



## REORGANIZING CROSS-BORDER GOVERNANCE CAPACITY THE CASE OF THE HELSINKI–TALLINN EUREGIO



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### Abstract

Different forms of regional politics and network-type coordination are present within European cross-border initiatives. The purpose of the article is to study the changing organizational configurations of interregional governance in the context of the Helsinki–Tallinn Euregio (HTE), and how these new forms of coordination influence cross-border institutional capacity and policy outcomes. The basic empirical material consists of official public documents and eight semi-structured theme interviews conducted with the key actors of the HTE in June–July 2004. ‘Governance capacity’ is used here as a theoretical tool to understand and interpret the reorganization process of cross-border governance. The case-study

about the HTE shows the possibility that governance may be practised through dynamic social networks and partly shifting territorial configurations according to interregional interests. The HTE agency creates a flexible intervention frame for the cross-border governance capacity to support regional competitiveness through the policy instruments of the European Union. There are already some results, but several challenges remain for the HTE to create additional scale effects between the Helsinki and Tallinn regions.

**KEY WORDS** ★ cross-border governance ★ governance capacity ★ Helsinki–Tallinn Euregio

### Introduction

Emerging territorially weakly bound cross-border initiatives and related governance processes aim to increase the significance of cities and regions as economic actors. Euregio is one organizational form of cross-border governance, which are rather new for the recent European Union (EU) member states. The purpose of the article is to study the changing organizational configurations of interregional governance in the context of the Helsinki–Tallinn Euregio (HTE), and how these new forms of coordination influence institutional capacity and policy outcomes for innovative cross-border development. It is important also to discuss the motivations and spatial focus of changing interregional governance together with the wider process of European integration. Cross-border governance can be understood as the common purpose creation and realization process in the interregional context that is

fragmented and contested by various actors and activities (Le Galès, 1998; Gualini, 2005).

Institutional (or governance) capacity is considered here as a theoretical tool (see Healey et al., 2002: 26) to interpret the reorganizing process of the cross-border governance aims and practices which include also the spatial dimension. There is a lack of studies discussing governance capacity-related processes in the interregional context.

The empirical research concerns the case of the HTE covering the capital regions of Finland and Estonia. The basic empirical material consists of official public documents and eight semi-structured theme interviews conducted with the key actors of the HTE in June–July 2004. In addition, the regional strategic plans, statistics, newspaper articles and previous studies were used to understand the working context of the HTE. The interviews were structured around four general topics; the expectations and outcomes of

the HTE organizational change, the formulating process of the Euregio activity priorities, the involvement of different partners in the Euregio activities and the practices related to the knowledge networks. Prior to the main interviews, one semi-structured interview with two HTE actors was undertaken (Krigul, 2004; Lepik, 2004: interview references are listed in the Appendix) to find additional research aspects rising from 'the field' and additional information was gathered with e-mail from respondents about the interview topics.

The study of governance practices needs the combination and interpretation of different sources, because these practices take place in a certain context and through certain actors. The information about the interregional governance practices was gathered through the HTE strategic documents, organizational statutes, progress reports and the semi-structured interviews. According to Crang (2002: 649–50), semi-structured interviews with the involved respondents need critical reflection to avoid framing the knowledge of the researcher, not overemphasizing the influence of actors, and the pluralizing of assumptions about the range of positions and relationships. The representatives can bring together the context, practices, motives, objects and results (of the cross-border governance) in different ways through the interviews (see Latour, 1993: 143). Healey (2005a: 159) calls us to consider the multiple relational dynamics of territorial governance which demand a strong ethical sensibility among those involved. This argument pushes one to look beyond the political written text (often comprehensive and ideal) and the interregional governance practices, and to avoid fixed theoretical and territorial frames before the case-study. The combination of the different research materials enables the description of HTE organizational changes in detail, and analysis of the cross-border governance transformations and their (spatial) effects in a certain time period and within the context of the Helsinki and Tallinn region. The purpose of the study is not to compare the HTE with other cross-border regions or institutions. However, it is possible to make some associations between the governance processes in different spatial contexts.

## Governance, organizational change and governance capacity in the cross-border context

### *Changing organizational configurations of cross-border governance and the role of Euregios*

The term 'governance' refers to the involvement of a wide range of institutions and actors in the production of policy outcomes, and/or to a particular form of coordination (Painter, 2000). According to Healey et al. (2002: 23), the social interaction of governance is a complex and often contested process which is driven by various interests about the collective purposes. Le Galès (1998: 253) argues that one part of (regional) governance is also the capacity to represent outside local interests and develop more or less unified strategies with private actors, the state, other cities and levels of government. Gualini (2005: 298) formulates the key assumptions of governance as emergent patterns of policy-making (a) dealing with the resolution of collective problems, (b) at the threshold between state, markets and civil society, (c) in terms which may be held accountable to institutions of representative democracy. These aspects of governance are important for understanding the HTE organizational changes in a cross-border context. The HTE agency fuses the collective action and boundaries between different social fields (state, market, civil society) even more, because the governance processes take place across national borders. Therefore the governance research requires one to avoid the localist trap implied by taking localities and locales for granted and by neglecting the increasing influence of multi-level or non-space-bound policy arenas (Gualini, 2005: 305).

Cross-border governance is practised through certain organizational forms, which makes it possible to involve actors and their interests from various spatial scales (e.g. region, municipality, the EU, state). The organizational form does not automatically guarantee balanced governance processes; this requires constant work. Therefore cross-border governance organizations can be considered as 'geographical accomplishments' (Philo, 2000: 513) which are dynamic and fluid achievements. The

organizational form (or agency) of the cross-border governance is designed by the statute, assigned members, formulated purposes and processes of the collective action. The cross-border agency has several intersection lines with the state institutions, which are often considered more bureaucratic and legitimized compared with the (interregional) organizations. Nevertheless, the differences between the terms of cross-border (or interregional) institutions and organization are often blurred (see Perkmann, 1999; 2003; Weichhart, 2005). In my opinion, it is clearer to talk about the interregional (crossing borders) governance organization or agency (rather than institution) in order to convey the network-type cooperation processes involved.

