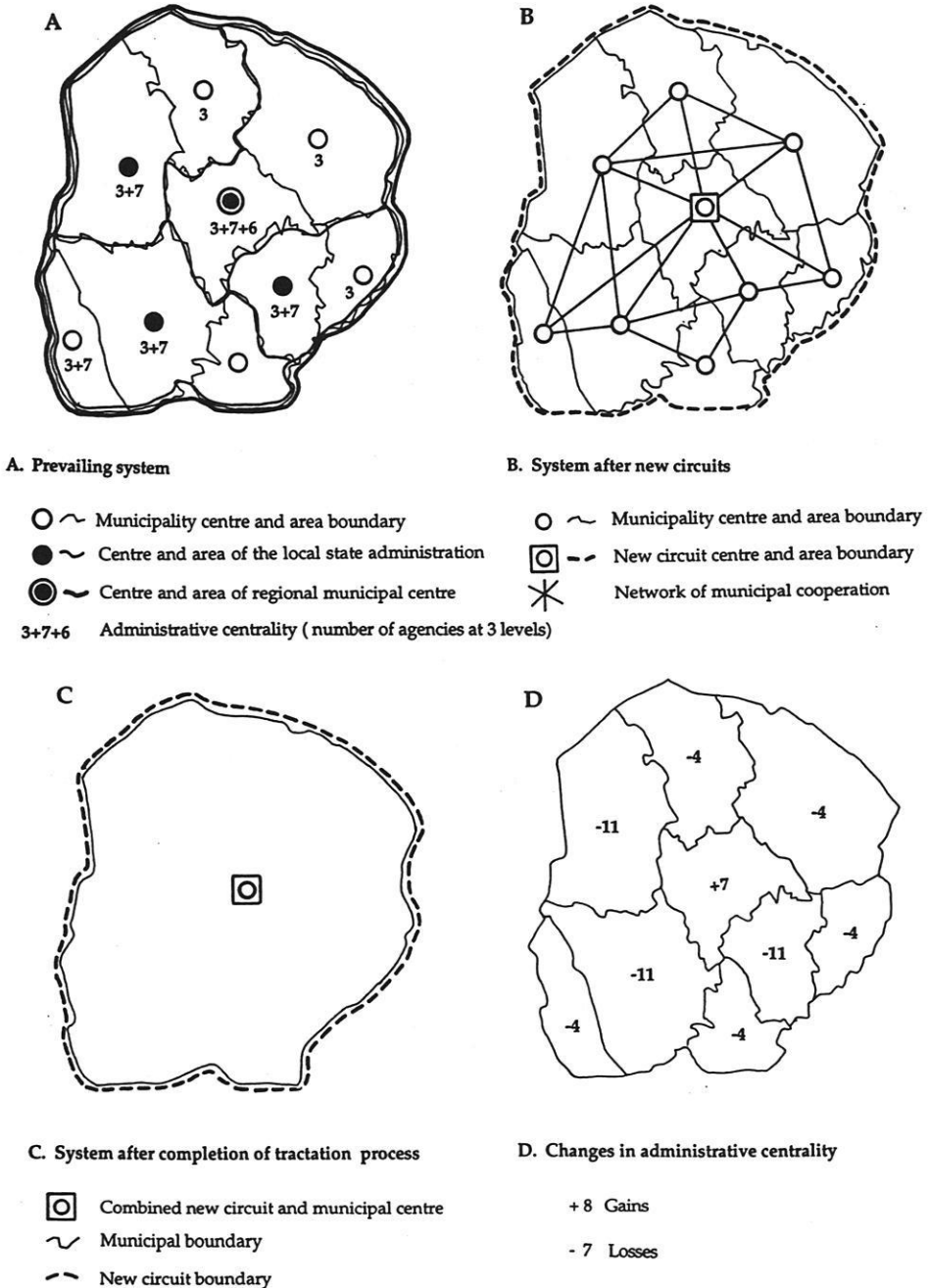


Figure 4 Phases of probable development of local administration system schematically.



individual cities to neighbouring rural municipalities (PALOMÄKI 1986, VARTIAINEN 1988), but widened later to include the cooperation between purely rural municipalities, too (RANTAHALVARI 1992)

EU has made its hierarchical area system and Finland has created something similar. There are new circuits for administration and minor economic regions mainly for statistical purposes (Council of state 1992 a and b). New circuits will make the state local administration level to disappear and also the municipal group areas join the new circuits (Figure 4).

