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THE ÖRESUND REGION: SWEDEN’S BRIDGE TO THE WORLD

Irene K. LaBarca

Introduction

Despite Sweden’s small population and relative isolation from Europe, the country has become a strong center for technological development during the last century. Swedish inventiveness has resulted in many new ideas, ranging from single-market products such as Rune Elmquist’s pacemaker to Ericsson’s industry-dominating innovations in telecommunication systems. Sweden’s economy provides for the world: half of the country’s GDP is comprised of exports. (“Sweden and Swedes”) To remain a leader in innovation with a strong economy and to maintain worldwide economic prominence, however, Sweden must integrate and align its economic policies, business practices, and research efforts more closely with other leading nations. Collaboration with European nations is especially important as the European Union (EU) increases its collective role in world affairs.

Development of the Öresund Region is one important step for Swedish economic growth and integration with Europe. The region is comprised of the southern Swedish county of Skåne and the northeastern Danish region of Zealand. Malmö and Copenhagen, major metropolitan areas of each country, are located in the heart of the region. (See Figure 1.) In recent decades, the Öresund Region has become an area of technical innovation and academic achievement and is an increasingly attractive area for businesses and companies in which to locate. Its gross regional product has grown faster than the rest of Sweden and Denmark and now represents 28 percent of Sweden and Denmark’s collective economies. (Olshov, “Summary and Conclusions”) The region also ranks fourth in the world as an area of high growth in technology, industry, and economy. (“About Öresund Network”)

Because of its potential to enhance Swedish growth and to further integrate Sweden with the rest of Europe, continued investment in the Öresund Region must be a major initiative. In this article I discuss several major issues surrounding integration of economic activities, business exchanges, and
research endeavors in the Öresund Region. I first identify several significant barriers to regional integration. I then explain initiatives that have already been taken in the development of the region, including a new bridge which links the region and several regional Swedish-Danish networking organizations which have been established. Finally, I discuss future initiatives that will encourage integration in the Öresund Region, promote Swedish economic growth, and advance Sweden’s relationship with Europe and the world.

Barriers to Integration

Although measures have been taken by many EU nations to minimize economic and cultural differences that occur among member countries, several significant barriers still exist between Sweden and Denmark which prevent total integration in the Öresund Region. Varying economic incentives, tax differences, and dual currencies are major barriers. These and other obstacles, such as language differences, must be overcome before Skåne and Zealand can operate as a unified, cohesive region.

Perhaps the most significant barrier is the differing economic incentives of living and working in each nation. Generally, salaries are higher in Denmark, while housing costs are lower in Sweden. (“Territorial Review of Öresund, 2003”) This discrepancy makes it attractive to live on the Swedish side of the Öresund Sound and commute to Denmark, thereby moving the labor force away from Sweden and devaluing the housing market in Denmark. In a unified region, incentives such as these are minimized, with more balanced motivation to live and work in both countries.

A common currency within the region is also necessary for integration. As of yet, neither Sweden nor Denmark has adopted the euro.¹ The hassle of frequent exchanges between Swedish and Danish crowns is an inconvenience to citizens who travel and conduct business within the region. More significantly, business investments involve an increased risk when the fluctuations of two different currencies must be forecasted. The adoption of a common currency would increase the confidence of investors within the region and at the same time help to attract international investors.

Other cultural and political differences

¹For further information regarding Sweden and the adoption of the euro, see the article by Emily Henderson in this issue.
between Sweden and Denmark create barriers to integration in the Öresund Region. Although similar in many ways, the Swedish and Danish languages are not completely the same, creating a language barrier for those studying and conducting business in the region. Additionally, different cultures and attitudes cause tension among businessmen in Malmö and Copenhagen. Hans Möller, an Information Technology entrepreneur in the region, states that “there is still a certain degree of suspicion” in business associations between the countries. For instance, Swedish business leaders tend to encourage group decision making, while a Danish executive might rely on his individual judgment. (Möller) Though small, these differences in Swedish and Danish ways of life must be mutually understood and accepted to achieve integration.

Tax issues and other differences in the fiscal administration in each country also make it hard to complete integration. For Öresund citizens who commute between Sweden and Denmark, questions arise as to where income is taxed and from which nation social welfare benefits are received. The two nations have not yet come to a complete consensus on taxation and welfare distribution. (“Territorial Review of Öresund, 2003”) Other EU nations, however, have developed solutions to similar tax-related issues, creating a more harmonious atmosphere and promoting integration in multinational regions. Solutions to tax differences and other problems are discussed in the Initiatives for the Future section.