The cross-border (administrative) territory is not 'flat' and equally involved in interregional governance practices. The flat and framed territory of the cross-border governance institution is a political and utopian project. According to Jessop (2004: 46), institutions are path-dependent, emergent phenomena, recursively reproduced through specific forms of action, and institutionalization constitutes institutions as action contexts and actors as their institutional supports. Paasi (2001: 25) argues that Europe is experiencing a dramatic change in its institutionalization and the institutions are in the making on all spatial scales. 'Sensitive' terms and research are needed to understand complex interregional governance and dynamic de/re-territorialization. The cross-border agency has certain motives and limits to bring actors and activities under its governance umbrella to make them collective, and as a result also partly to institutionalize them (e.g. present them as its own activities). However, this is never fully achieved, and takes place rather through the selective and free-will relations of the actors. Therefore the cross-border governance space of the Euregio may operate as a temporary 'thin-region' (Westholm, 2004) with fragile territorial structures, limited involvement of actors and public interests from different transnational spatial scales.

This article focuses on one organizational form of the cross-border governance called 'Euregio' in the Helsinki-Tallinn context. 'Euregios' have been the dominating governance form for development activities in the border areas since the 1990s and show

the ways of programmatic region building (see Krätke, 2002; Perkmann, 2002). According to Perkmann (2003: 153), today there are more than 70 cross-border regions in Europe. Virtually every local or regional authority in the border areas is somehow involved in the cross-border cooperation initiatives in different institutional forms and/or projects (see also Pikner, 2000). There are also studies (e.g. Bucken-Knapp, 2001; Weichhart, 2005) that discuss the contextualized cross-border development and institutionalization through the possible ideal of comprehensive region building with the common identity and the fully integrated interests. Instead of following this well-known theoretical approach of region building, the aim of the article is to understand the fragmented and multi-scaled interregional governance capacity processes in the interregional context without stretching the processes into the region-building theoretical scheme.

I agree with Kramsch and Mamadouh (2003: 45) that Europe's Euregios offer sites for a potential renegotiation and reworking of basic categories of political life normally tied exclusively to the national state. The territorial reorganization of the state has been carried by a process of glocalization, in which the globalization of economic activity is linked to an increase in the significance of cities and regions as economic actors. There are various attempts to strengthen different types of regional institutions and initiatives which connects and through that enhance regional competitive advantage. Deas and Lord (2006) argue that it is needed to interpret the array of new regional coalitions and institutions – what might be termed emerging 'unusual regions' – which transcend established territorially bounded bodies at regional and subnational scales. Brenner (2003: 318–19) says that city-regions have become the key geographical sites in which various trends and counter-trends of the state reorganization are being articulated. Euregios may combine small municipalities and capital cities, regional authorities, states and non-profit associations in their organizational forms. Therefore the agency of the cross-border governance influences the state politics and power relations to a certain extent. The changes of the HTE organizational form allow one to bring up aspects of the re-workings of regional politics across the state borders.

The cross-border governance spaces do not appear for no reason. Amin (2002: 396) argues that globalization has unleashed a rigorous restructuring of the rationale and spaces of formal politics, including the rise of new forms of economic and political regionalism. The implementation of cross-border structures like Euregios is part of the institutional innovations in the EU (see Perkmann, 2003) and creates new policy fields (see Gualini, 2004). The European Commission (EC) pushes and pulls to modify the institutions on different spatial scales to increase public participation and effective policy planning and implementation (see European Commission, 2001). Euregios present the new regional forms of politics, which may reconfigure the roles and practices between the public administrators, entrepreneurs and citizens, and through that also modify the governance relations between actors across the spatial scales. The question of the democratic legitimacy of these political spaces needs to be discussed (Jensen and Richardson, 2004: 239), looking critically at the goals of the institutional frameworks, and the communicative stages in policy making and implementation. Combining the territorially oriented readings of political economy with the non-territorial and/or relational socio-economic and political processes (Jones and MacLeod, 2004: 448) is relevant for this research.

### *Creating cross-border governance capacity in organizational networks*

Institutional or governance capacity can be understood as a theoretical tool (see Healey et al., 2002; Gualini, 2005; Healey, 2005b) to interpret the (cross-border) territorial governance practices. Institutional capacity has an important role in the cross-border governance, because it creates the bases to mobilize the interregional interests and resources. According to Healey et al. (2002: 27–8), institutional capacity is a ‘public good’ and involves three types of connected resources or ‘capitals’ in the interactive governance context: knowledge resources, trust and social understanding and the (political) capacity to act collectively. Institutional capacity can support (interregional) development if these mentioned resources are shared through interactive public

participation (see Wenban-Smith, 2002: 200). It means that institutionalized networks are transformed into collective governance capacity. The cross-border governance capacity may be understood as a social infrastructure across the state borders which creates channels for the transfer or flow of material and non-material resources. The Euregios can set up the flexible frame and support the continuity of the accumulation and use of the interregional resources.

