

Corridor Development Strategy for the East-West Transnational Transport Corridor - a position paper



2006

East West TC

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Title: Corridor Development Strategy for the East-West Transnational Transport Corridor-position paper

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Publication 2006

Publishing date:2006

Publisher: Region Blekinge

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Layout: East West TC Secretariat

ISSN:

Distributor: Region Blekinge, Ronnebygatan 2, 371 32, KARLSKRONA, Sweden

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Corridors along major transport routes are recognized as of having particular potential for economic development. In many regional economic studies, places along such corridors are described as potential key-areas for economic development. The argument is that the accessibility, which the transport infrastructure along these corridors provides for travel to and from these locations make them attractive to business to locate and for people to live. Economic theory might indicate this and the European Union seems to believe that upgrading the transport infrastructure standard on corridors is an efficient policy-measure to enhance economic development in border regions. ¹

Development corridors

In the *European Spatial Development Perspective* "development corridors" are presented as increasingly emerging in Europe. These corridors are often trans-national cross-border. Therefore the corridors require an integrated spatial planning approach that goes beyond purely national policies. Infrastructure investment is seen as one important policy to ensure a balanced regional development. The future extension of the Trans-European Networks (TEN) should reassure the internal development of economic integration zones and facilitate their integration into the global economy. In addition priorities for action should include supplementary measures for developing intra-regional linkages and development. The efficiency and density of these secondary networks is said to be vital for the integration of the regional and urban economies and their competitiveness. Especially, they are expected to strengthen the smaller and medium-sized towns and their function in generating regional development overall.²

We know that existing and/or new transportation infrastructure connecting places and regions not always bring about economic prosperity. In some cases infrastructure has no visible impact at all. In other cases it opens up for new competitors in local markets. However, upgraded infrastructure always means shorter travel times and better accessibility. This will result in an enlargement of local markets, which gives new opportunities to businesses located along the improved infrastructure. To what extent these opportunities will be exploited varies between regions and depends on a combination of at least two factors, access to latent resources waiting to be exploited and the local entrepreneurship.

A limited view of corridors is to see it as a set of infrastructure, which accommodate transport activities. In this case the corridor is a transport concept and is just seen as a transport-axis. Improving the infrastructure means primarily reduced transportation costs for transports along the corridor. In most cases this cost reduction is marginal. On the margin such investments increase the competitiveness of firms located along the corridor.

A more demanding definition of the concept is to see it as a connection-axis, corridor characterized by interaction between nodes along the corridor. By building new

¹ "Development along Transportation Corridors" report from a seminar organized in Heerenveen, the Netherlands in April 2000 as part of the Interreg IIC-project "Integrated Development"

². European Commission *ESDP; European Spatial Development Perspective*. Luxembourg 1999

infrastructure, connecting up places and/or improving existing connections between places, new spatial interaction can be developed. In addition, the existing spatial interaction between places and regions can be strengthened. In this case infrastructure investments may support the interaction between the nodes along the corridor and enlarge the regional market for firms located in the nodes. Looked upon from this perspective the regional impact should be expected to be larger than if the corridor is just considered to be a transport-axis.

If one takes a step further the corridor can be seen as spatial development concept. Corridors in this concept are seen as functional axes with a relation between living, working, recreation, transport and nature. There is not only a relation with space within the corridor but there is also a clear relation with the space outside the corridor. This is the way the corridor concept primarily is used in the planning discussion in the Netherlands.

Essentially the corridor concept embraces all these alternatives. The driving forces of the corridors are the urban centres along the corridor. Growing urban centres will increase the interaction along the corridors. There is a mutual dependence between the dynamics of the urban centres and the transport corridor. Expansion in the urban centres creates more transport in the corridor and investments in the transport corridor make possible further expansion in the urban centres. Thus, a corridor development strategy must include as well urban policies for the centres along the corridor as an investment policy for the communication links.

The territorial impact of transportation corridors depends partly on the scale of the corridors. On local level spatial-economic development tend to spread along main transportation routes. This pattern is easily recognized in large urban regions where business often chooses to locate along junctions of transportation routes. On trans-regional level agglomeration economies may stimulate concentration of economic development instead of spreading of economic development within the corridor. Increase in spatial activities normally will under these circumstances be concentrated to the urban centres along the corridor.