It has been discussed, whether the new tracts should be the basis for new municipalities. If all this will go as foreseen here, the communal and state local administration reform will be exceptionally severe. It means a loss of jobs and has a relatively stronger impact in areas with less employment possibilities. This new lower local level should have 95 areas, which already are demarcated. Centres, however, have not been selected yet. Will there be one centre for a new circuit or will the agencies be divided among several places? On the upper levels it seems to go so, that provincial centres will grow in importance while the lääni centres will suffer. The supraprovincial level seems regionally to develop to quite an unclear system. It is possible, that even the capital city will lose some of its present dominance in administration.

3.6 Regional Policy and Agriculture

To avoid an overly high regional concentration of economy and population to the southern and western coasts and only some islands of development in eastern and northern Finland, the regional policy has got new importance. One part of it is EU based support to agriculture and problematic industrial areas. The other is the national support especially for those agricultural areas, which will fall outside the EU-support. In September 1994 there was no certain knowledge of the content of the regional agricultural policy. Even such a crucial question as whether Finland will be a member of EU or not, has not been solved. It is also obvious, that the regional policy will be different, more project oriented than today. Sweden is approximately in the same position as Finland. There, the discussion has found many points, where even further basic research is necessary for a feasible regional policy (BYLUND 1994: 36-38).

It seems that Finland will be divided into three principal areas for agricultural support (Figure 3). The southernmost and best area (A), where the wheat grows satisfactorily, will get only national and environmental support. It is not clear, yet, how much the help can be. The second area (B) gets a little more, the mountain support in the area, where the hilltops seldom are higher than 300 m over the sealevel. The northern area (C) gets most of the support.

In addition to the support from state and EU levels, there are several research and planning projects going on, which try to find methods for the development of

countryside by the people living there now. This would be implemented by diversifying the local economy, by increasing cooperation between villages, and by attempting to inspire the city people to move to countryside (KATAJAMÄKI-KAIKKONEN 1991: 136-164).

In this phase of planning and policy formulation it is very difficult to see, what the result will be. Because of the heavy overproduction and prohibition of export supports, the total production in agriculture must be reduced. This must have influence on the rural settlement pattern, too. The population in real countryside will decrease and this way also the smallest central places will diminish or disappear as central places.

3.7 Population Development

Time has not been sufficient for population development to react to the influences of recent internationalization. On the other hand, the present recession with high unemployment rate has not made it possible to migrate for jobs in other places. A comparison between population development maps from the late 1980s to the early 1990s shows changes. The share of growing municipalities has increased. The number of stagnating municipalities has doubled and the share of diminishing communes has decreased.

The development of cities and their surrounding municipalities has changed most. Those cities, which decreased in the late 1980s have begun to grow or at least the decrease has stopped. Stagnating cities of the late 1980s have all begun to grow again. In earlier phase the municipalities around main centres grew relatively faster than the proper cities. This has now leveled to the same rate of growth. The decreasing municipalities are still at the national and provincial peripheries. The interpretation could be, that the increasing concentration is beginning, but not very clearly because of recession. The same interpretation could be reached through the study of population development in clustered settlements (PELTOLA 1992).

4. CONCLUSION

In principle it could be possible to calculate from the kind of information presented here (and some other material), what the prospects of municipalities and regions in the more internationalized Finland will be. Too many decisions have not yet been made and even the statistics seem to lag behind. Therefore it could be advisable to wait a few years to be in a stronger position.

If the kind of development described above will be real, the character of Finnish national settlement system will be rather small, stronger urbanized, hierarchically organized and may have some more specialized communities. It is internally even better connected than now. The domination of the capital district has grown. The

density of the system has increased in southern, but decreased in northern and north-eastern parts. Maybe with the weakening countryside even the wilderness will cover larger areas than now.

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