The creation of (cross-border) governance capacity requires different dimensions of institutional innovations. According to Gualini (2002: 42–3), the territorial grounding and redefinition ‘in-action’ of policy making may enable the combination of three potential dimensions of institutional innovations: a dimension of enactment of policies, rooting policy development and implementation rationalities into concrete spatialized social practices; a dimension of mobilization of resources, bundling the traded and untraded interdependences between resources of a material, relational, knowledge and power-based kind embedded in locales; and a dimension of collective sense making and learning, as a condition for the reflecting process of social identification on the institutional settings of policy making, for turning everyday social experience into an institutional capacity. Williams (1999: 179) argues that the organizational form of the governance capacity and the social development realities may create considerable tensions between the actors in the context of a city-region. This article discusses these dimensions of the organizational innovations in the context of HTE. The change in the Euregio organizational form reflects the needs and problems of the governance capacity produced in the cross-border context.

The cross-border governance capacity arises through communicative interactions, which create social networks between different actors. According to Granham (1998: 174–5), networks are essentially collaborative systems which operate as a shared resource. The networks are ‘open structures, able to expand without limits, integrating new nodes as long as they share the same communication codes’ (Castells, 1996: 470). The organizational form creates a flexible frame for the use and accumulation of networks, but it does not limit that. Healey (2005b: 310) argues that in the periods of

governance reconfiguration the strategic actors may seek to develop 'transversal' linkages, mobilizing attention around (and issues which cut across) the established landscape of governance organizations. Matthiesen (2002: 71) notices that the cross-border cooperation networks can be informal. Therefore it is important in most cases to look beyond the formal coordination and procedures to the larger relational picture of the governance practices, 'focusing on the embeddedness and on the spatio-temporal fix of networking practices' (Gualini, 2005: 305). Technological developments (e.g. email, intranet) have made the maintenance of networks easier and there are challenges to use the new technologies for 'good governance' (Dai, 2003; Dawkins and Colebatch, 2006). The forms and motivations of the networking practices connected to the HTE are discussed in this article, although the spatio-temporal fix of the networks could be mapped in a much more detailed way. I argue that besides the spatio-temporal fix of governance networks it is also necessary to look at the process in order to understand the detailed dynamic of the governance agency and the related cross-border networks.

Social networks and various resources can circulate and grow through the active use of resources (Putnam, 1993: 170; Wenban-Smith, 2002: 200–1). There are studies indicating that shared interregional resources can benefit local and regional development (e.g. Maskell, 2000) and the state has a substantial role in creating conditions for it (Schuller et al., 2000: 33). Here we should ask how open are the cross-border governance organizations and their projects to new partners and initiatives or whether the governance process is just a closed 'circulation of possibilities'; and how the institutional capacity is used in cross-border cooperation and development. Grix and Knowles (2003: 170–1) argue that Euregios may develop as an isolated stock of 'between-group social capital' which is not connected to wider social and political networks.

The cross-border governance capacity is created and realized largely through (interregional) projects, which 'hinge on a dense fabric of lasting ties and networks that provide key resources of expertise, reputation and legitimization' (Grabher, 2004: 104). The agencies themselves define and construct a particular type of economic space, one which is then suited to a particular type of intervention (MacLeod and Goodwin, 1999: 723).

Euregios do not present an exception here. Beside the democratic interregional fora, Euregios need to set up pragmatic action spaces to realize 'common' goals. The projects provide one track to follow the cross-border activities of HTE. This article also considers what comes before and after the projects, how the action spaces of the projects evolve and what they bring to the interregional governance capacity.

## Analysis of the Helsinki–Tallinn Euregio

### *Strategic-relational context of the Helsinki–Tallinn Euregio*

The article focuses on the Helsinki–Tallinn Euregio (HTE), which includes the capital regions of Finland and Estonia on both sides of the Gulf of Finland (Figure 1). These regions, Uusimaa (24 municipalities) and Harju (20 municipalities) function as the pulling centres for people, capital and knowledge in the respective countries. In 2004 there were about 1.86m inhabitants (1.34m in Uusimaa and 0.52m in Harju) in the area of the HTE (Statistical Office of Estonia, 2005; Uusimaa Regional Council, 2005). The social relations between the Finns and the Estonians are supported by cultural closeness and especially by similar languages. There is a concentration of know-how in the capital regions, but the differences between Tallinn and Helsinki urban areas are large in terms of knowledge-based economies. There are several initiatives between Tallinn and Helsinki regions to create a common know-how area (Johansson interview, 2004; Tamkivi, 2004), but the results of the cooperation are not clear or easily found yet (see Persson et al., 2004). Helsinki and Tallinn also work together to raise their profile in the context of ever increasing competition between the city-regions (Kosonen and Loikkanen, 2005).

The cross-border space of the HTE is not equally developed. It consists of economically advanced capital cities but, for example, the average salary in Uusimaa is about four times higher than that in Harju. The fragmentation of the cross-border region is also partly caused by different strategic interests between the capital cities and the neighbouring municipalities. The development plans