The East-West transnational transport corridor

The East-West Transnational Transport Corridor is too long to be considered as an development corridor. With a total length of 800 to 1 000 km plus 12 hours on a ferry over the Baltic Sea this transport corridor is a very long transregional route. It is unrealistic to assume that this develop into one continuous development corridor. However improvements in he infrastructure instigate the growth of existing urban centres along the transport corridor. This growth may result in growing local development corridors and gradually a number of local corridors will transform into regional development corridors. We can identify in total 9 urban regions along the transport route, Four in Denmark, three in Sweden and two in Lithuania.

The capital region in Denmark with about 1,8 million inhabitants is the largest and plays a dominating role in the Danish economy. More than 50 % of the Danish GDP is produced in the capital region. Due to de-industrialisation the region start to stagnate in the end of the 1960s

Industrial employment was reduced by almost 40 per cent until the beginning of the 1990s, which brought the region's share of the country's industrial employment down from 40 to 25 per cent. In this period all areas of industry were developing more weakly than in other regions of the country. Also the service sector showed a weak development. Retailing and wholesaling, business services and the hotel trade were the only segments of the service sector that grew faster than the national average. The lack of innovative creativity in the region's industries thus helped to turn the Copenhagen metropolitan Region more and more into a national service centre. A declining population followed the decline in employment. In the 1990s a growing service sector generated employment growth and population started to slowly grow again.

On the other side of Öresund is Malmö-Lund, which, with 650 000 inhabitants, is the largest urban region on the Swedish part of the transport corridor. Malmö-Lund is a polycentric region with two centres. Malmö, with about 250 000 inhabitants, is an old industrial town with a development pattern similar to Copenhagen's. A process of industrial decline started in the end of the 1960s making the city losing inhabitants to the beginning of the 1990s. A turnaround took place in the beginning of the 1990s with a growing high tech and media industry. Lund is an old university town which with no old industries. The industrialization process of the town is of late date and closely linked to the university. A number of new start-ups have developed into successful large companies – Tetra Laval, Gambro, Axis etc. – and some expanding large firms have established functions in Lund – AstraZeneca, SonyEricsson, Arla Foods, etc. The combination of a dynamic high-tech cluster and a growing university has generated a steady growth in the number of inhabitants in Lund. <the number has now passed 100 000.

The opening of the Öresunds-bridge has created optimism about a future dynamic transnational Öresundregion encompassing Copenhagen Metropolitan region and the Malmö-Lund region. This transnational region is presented as one of the strongest pharmaceutical and biotechnological regions in Europe and comprises a dense cluster of universities, hospitals and more than 300 life science companies. This regional integration process has started, but it will take many years to tear down existing integration barriers.

The other three urban regions along the transport corridor in Denmark are Odense, with 190 000 inhabitants, Fredricia/Kolding/Vejle, called Trekantsområdet, with about 250 000 inhabitants, and Esbjerg with 115 000 inhabitants. Trekantsområdet, located in between Esbjerg and Odense, was one of the most dynamic regions in Denmark during the 1990s. In the period 1992-2005 the growth of the population in the region was twice as high as the national average and employment growth was about three times as high. A large and growing number of small and medium sized companies were the main dynamic force in the region. The region shows many of the characteristics well known from the industrial districts in Italy. A dominance of small and medium-sized firms, high turnover among the firms and a low share of labour with a university degree is typical for this districts.

The other two urban regions on the Swedish side is Kristianstad with 166 000 inhabitants and Karlskrona with 120 000. The short distance between Kristianstad and Lund offer good opportunities for a further economic integration of the two regions. Karlskrona is located at the eastern end of the Swedish part of the East-West transport Corridor. The town is the regional centre in a county, with in total 150 000 inhabitants and area not larger than an ordinary Swedish municipality. The region underwent a remarkable transformation in the

1990s when Karlskrona/Ronneby became one of the most dynamic regions in Sweden, based on a growing ICT industry. In the mid 1980s Blekinge was hit by substantial economic problems. Many large industrial companies were downsized and closed, and the employment losses were not balanced by growth in small and medium-sized firms. Other industrial regions in Sweden were experiencing similar problems, but for several reasons the future prospects of Blekinge looked particularly discouraging. Hence, the future of Karlskrona/Ronneby certainly was far from bright by the mid-eighties. The declining defense sector, a large manufacturing sector dominated by remotely controlled branch plants, a poor entrepreneurial tradition, a limited supply of professional services and no university definitely made for a difficult situation³. However, something unexpected happened on the region's road to depression.