The Öresund Crossing

The Öresund Crossing, completed in June 2000, is a road and railway system which connects the Öresund Region via Malmö, Sweden, and Copenhagen, Denmark. The idea to connect the two land masses originated in the early 16th century, but until 2000 travel across the Öresund Sound was only possible by ferry. Since its conception and design, the crossing was intended to serve not only as a symbol of regional connectivity, but also as a catalyst for economic growth and integration.

The new connection spans 16 kilometers of the Öresund Sound and consists of a bridge and causeway, a tunnel, and a man-made island. Although this 16-kilometer stretch of the Öresund Sound is not the shortest distance between Sweden and Denmark, the advantage of creating a direct link between two of the nations’ largest cities justified the extra expenditures in engineering and construction of a longer span. The structure holds a four-lane roadway and a two-track railway, allowing motor vehicle and rail travel between Scandinavia and the European mainland for the first time. The crossing is owned, operated, and financed by the Öresundsbro Konsortiet, a private enterprise owned equally by Sweden and Denmark. (“The Öresund Fixed Link...”)
Collaborations among companies in the region were few. According to Marton Dunai, a commentator on the early influences of the crossing in the area, “The region [was] far from integrated in a business sense.” (Dunai) Moreover, surveys taken of those crossing the bridge indicated that most trips across the bridge were for recreational purposes and that barely five percent of Swedish and Danish citizens crossed the bridge for work and educational reasons. (“Integration — Where Is It Heading?”) While increased tourism and recreation were and still are major objectives of the bridge’s construction, the slow growth in regional business and economic integration was disappointing.

These rather discouraging early figures can be attributed to two factors. The first factor was the high cost of crossing the new bridge. The average cost for a passenger car to make a one-way trip across the bridge was 207 SEK (or about $28.40) in 2001, a hefty price tag if repeated many times during a month. (Öresundbro Konsortiet 2002 Annual Report) The second factor which caused lower than expected trip volume was the lack of preliminary organization and policy implementation by local governing bodies. For example, no new legislation was employed to reduce the tax and labor related barriers discussed above. Without a formal method to resolve these barriers, businesses in the region were initially hesitant to take measures for greater collaboration with their counterparts across the Sound. As Jessica Panke from the Copenhagen Institute for Future Studies stated, “There are problems with the integration. The sky-high expectations that characterized the time before the opening of the bridge have clearly not been fulfilled.... One is still waiting for the political decisions that are to remove barriers, decisions that are delayed.” (“The Annual ‘Öresundsting’...”)

Increased Promise for Regional Integration and Economic Growth

Despite reduced optimism for growth in the Öresund Region immediately after the crossing’s completion, integration and economic growth have increased since 2002 to levels closer to those originally predicted. Since

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2Currency conversions based on rates in March 2004. (“CNN Currencies”)
2001, both Skåne and the greater Copenhagen area have had higher economic growth than the whole of Sweden and Denmark, respectively. (Olshov, “Summary and Conclusions”) The gross regional product of the Öresund Region grew by 2.3 percent in 2002 and was expected to increase by 1.8 percent in 2003 — also higher growth than that of Sweden and Denmark combined for those two years. (Olshov, “Summary and Conclusions”) These indicators provide optimism for the Öresund Crossing’s role in regional economic growth.

As for actual travel across the bridge, both 2002 and 2003 have shown increases in total motor vehicle trips made, as shown in Figure 2. In 2002, 16 percent more traffic crossed the bridge than in 2001, and in 2003 the volume was 10 percent more than in 2002. (“Traffic Figures”) The Öresund Konsortiet’s 2002 predictions for operating profit were also encouraging: operating profits were expected to increase from 737 million SEK in 2001 to 911 million SEK in 2003. The actual operating profit in 2003 was very close to this prediction. Furthermore, in 2001 the Öresund Konsortiet reported a net loss of 689 million SEK after expenses but recorded a net profit of approximately 2.3 million SEK in 2003. (Öresundbro Konsortiet 2002 and 2003 Annual Reports) Though small, this net profit indicates that the crossing is becoming more functional and that more people in the region are finding travel between the countries useful.