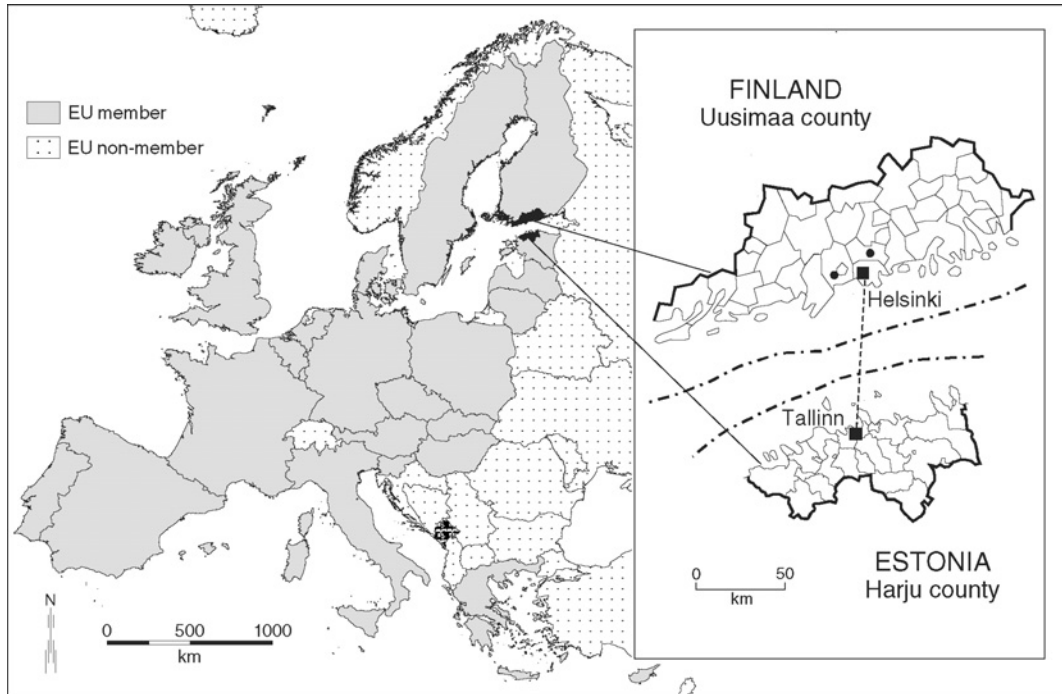


Figure 1 The territory of the Helsinki–Tallinn Euregio in 2004

of the regions are from different years with a different time perspective, and present the interregional networks with a different geographical focus. Still, both development plans mention international networks as important aspects for future development. The Harju development plan (Harju County Government, 1999) has the general strategy that in 2010 the region will be integrated into international cooperation and that it will fulfil all EU requirements. The development plan of Uusimaa (Uusimaa Council, 2003) is more (spatially) focused and deals with the period up to 2025. It aims to strengthen regional competitiveness through international and flexible networks, especially in northern Europe, the Baltic Sea region and between the larger cities. The Euregio (not mentioning either Estonia or particular cities) is seen as a tool to bring new know-how for the Uusimaa region through international networks. These different focuses of the written regional development strategies may influence the interregional governance processes to realize collective activities through the HTE. The political

system of local municipalities on the regional scale is different in the two regions: the regional council of Uusimaa represents the local municipalities, but the regional council of Harju is an institution representing the state in the region, local interests here being represented by the union of the local municipalities.

The intensive daily economic and social integration of the area is influenced by the distance (about 90 km) over the sea. The sea boundary has changed to an inside EU border after Estonian accession to the EU in May 2004. The transport connections are very dense over the sea. There exist more than 40 daily transport connections between Tallinn and Helsinki, and in the summer months there are around 380,000 visitors between these cities (Jauhainen, 2004). Furthermore, there exists a plan to create an underwater tunnel and a rail connection between Tallinn and Helsinki. It has been discussed in the media since the late 1990s (see Tomak, 1997; Niitra, 2002) and the permanent transport network over the sea is described as a possible project in the Uusimaa and Harju

development plans (Harju County Government, 1999; Uusimaa Council, 2003). Furthermore, an underwater cable for electrical energy is going to be established between the regions. The possibilities of EU Structural Funds have stimulated issues regarding the transport infrastructure. The radical change in infrastructure connections (e.g. Øresund bridge) across the Gulf of Finland would also change the context of the cross-border governance.

The close relations between Tallinn and Helsinki are described by the expression which integrates both capital cities' names: 'Talsinki'. The discourse about physical, social and economic integration towards a common Tallinn-Helsinki city became more alive again after the enlargement of the EU. New ideas have been expressed about the cross-border governance as well; for example, in the 'Tallinn without Boundaries' conference in October 2004. The ex-mayor of Tallinn said that Helsinki and Tallinn would have a common city council in ten years and a common city government after 20 years. The importance of economic integration and cooperation between Tallinn and Helsinki have been stressed as well (Alas, 2004). The rhetoric about the common city council and government of Helsinki and Tallinn reflects the shift of 'imaginary spaces envisioned by politicians' (Church and Reid, 1999: 654) towards an interregional body more institutionalized than the existing HTE's organizational form.

### *Visioning ideal cross-border governance and unequal representation of interests through the Euregio*

Formulating and disseminating a common vision is part of the cross-border governance practices. Here some examples will be given about the interregional visioning and the aspect of public participation discussed. The appearance of the HTE to the interregional institutional landscape is connected to the enlargement plans of the EU and the EU regional policy instruments supporting the cross-border development. The negotiation between the partners of Uusimaa and Harjuma to create the HTE started in 1998. The initiative to start the negotiations came from the Finnish side. The HTE was established officially by a cooperation agreement between five partners (Helsinki city, Tallinn city,

Uusimaa regional council, Harju regional council, Union of Harju municipalities) on 22 June 1999. The logo of HTE was also introduced. The leadership of the HTE changes every three years between the Estonian and the Finnish side. In the beginning, the HTE was led by Helsinki, and then the city of Tallinn had the leading role during 2002–04. There are clear attempts to find an equal interregional governance structure between the public administration offices of the Helsinki and Tallinn regions.

According to the agreement (Euregio, 1999a), the general purpose of the Euregio is: 'to develop cross-border and -national co-operation in the region ... the Euregio creates regular and all-inclusive channels and networks'. The reason for establishing the Euregio cross-border network was pragmatic – to unite the EU Interreg and Phare financing possibilities. Following the Central European examples, it was thought that the HTE could be developed into an administrator of the Interreg IIIA programme for its own area. However, this was not possible because the Interreg IIIA programme area was defined to cover the whole of southern Finland as well as the whole of Estonia. Second, the HTE did not develop effective administrative capacities to meet that challenge (see Keinänen, 2002). These processes show that the cross-border governance organizations are dependent on the EU regional policy instruments, which exert pressures to implement 'institutional innovations' (Gualini, 2002) across state borders. But these innovations may also create 'institutional capacity' (Healey et al., 2002) for which there is no practical requirement in changed (interregional) policy fields (e.g. the Interreg programme).