At the end of the 1990s, the picture of the region had changed quite dramatically. Now Karlskrona/Ronneby perceived as one of the most dynamic regions in Sweden, outside the metropolitan areas. The dynamics was primarily based on industries that did not exist in the region fifteen years ago, namely the infocom industries.

In the period between 1990 and 1997, employment in the information/communication industry grew by more than 400 % or about four times as fast as the national rate of growth. Karlskrona/Ronneby, together with Stockholm, had the largest number of people employed in the infocom sector in Sweden. Almost 11 % of the population was employed in this sector, while the national average was a mere 5,1 %. In international journals and newspapers, Karlskrona/Ronneby was presented as a national center for the infocom industry. We can certainly talk about a Blekinge phenomenon.

In Lithuania there are two significant urban regions – Vilnius with about 500 000 inhabitants and Klaipėda with 170 000 inhabitants. The situation is in many respects different in Lithuania compared to Denmark and Sweden. Great changes in the population took place in the aftermath of the collapse of the Soviet Union. Emigration occurred on a large scale in the first half of the 1990s, contributing heavily to the population decline. Lithuania's population declined by 7,7 per cent 1991-2004. Population is still diminishing and the decline up to 2015 will, according to Human Development Report, be substantial. However, the coin has also another brighter side. Economic growth has been impressive for many years.

Among the new EU member the Baltic states are the frontrunners which often are referred to as the Tiger of the North. During the last couple of years, Lithuania has been the leader in the Tiger group. With the fast economic growth Lithuania is slowly catching up with Denmark and Sweden. Privatisation of state owned enterprises started almost immediately after independence from Soviet rule and culminated in 1992-1996. By now, there are still companies to privatise. The Lithuanian economy has undergone profound structural changes during the last decade. A prominent feature is the rapid growth of the private service sector, which today accounts more than 50 per cent of total employment. Agriculture's contribution to employment is still very important. Its share of total employment is more than 15 per cent, but declining. Thus development in Lithuania is

³ SOU 1989:12

characterised by a combination of impressive economic growth, declining population and a strong urbanisation. This pattern indicates a further concentration of the economic activities to the largest urban regions in the country.

Research strategy

The key to a strong economic development along the East-West Transitional Corridor is the dynamics of the major urban regions along the corridor. The purpose of the study is to analyze the growth potential in some of these urban regions. Attention will be focused on the two largest urban regions in the corridor – the Öresundsregion in Denmark/Sweden and the Vilnius region in Lithuania.

The dynamics of the two regions will be studied from two different perspectives a cluster perspective and an attractiveness perspective. Focus in the cluster perspective is on the industrial development in the region. Economic growth in the region is manifested in increased employment, which increase demand for labour and stimulate migration to the region. Economic growth and increased employment makes a region attractive and stimulates migration to the region. In the attractiveness perspective the causal relation goes in the other direction. The creative class in a society are moving to attractive regions and are followed by high-tech industries.

Based on the cluster perspective existing clusters will be identified, their characteristics analysed, the growth pattern described and the growth potential discussed. Special attention will be given the importance of transportation facilities in enhancing the dynamics of the clusters. Based on the attractiveness perspective the regions ability to attract persons and firms will be analysed. According to the American researcher Richard Florida dynamic regions in the knowledge society is characterised by a combination of talents, technology and tolerance. Florida has shown that talented people go to places that are open and tolerant, and offer a quality of life they desire. Places that attract people attract companies and generate new innovations, and this stimulates the growth of a virtuous circle of economic growth. According to the cluster perspective dynamic clusters increase demand for labour, which make the region an attractive place for people. According to the attractiveness perspective talented people are attracted to places that offer a quality of life they desire. A growing number of talented persons in turn make the place more attractive for firms and stimulate regional economic growth.

The two perspectives don't exclude each other. Dynamic high-tech clusters attract talented persons and a concentration of such persons attracts high-tech-firms. The balance between these two forces varies between regions. It is our ambition to apply both perspectives on the four urban regions on the transport corridor to identify the engines of growth in the different urban regions. The analyses will also give a hint of how important the East-West transport corridor is for growth in the different urban regions.



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