Perhaps the most telling indicator of the bridge’s success is the opinion of those who have the potential to use it. In a 2002 survey of reaction to the new crossing, 60 percent of Swedes and 58 percent of Danes approved of the bridge investment. Within the Öresund Region, 70 percent of those living in Skåne and 64 percent of Zealanders approved. (Medicon Valley 2002 Annual Report)

Initiatives for Integration and Economic Growth

Assessment of Integration

In its 2003 territorial review of the Öresund Region, the Organization for Economic Cooperation and Development (OECD) boasts that the region is “one of the most highly populated and productive regions on the Baltic Sea.” (“Territorial Review....” p. 1) The area is ripe for growth and innovation, and many initiatives have already been put into place to promote business networking, to stimulate shared knowledge, and to expand the relationship between Sweden and Denmark. (“Territorial Review...”) Most citizens of Öresund, especially those on the Swedish side, understand the importance of regional development; 72 percent of people in Skåne and 65 percent of those in Zealand believe in the Öresund Region’s future and support integration projects. (Medicon Valley 2002 Annual Report) Worldwide players share a similar positive attitude towards the region. The number of foreign direct investments in the region has increased in recent years, and the Invest in Sweden Agency describes the region as “a perfect breeding ground for innovations and new technology, with good access to venture capital and qualified management.” (“Skåne County...”) Additionally, the EU views initiatives taken in the Öresund Region as a good model for other areas of European regional integration. (“Territorial Review...”)

Another measure of regional integration is the Öresund Chamber of Commerce’s Integration Index. As shown in Figure 3, the index measures the region’s performance during 2001 and 2002 in four areas: the labor market, traffic, trade and cooperation, and business costs. A perfect score of 100 represents complete integration, a theoretical target based on economic performance in a national area with no cross-border barriers. (“Öresund, Denmark/Sweden”)

The integration levels given in Figure 3 indicate that the regional labor market was marked by the lowest level of integration, and, furthermore, showed no growth over the 2001–2002 period. However, trade and cooperation within the region demonstrated growth in integration during this time period, as did integration related to traffic and travel within the region. The latter increase corresponds with the growth in travel across the Öresund Crossing discussed earlier. The business costs index, which measures the equality of costs relating to business operation on each side of
the Sound, displayed the highest level of integration. The Öresund index total is a summation of the integration levels for each category.

**New Networking Organizations**

During the past decade, many collaborative organizations have been formed to promote the Öresund Region as a high growth area for innovative ideas and research. In 2001, the Öresund Science Region (OSR) was formed as an association to coordinate activities and opportunities in four principal areas: biomedical technology, information technology (IT), food services, and environmental research. Along with the Öresund University and private and public companies, the OSR has been described as a “regional tool aiming to strengthen the Öresund Region from a global perspective.” (Öresund Science Region Brochure) Collaborative organizations within the OSR include the Medicon Valley Academy, the Öresund IT Academy, the Öresund Environment Academy, and the Öresund Food Network. These four organizations and the Öresund University provide significant opportunities for regional integration and growth. The biomedical technology, IT, and university research sectors currently exhibit the greatest potential for growth. (“Öresund, Denmark/Sweden”) The Medicon Valley Academy and the Öresund IT Academy are discussed below, and the Öresund University is described in the following section.

Formed in 1997, the Medicon Valley Academy (MVA) works to support and provide networks for medical and biosystems research within the Öresund Region. The MVA organizes conferences and expositions each year to present and share pioneering research in such areas as biostatistics, cancer treatment, and diabetes. The overall goal of the Academy is to assist scientists on both sides of the Öresund in combining ideas and knowledge, thereby making the region even more distinguished in the area of medical research. (“Medicon Valley Academy: What We Do.”)

As described in its flyer, the ultimate goal of the Öresund IT Academy is “to bring the Öresund Region into the top of Europe’s most important IT growth regions.” The Öresund
Region is already home to 100,000 employees, 12,000 companies, and 500 researchers in the IT industry, making it the largest IT region in Scandinavia. The Academy's Board of Directors includes business and university leaders from both Sweden and Denmark. (Öresund IT Academy Flyer) Recently, regional IT companies have been involved in several exciting IT developments. One example is Ericsson's innovative Bluetooth wireless technology, whose products convey short-range radio transmissions between electronic devices, eliminating the need for wires and cables. (“Bluetooth”) The Öresund IT Academy also attempts to foster collaboration among sectors of the OSR, including its new Bio + IT post-doctorate program. (“The Bio + IT Programme”) These innovative technologies and interdisciplinary programs will continue to spur growth and the prestige of IT in the Öresund Region.

These and other networking organizations that exist in the Öresund Region contribute greatly to integration and aid in the development of Sweden’s relationship with Denmark and the rest of Europe. In line with the OSR’s goals for the region, these organizations stimulate new knowledge, attract prominent companies to the region, and, most importantly, market the Öresund Region as a high-tech and attractive area of the world.