Vision creation can be considered as an important part of the cross-border governance capacity building that formulates the collective purposes in the interregional context.

The vision of the cross-border region is put down on paper after the cooperation agreement and formulation of first action priorities. The vision is based on 'Vision Project Tallinn-Helsinki Twin-Region' (see Meristö, 2001). Mainly public officials and socio-economic development-oriented interest groups were involved in the formulation of this vision, which concentrates on economic development to increase the competitiveness of the common cross-border area. The visioning process of

**Table 1** Priorities of the Helsinki–Tallinn Euregio activities

Common development areas according to the cooperation agreement (1999)	Cooperation activities according to the action plan (1999–2003)	Cooperation activities according to the action plan (2003–05)	Action priorities according to the strategy (2005–07)
Cooperation of political bodies	LAUNCHING AND DEVELOPING EUREGIO	Improving the administrative capacity of local authorities	Regional competence and knowledge base
International cooperation	<ul style="list-style-type: none"> <li>• Activities in Interreg and Phare programmes for interregional metropolitan development</li> </ul>	Cooperation in research and research-intensive enterprises	Planning and development of functional cross-border cooperation
Economy	<ul style="list-style-type: none"> <li>• Studies and technical support for preparing joint strategies</li> </ul>	Cooperation in regional development	
Education	<ul style="list-style-type: none"> <li>• Development of ICT services to support interregional contacts and networking</li> </ul>	Cooperation in vocational education	Cross-border political dialogue on common interests
Culture	<ul style="list-style-type: none"> <li>• Organization of political dialogue</li> </ul>		
Environment			
Spatial planning, developing strategies and infrastructure	PRIORITIES FOR METROPOLITAN DEVELOPMENT <ul style="list-style-type: none"> <li>• Development of business environments</li> <li>• Cooperation between research, technology and development centres</li> <li>• Exchange and cooperation in education</li> <li>• Developing local and regional administrative capacities and interregional connections</li> <li>• Protection of the environment</li> <li>• Transport connections and tourism</li> <li>• Telecommunication and development of the Information Society</li> </ul>	Cooperation in prevention of drug abuse  Continuing exchange of experience in rescue work  Start-up support for small enterprises  Increasing public awareness about the twin region	Strengthening of the organizational capacity of Euregio

Source: Euregio (1999a; 1999b; 2003b; 2005).

the HTE shows that the collective development purposes are formed through the limited participation of different interest groups. This creates rather narrow social networks of the Euregio for the later mobilization of interregional resources. Therefore, there starts to work a kind of new cross-border 'thin region' (Westholm, 2004) between the two states. Nevertheless, the increase in public awareness is written in the action priorities (see Table 1) and several press releases about the HTE activities have been published. The size and fragmentation of the cross-border governance territory creates obstacles for the coherent twin-region building.

The action priorities (see Table 1) are the tools to achieve the vision of HTE. For a while, cross-border working groups were also operating. The common action priorities indicate the enactment of certain development policies into interregional practices (see Gualini, 2002; 2005). These practices are oriented partly to the public sector, especially in the first action programme period. The interviews (e.g. Karu, 2004; Välimäe, 2004) indicated several asymmetries (inequalities) in the collective representation of partners' cross-border interests. One example comes from the HTE action priorities.



According to the cooperation agreement, the HTE realizes activities where partners have common interests. There are five main Euregio partners (including also capital cities) and 44 indirectly (through representative organization) involved municipalities. This configuration shows some dominance of capital cities in the cross-border governance. The key actors of the HTE mentioned the following obstacles to active involvement of smaller municipalities:

- tasks of the Euregio Helsinki–Tallinn are connected to the capital cities because there exist rescue structures (e.g. monitoring boats on the sea, rescue vessels and personnel) and knowledge structures (e.g. universities and research and development centres);
- ideas are lacking about what to offer smaller municipalities;
- every municipality has a twin municipality in Finland (or in Estonia) and therefore the interest in the Euregio Helsinki–Tallinn is limited;
- since accession to the EU, there have been more cooperation and financing channels for Estonian municipalities;
- the Estonian municipalities are small and have therefore less interest and capacity to participate in general soft cooperation with few short-term results.

The low interest of the Harju municipalities in HTE activities has remained the same, but the interest of the Uusimaa municipalities has grown. The municipalities would like to participate directly in the discussions and raise the topics important for smaller municipalities (Kapanen–Grönfors, 2004; Valkama, 2004). The manager of the HTE wants to bring people and know-how together through networking and rather tries to avoid the institutional interregional negotiations, which may be time-consuming (Lepik, 2004). This is an example of how local actors could use the interregional governance organizations and fora as a flexible framework partly to bypass official governance structures (see Jessop, 2004; Healey, 2005b). But the HTE is only one possibility for the local actors to present their ideas in the international arena. Here it is important to notice also the time and the context of starting with the institutional frameworks for the interregional governance.

Various cooperation initiatives between actors of the two capital regions developed during the 1990s on different spatial scales. The HTE entered the interregional cooperation landscape rather late in 1999. Therefore the HTE, initiated mostly by the regional councils of Uusimaa and Harju, becomes partly parallel to the pre-existing interregional contacts and activities between the Helsinki and Tallinn regions. The overlapping action-spaces and evolving networks of territorial governance have been evident also across the English Channel (Church and Reid, 1999: 653) and in the case of Sydney Harbour management (Dawkins and Colebatch, 2006). However, the public officials related to the HTE have importance in establishment and maintenance of the cross-border networks. Therefore the state has an active role in setting up the flexible frameworks of trust (see Schuller et al., 2000) for interregional development.

### *Rationalities behind the organizational change of the HTE*

The reorganizing of the cross-border governance between Tallinn and Helsinki regions started with the establishment of the HTE. Later, the institutional form of the HTE and the governance processes changed. Therefore the reorganizing of interregional governance between Tallinn and Helsinki regions until now can generally be viewed through two periods. The HTE was established (see above) as a forum for cross-border networks. In the beginning, it did not have power to act in the name of collective interests of the cross-border region, because there was not a common decision-making body and practising agency. The interregional interests were discussed in the Euregio fora, and concrete activities were planned through the Euregio secretariat and the respective action priorities (Table 1) formulated, and implemented under certain public administration offices (e.g. regional council, municipality). Jauhiainen (2002: 170) argues that the state has not been actively present in the cross-border activities of the HTE. The first action period of the HTE aimed mostly to increase the institutional capacity by creating social networks and understanding about common interests between the Tallinn and Helsinki regional public authorities.

According to the chairman of the HTE secretariat (see Keinänen, 2002), several surveys were conducted about the possible fields of cooperation, the working culture of the neighbour was learned and some international networks were established in 1999–2001. The restricting aspects for the development of the HTE were the change of the representatives (especially in Tallinn municipality), limited and different financing possibilities for partners (70% of about 130,000 EUR finance in 1999–2002 came from the Finnish partners) and the poor coordination of practical activities. During the period 1999–2002, the HTE secretariat had 31 meetings between the Estonian and Finnish partners (see Keinänen, 2002; Sömer, 2002). It means that the HTE institutional capacity (personal contacts, common development documents, information etc.) was mostly accumulated during the first action period in the secretariat, which mobilized cross-border resources (e.g. common sea rescue operations) through the working groups. But the cross-border institutional capacity (depending greatly on the public officials involved) was partly 'flowing away' when the people changed their working place. There was also insufficient 'collective learning and sense-making' (Gualini, 2002) in the interregional governance activities to transform them into a functioning 'governance capacity' (Healey, 2005a) of the HTE. All these aspects together were pushing to reorganize the cross-border governance and the HTE organizational form. The second phase of cross-border governance reorganizing started.

The city of Tallinn took the leadership of the HTE in 2002. At the beginning, the management of the HTE was implemented through the municipality department(s). In October 2001, the Management Committee of the HTE decided to establish a legal body and to hire a full-time manager for the HTE. The goal of creating the HTE as an organization was already written in the second action programme (2003–05). According to the action programme, 'Helsinki–Tallinn Euregio is a compact, stable and effective legal entity, a trusted catalyst, facilitator and a mediator of cooperation. It is well known among its partners and in the wider Baltic Sea Area'.

In the interviews (2004) there were mentioned the following rationalities for creating the HTE as a non-profit association:

- possibility to register as one organization, which allows participation in and management of the development projects;
- creation of a sole representative body for the Euregio Helsinki–Tallinn;
- need for a concrete management organization (also for finance);
- bring new finance for the activities;
- to conduct decision-making and implementation processes faster;
- to avoid a Tallinn-centred approach (for Estonian partners).

The rationalities of the established new governance agency reflect the need for concrete and working institutional capacity which can mobilize already formulated common interregional interests and resources through the 'project-based development work' (see Grabher, 2004). The aspect of the common representation (democratic legitimacy) is added to the cross-border non-profit association. Previous interregional social contacts, knowledge and organizational structures needed critical attention to find suitable competences and an agency for the cross-border institutional innovation. The legal organization of the HTE was founded on 7 November 2003 and it was registered in Tallinn. The creation of the new HTE statute took two years, since it had to be discussed and approved by the local authorities and the regional councils of Harju and Uusimaa, and also by the state of Estonia. The initiators of the new transnational institution did not expect such a long process. The statute can be considered here as a part of the playground where the new roles of the interregional governance body were negotiated and later partly fixed. In July 2004, one person full-time (manager) and two half-time employees worked on the projects of the HTE. Activities were carried out through various cooperation initiatives.

#### *Preliminary outcomes of the cross-border governance capacity reorganizations through the HTE*

The changes in the cross-border governance framework are generally described in Table 2. The main difference to the earlier organizational form is that, as a registered juridical agency, the HTE can represent the interests of Harju and Uusimaa regions in cross-border activities and therefore also participate as one body (involving several actors) in different development projects and gather

**Table 2** Helsinki–Tallinn Euregio organizational bodies

According to the cooperation agreement (1999)	According to the statute for a non-profit organization (2003)
Members: 5 regional members	Members: 4 regional members (as before), and the representative of the Republic of Estonia
Forum: to discuss the purposes, principles and cooperation topics of the Euregio; consists of political representatives	Not mentioned
Management committee: every partner has one member. Prepares the working programme, leads the secretariat, calls together the forum, etc.; consists of higher officials	Management board: consists of 5–9 members, at least half of whom have to live in Estonia, elected for one year. The board manages and represents the organization, implements the action plan, elects the manager and secretariat etc.
Secretariat: implementation of the action policy. Leader of the secretariat is responsible for the management committee	Secretariat: advises and supports the working group of the manager, who leads the secretariat
Working groups	Can be formed by the management board
	General meeting of the union members: higher body of the union. The agreement of the action plan and finance report, the evaluation of the work of the management board, election of board members etc.
	Manager: organizes the everyday work of the union, prepares the materials and action proposals for the board

Source: Euregio (1999a; 2003a).

additional funding. This creates the visible part of the institutional change aimed to modify the cross-border governance process. According to the new organizational form, the main working body is the management board of the HTE, which consists of high-level politicians of the regional councils and capital cities. The HTE organizational changes have partly shifted the consulting role to the manager of the main previous working unit (the secretary), where the cross-border networks mainly were mobilized and the goals of the HTE formulated and practised. The regular meetings of the Euregio partners have decreased; for example, the new management board of the HTE meets about three times a year (see Euregio, 2004). The role of the manager is very important in initiating interregional activities and involving actors.