Education and Research

Öresund University is a collaboration of 12 universities in Skåne and Zealand which promotes cross-border learning and research. Over 140,000 students and 10,000 researchers currently study in the 12 member schools, and by 2005 Öresund University aims to be Europe’s largest collaboration of research universities. (Öresund Science Region Brochure) By combining this number of students and research efforts, knowledge is shared, networks are formed, and integration is promoted in the Öresund Region. To further encourage integration, Öresund University enforces a policy of not translating publications among Swedish, Danish, and English, thereby necessitating an exchange of culture and language among its students and researchers. (“What Is Öresund University?”)

Universities and companies in the Öresund Region appreciate the benefits of collaboration between academics and business. Many businesses with research and development branches have introduced programs in which university students complete product development research for the company as part of their graduate work. Volvo-Aero, the southern Swedish manufacturer of engines for aircraft and rockets, offers one such program for students in their final years of graduate work. Students utilize their engineering expertise to develop products for Volvo-Aero, write theses, and gain valuable experience working with one of Sweden’s largest businesses. (“Volvo-Aero: Programs”) Many other large and small companies on both sides of the Sound offer similar programs which combine the talented minds of university students with the resources of companies’ research and development centers.

Policy Organization

Though it operates under joint Swedish and Danish authority, the Öresund Region itself has a high level of autonomy. Coordination between regional policy-making institutions is described as “informal,” and many integration strategies are managed by recently formed independent organizations. (“Öresund, Denmark/Sweden”) The overall vision held by these organizations is to increase economic efficiency and diversity, to spur competition and entrepreneurial activities in the region, and to promote the region as an area with high growth and prosperity. (“Öresund, Denmark/Sweden”)

The Öresund Committee is one such organization that exists to keep the public aware of political and economic activity on both sides of the Sound. The Committee aims to inform people about differences in Swedish and Danish legislation, such as those related to taxes and health care. The Committee offers conferences and seminars to educate citizens on managing these differences. Members of the Committee include policy makers from both Skåne and Zealand. (“Differences — Barriers or Possibilities?”) The Öresund Institute is another policy-making organization whose interest is to promote regional integration. Members include public institutions and com-
panies who monitor economic activity and growth in the region. (Olshov, personal communication)

The Öresund Network was established in 2000 to publicize the region on a local, national, and international scale. It is owned by the Swedish Ministry for Foreign Affairs, the Danish Ministry of Economic and Business Affairs, and regional political bodies in Skåne and Zealand. The Network coordinates activities among businesses, industries, investors, and other members of the organization. To keep private and public players aware of regional opportunities, an extensive database is available to provide regional information about tourism, culture, entertainment, convention facilities, education, and transportation. (“About Öresund Network”)

The EU has taken significant interest in promoting cross-border cooperation in Europe and has confidence in the potential of the Öresund Region. The International Regions program (INTERREG) was started by the EU in 1996 and provides funding for key areas with cross-border, transnational, and inter-regional cooperation. Sweden and Denmark have received funding for integration activities in the Öresund Region since the launch of INTERREG, and its current budget from the EU is 567 million SEK. (“Öresund, Denmark/Sweden”) The main focus of the program is to promote cooperation among regional businesses, employers, and educational institutions. Other priorities sponsored under the current INTERREG program include the reduction of barriers to labor market integration and the promotion of networking and social integration within the region. (“Regional Policy — Inforegio”)

The positive attitudes of numerous organizations committed to promoting growth and integration provide encouragement that the Öresund Region has a prosperous future. The organizations already in place have been successful in creating collaborations and legislation that will increase the region’s prominence on a global scale. Sweden’s continued investment in and support of the Öresund Region will significantly aid Swedish associations with Europe and the rest of the world.

**Initiatives for the Future**

To continue growth and integration in the Öresund Region, the OECD recommends that four initiatives be taken by Swedish, Danish, and EU legislative bodies. These four initiatives are: 1) continue to make improvements to transportation infrastructure and accessibility on both sides of the Sound, 2) continue to promote the networking of firms and shared knowledge, 3) enhance accessibility to the labor market on both sides, and 4) reduce barriers caused by differences in taxation methods. (“Territorial Review of Öresund, 2003”) These and several other initiatives are discussed below.

The completion of the Öresund Crossing was the first step in increasing accessibility in the region. This major infrastructure investment reduces travel limitations from Skåne to Zealand and serves as a powerful symbol of regional integration and cooperation. In an effort to further increase traffic across the bridge, the owners have expanded programs for discount tickets and business and commuter group toll rates. (Öresundsbro Konsortiet 2002 Annual Report) However, continued appraisal of the toll system is essential to the success of the crossing, as a reduction in fares extends the financing and repayment period of the bridge.