HTE organizational changes differ partly from the Dutch–German Euregio which has developed a variety of mechanisms to reduce the conflictuality and complexity of decision making within the local cross-border networks. With the secretariat playing an active part as a network broker, the Euregio generated a set of norms which contribute to the

long-term commitment and distributional fairness through the balanced sharing of project funding. The municipal associations play a key role by restricting the number of (relevant) participants, while representing the smaller members (see Perkmann, 2007: 260–1). HTE as a non-profit association does not distribute public funds, but applies them for interregional and intercity activities which are more oriented towards regional competitiveness rather than following equitable regional distributional outcomes. However, both cross-border agencies (secretariat, non-profit union) operate as network-brokers which, as policy entrepreneurs, established a productive degree of interdependence between the local network of municipalities and the policies of the EU (Perkmann, 2007: 264). It is possible to argue that these organizational changes and practices show that the attempts to create a tighter organizational frame for the wider cross-border networks could intensify the use of the HTE governance capacity in the context of the EU regional policy instruments. It has shifted the cross-border territorial governance

processes partly 'outwards' to a non-profit organization, 'upwards' to the EU structures and also 'downwards' to the subnational institutions and various local actors (see Amin, 2002).

The activities under the HTE working groups and the topics in the HTE fora give some understanding about the functioning of institutional capacity in the cross-border context. Analysing the topics of the HTE fora, the most important and repeated topics have been: EU integration and regional policy implementation in the border areas, future visions of the cross-border region, the exchange of experience and knowledge of similar regions (e.g. Öresund), innovation, and lately also the governance of city regions. It shows that the Euregio-mediated activities are mostly connected to the EU regional development policy and related examples. The HTE organizational agency has the role of bringing different interest groups together to the larger fora and through participation to increase common understanding about the development purposes and to deliver information about the possible cooperation practices. The fora create useful knowledge and social networks for interregional development, but these networks do not automatically become the interactive 'governance capacity' (Healey, 2005b) of the HTE. For that it is necessary to look the activities of the Euregio.

The HTE's latest activity priorities are defined in the Euregio strategy 2005–07 (Euregio, 2005). This strategy clearly formulates the need for new focused organizational priorities in changed working environments (e.g. non-profit associations, EU membership of Estonia). The overall mission is (finally!?) to achieve the Harju–Helsinki twin-region through the promotion of interregional development and competitiveness based on complementary strengths and a common creative cultural environment. The priorities set up three dimensions of action (see Table 1). Compared with the previous action periods, the cooperation priorities include more focused activities, e.g. art and science twin-city programme implementation, a common public transport ticketing system and drug use prevention. It is important to recognize that the 'organizational capacity' is mentioned as one HTE priority and connected to the 'intranet' development. Already, earlier emails have been useful tools to inform the partners about cross-border activities (Lepik, 2004). One difference to the previous activity period is that

these 'collective' activities are not carried out through regular meetings of interregional working groups. The development activities are project and event types where necessary knowledge (also from public administration offices) is involved. This kind of cross-border governance practice is rather open to new initiatives (see Scott, 2003) and is aimed at creating cross-border development results in a shorter time period. Some parts of the interregional networking (e.g. information society field) have shifted to larger spatial scales of the Baltic Sea Region and the European capital cities.

The official documents and interview respondents operate with the expressions such as 'twin-region' showing overall interregional development purpose, and 'twin-city' marking the activities related to the knowledge-based cooperation. This shows partly the selective and competence-based action spaces of the interregional governance. The institutional capacity of the HTE seems to be modified and created for this flexible cooperation that is able to involve and participate. The action takes place through the narrow layer of the cross-border collective political agreement (legitimacy) and is strongly directed by the EU policy-financing possibilities. Jensen and Richardson (2004: 246) argue that new cross-border and trans-European institutions reproduce the lack of legitimacy in the spatial policy making. The HTE case shows that the actors are searching for legitimacy through various (project) networks and mediations, which partly bypass the existing government structures. I argue that the concept of 'democratic legitimacy' needs to take into account the network type in operation (also in local and regional administration). The reorganization processes of the HTE indicate that the 'networking has become more legitimated; and is increasingly institutionalized: that is recognized in some way as part of the structure of government' (Dawkins and Colebatch, 2006). It means that a capacity to act through networks becomes a more significant part of the work of public administrators.

Interviews (2004) and the Activity Report (Euregio, 2004) show that the HTE has mobilized interregional knowledge resources and widened some 'policy fields' (Gualini, 2004; 2005) – e.g. innovation, social issues – across state borders. The more concrete results of these activities need further research. The HTE case demonstrates that the

changes in the organizational form of cross-border governance may intensify the inter-organizational and interspatial competition inside the countries and between the European cities and regions (see Brenner, 2000: 337–8). The projects of the HTE non-profit association are carried out in the common interests of some partners in the Tallinn–Helsinki region, but the projects are sometimes competing for the EU funding together with other regional or local initiatives. As Deas and Lord (2006) argue, the Baltic area is especially involved in cross-border activities, but rather than begin a move towards greater standardization in strategic planning provisions, one of the results of these new regional entities' emergence has been to create a series of often competing prototypes. Using the wide comparative overview of Deas and Lord (2006) it is possible to see that the territory of the HTE overlaps other cross-border initiatives. Compared with similar new regional entities, the HTE includes a rather wide range of intercity and interregional practices in the field of economic competitiveness, and culture and education are increasing fields of international practice. From the optimistic perspective, the (fragmented) cross-border initiatives suggest growing social networks that may contribute in the longer term to the tight organizational landscape in the cross-border context (see also Church and Reid, 1999: 653), and the tight organizational networks can improve the 'interregional competitiveness' (Maskell, 2000) of the Helsinki–Tallinn region.

### *What follows? Still searching for a perfect organizational form of the cross-border governance networks*

The described changes in the HTE agency did not finish the process of reorganizing cross-border governance. With regard to the organizational changes, the partners of the HTE were still looking for a suitable and balanced structure to mobilize interregional resources and to transform previous cooperation experience into cross-border governance capacity. The new organizational statute, circulating about two years in the agreement process, has failed to create common understanding about the HTE as a non-profit association. The interviews (2004) pointed to the different legal

frames of Finland and Estonia as the obstacle for creating the interregional institutional capacity. Weichhart (2005: 105) sees the political system and administrative law as the basic keys to solving the planning and policy problems in border regions.

The organizational changes of the HTE network take place in two complex (national) legal frames, which influence the governance structures and processes. The HTE agency is made according to the Estonian non-profit union law and any contradiction with the Finnish laws had to be avoided. The Finnish laws do not allow the establishment of a transnational non-profit union, where the founders are public institutions. During the agreement process of the statute, the HTE official members (regional and local authorities) made several corrections to the first planned organizational structure. Several months after the establishment of the new interregional agency, the smooth cross-border cooperation was partly blocked, because the roles of the Euregio organizational bodies were understood differently by the Estonian and Finnish partners.

In addition to the incompatible legal frames, differences in political culture were also important (Interviews, 2004). The Estonian political elite involved in the HTE activities, besides the decision-making process, takes a more active part in discussions and in the management of the contents of cross-border issues. The higher political representatives of the Estonian partners are seen by the speakers of the Euregio fora as well. According to the new HTE organizational form, the Estonian state (through Harju county) is one founder of the cross-border agency, but the Finnish state is not directly involved. These differences are not large, but still influence the capacity of interregional governance to act collectively.

Although the organizational structure and process of cross-border governance is somewhat unbalanced, the utopian project concerning a frictionless and equal participation space in the planning system (see Jensen and Richardson, 2004: 254) across borders still lives in the thoughts of the public officials in the Tallinn and Helsinki region. The HTE actors mentioned the following ideas to create more symmetrical cross-border governance:

- to make the number of involved partners equal (now there is one partner less from the Finnish side) between Finland and Estonia for a balanced decision-making process;

- to open HTE offices on both side of the Finnish Gulf, which would support the equal representation of partners' interests (some actors find this senseless);
- additional changes in the approved HTE institutional form. Because of this, legal expertise was sought over the HTE statute. It was recommended that the credentials of the HTE management board and the duties of the Manager should be formulated more exactly.

These 'inequalities' do not automatically cause governance failures, but create some possibility for this. In the HTE there is an attempt to regulate the interregional institutional governance space towards more clear roles for its actors. This can be rather difficult in the context of the different legal frames and political cultures. There are limits and also a lack of interest to 'include the socially relevant forces of the entire region and function as a *regional parliament*' (see Weichhart, 2005: 105, emphasis in the original) providing democratic legitimacy for the cross-border activities and create an institution competent for regional policy in the Tallinn-Helsinki context. Therefore the interregional governance needs flexible organizational form for the institutional capacity building, which requires continuous communicative working and collective sense making.

## Conclusions

The case-study about the HTE indicates the fluid and partly contested reorganization of cross-border governance in the context of the enlarged EU. It does not mean that the state administration of different spatial scales will be replaced by the flexible interregional governance networks. But the HTE is an example of the possibility that governance may be accomplished through multiple and dynamic cross-border organizational forms fusing the boundaries between states, markets and civil societies. These new forms of regionalism work through fragmented and territorially unbounded social networks, which can be recreated according to the interregional interests and regional policy instruments over time (see also Deas and Lord, 2006). 'Euregio' is a potential institutional form where the roles and relations of territorial politics

can be renegotiated and practised in new ways in certain contexts.

The building of governance capacity is a useful concept to understand and interpret the reorganizations of cross-border governance. The HTE agency creates a flexible frame for the cross-border governance capacity by bringing political goals into a certain spatial context and mobilizing interregional resources. The HTE has a challenge to increase the active participation networks of (public and private) actors in the cross-border projects, and through that also to achieve larger legitimacy for its activities. The democratic legitimization aspect of the interregional governance also needs to take into account network-type practices of the (local and regional) institutions. The previous and coming organizational form of the HTE influences the interactive cross-border governance capacity. It is a similar process to that of other cross-border initiatives (see Perkmann, 2007) to establish network brokers which create a productive degree of interdependence between local actors and the EU. This article demonstrates especially the importance of regional competitiveness instead of more general distributional fairness in interregional development. The communication technologies are seen as one tool to improve the interregional governance capacity for information exchange and participation between the Tallinn and Helsinki regions.

The HTE as a non-profit association has created new action-spaces between the Tallinn and Helsinki regions, but also increased competition between the cities and regions in the context of the EU and the Baltic Sea area. There are certain limits and pragmatic interests to (re)present and practise the 'collective' cross-border purposes. This situation widens gaps between the territorial political goals and the everyday governance practices. Therefore the interregional system of networked relationships can be considered as a fragment scale-effect to create and maintain cross-border space as new units of intervention with shifting territorial configurations. The governance capacity of Euregios can push these limits further, but the case-study shows that there should be also alternative organizational forms of interregional governance besides the coherent regional assembly or a binational city. The relational dynamics of the territorial cross-border governance may point to these potential alternatives.

## Appendix: Interviews

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