In an effort to maintain high traffic volume on its bridge, the Öresundsbro Konsortiet has also pledged to implement programs to promote regional integration. Its focus is to inform people in the Öresund Region and all over Europe of opportunities within the region. The Konsortiet issues several magazines and periodic newsletters which highlight tourist destinations in the region and also discuss levels of integration and current regional difficulties. In an effort to inform Swedes and Danes of cultural and commercial activities on the other side of the Sound, the Öresundsbro Konsortiet has entered into partnerships with Swedish and Danish tourist agencies and also maintains an Internet site with extensive information on events in the region. (Öresundsbro Konsortiet 2002 Annual Report)

Improvements to local infrastructure are also important within Skåne and Zealand.
Efforts to develop and expand local accessibility and transportation networks have already proved beneficial in southern Sweden, especially in Malmö. ("Territorial Review of Öresund, 2003") Copenhagen International Airport is also an important tool for economic growth, as direct access to the hub from Sweden via the Öresund Crossing makes the entire region more attractive for the location of businesses. An 8.63 billion SEK expansion of Copenhagen International Airport and the city's other peripheral airports is planned for the next decade. ("Öresund, Denmark/Sweden")

Enhancing accessibility to Swedish and Danish labor markets and reducing tax barriers will involve more extensive organization. Although improvements in these areas are of great importance in creating a unified region, they also require a high degree of coordination among Danish and Swedish governments and educational networks. Problems within the combined labor market, such as tax and welfare disincentives for those working part time in the two countries, must be eliminated so that more career options exist in the region. ("Territorial Review of Öresund, 2003") Additionally, people in the region must be educated and able to obtain information regarding these conditions before they will be willing to commute between Sweden and Denmark. ("Öresund, Denmark/Sweden")

A cohesive system for taxation and welfare distribution must also exist on both sides of the Sound. Currently, wages and income are taxed in the country where they are earned, and public services are received in the country of residence. Because there are advantages of working in Denmark and living in Sweden, Sweden is receiving less tax revenue while also distributing more services than Denmark. Several other cross-border areas, such as Germany-Switzerland and Germany-Belgium-Netherlands, have adopted systems where tax revenue is distributed more equally between the associated nations. ("Territorial Review of Öresund, 2003") These systems could serve as models for reform in the Öresund Region, leading to a more equal distribution of resources while continuing to promote opportunities on both sides of the Sound.

It is important to stress again the benefits of implementing a common currency within the region. After much debate and a September 2003 referendum, Sweden voted not to join the European Monetary Union and thus has not adopted the euro as its currency. Swedish and Danish adoption of the euro would lead to “unambiguously positive” outcomes for the Öresund Region. ("The Euro and Öresund") A single currency would aid in the unification of the region's labor market and would simplify price comparisons and business transactions. While adoption of the euro is far in the future for both countries, the decision must take into effect the benefits of regional unity and integration.

Conclusions

Promoting the Öresund Region as an area of growth and innovation will improve the Swedish economy and further establish the country as an important member of the European community. Under similar circumstances, other cross-border regions in Europe have benefited from integration programs that promote an exchange of knowledge, services, and culture. With continued attention to needs of the physical, social, and economic infrastructure, the Öresund Region will remain in its worldwide spotlight of growth and innovation.

The completion of the Öresund Crossing in 2000 serves as a powerful symbol of unification and has improved accessibility within the region. However, this investment in infrastructure is not enough. With the physical union of two countries comes the increased need for economic and political unity between the nations. Swedish and Danish tax structures require more coordination so that living and working on the two sides is as simple as living and working in two states within the same nation. Another measure that would greatly facilitate interregional business and employment is the institution of the euro as a common currency among Sweden, Denmark, and the rest of the EU.

Education on topics related to integration is essential for those living in the Öresund Region. Swedes and Danes must understand their cultural differences and be aware not only
of issues which make it difficult to live in a cross-border region, but also of the benefits related to unification with their international neighbors. This lack of available information is a direct cause of reluctance to commute between Sweden and Denmark, and slow integration of the regional labor market has resulted.

Despite existing barriers to integration, many initiatives have been taken in the past decade which have had positive results and have contributed to making the Öresund Region a desirable place to live, work, and conduct business. Improvements to infrastructure have created greater accessibility between Skåne and Zealand. High-tech businesses and innovative research centers, especially in the fields of biotechnology and information technology, have located in the region. Students and researchers thrive in the collaborative atmosphere, and the generation of knowledge is extensive. The Öresund Region is on its way to becoming a prominent European center for industry, education, and commerce. If these initiatives for regional growth and integration are improved and sustained, Sweden will benefit not only from increased prosperity and economic expansion, but also from further integration and an enhanced relationship with the rest of Europe.

REFERENCES


