

**Crossborder regions as forerunners
in EU integration – An institutional
perspective on structural change**

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European Integration
In Swedish Economic Research
Mölle, May 26-29, 2009

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Draft

Introduction to regionalisation

Regionalisation is a process implying a territorial dynamic¹ towards a new territorial status. It can be macro regionalisation including a still closer cooperation among the participating states but without resigning their sovereignty. The EU is a well known example of macro regionalisation. Another form of regionalisation is cross border regionalisation which includes territories of at least two states. The Øresund regionalisation is an example of a cross border regionalisation.

There is an interdependence between the EU regionalisation and the Øresund regionalisation as the EU, via EU policies and directives, sets the framework for the regionalisation process, and as the EU has as a goal to create a still closer cooperation among member states, that is to increase integration. As the EU policies have developed over time via a series of treaties still more focus is on integration of daily activities, that is education, dwellings, salaries, taxation, pensions etc. From this perspective cross border regionalisation functions as a kind of laboratory and as an illustration of how integration can increase in the EU in practise.

Worth noticing is that Øresund regionalisation is considered a “model region” due to the fact that it includes territories of two states characterised by a high population density . (Normally regionalisation is integrating peripheral territories of states with a low population density).

Discussing the interrelation between EU macro regionalisation and the Øresund cross border regionalisation it is important to go back in time and look at the policies originally included in the EC

¹ Jørgensen, Torben Beck & Klausen, Kurt Klaudi. 2002. *Territorial Dynamik – Streger på landkort, billeder i vore hoveder*. Aarhus Universitetsforlag.

cooperation. From the start, the policies included two sectoral policies: agricultural policy and transport policy, and two general structure policies: competition policy and regional policy.

Until the mid-1980s the main focus in the EU was on agricultural and competition policy. The role of regional policy was to diminish problems for territories where the territorial dynamic, via increased competition and large scale economics, has caused a lack of economic growth, in other words, regional policy in the EU had a defensive role.

However, from the mid-1980s transport and regional policy got a more active role in EU development centred on improving accessibility among member states through transport investments binding the member states together and thereby increasing the accessibility by diminishing transport time, achieving a higher frequency for transport, and more flexibility in the physical options for transportation. Furthermore, regionalisation policy became more proactive and more focused on innovation and technology as a facilitator to hastened economic growth in the EU.

Both the macro and cross border regionalisation take place in a period where globalisation and internationalisation also are strong ongoing processes. This calls for regional management competence and expertise and for an understanding of regionalisation, involving both a theoretical and practical knowledge to be efficient, in other words efficient regional management is difficult to master. Magnus Jerneck² has identified five requirements for efficient regional management including 1) management shall diminish the transaction costs 2) management shall replace existing national structures with more functional structures that fits the regionalisation process 3) the leadership must be context based i.e. building on the space and timing conditions prevailing in the region 4) management must secure effective communication and debate 5) management must have a high degree of legitimacy among people in the region. Furthermore, management shall not only include internal processes but also prepare the road ahead for external marketing and negotiation. Magnus Jerneck refers to this as multilateral leadership.

Similar thinking is presented by Lewin in his ideas on change. He understands change as a dynamic between efforts for and against change. The first stage in his model is "on-freezing," that is a break down of the routines that support the behaviour that is requires changed. Next phase is a presentation and communication of attractive factors that lead to new behaviour. Third phase is a "re-freezing", establishing new routines award systems to support the new behaviour³.

The management and institutionalisation of regionalisation have many dimensions. It can be a top-down or bottom-up process. It involves government, governance and the market in experimental and innovative interdependencies causing territorial dynamic. Furthermore, the management challenge includes management of the different rationales or spaces for the regionalisation

² Jerneck, Magnus. 2000. Multilateralt ledarskap. In *Øresundsregionaliseringen analyseret strategisk og ledelsesmæssigt*, edited by Lise Lyck. 2. oplag Handelshøjskolen i København.

³ Lewin, Kurt. 1999. Change Management and Group Dynamics. In *Thinkers*. Chartered Management Institute. (tidsskift)

processes - it may be economic, political, administrative, cultural spaces and more than one rationale can be involved simultaneously in the regionalisation process.

Problem

The regionalisation part of this article deals with the following problems:

1. How has the Øresund regionalisation process taken place?
2. Identification of the Øresund regionalisation drivers
3. What can be expected to be the future of the Øresund regionalisation?
4. Is there learning from the Øresund regionalisation that can add to regionalisation theory and practice?

Demarcation

The Øresund regionalisation is presented shortly from the 1980s to present time; that is in a 25-year focus presenting the main empirical findings.

1. How has the Øresund regionalisation process taken place?

The Øresund regionalisation process started with a new EU policy giving transport policy a higher priority. The European Community Roundtable of Industrialists published in 1984 "The Missing Links of Europe." It included the first maps with fixed connections over the Great Belt, Øresund and Femern Belt⁴. The Danish Parliament decided then in 1987 that the bridge over the Great Belt should be constructed and the train connection was established in 1997 and the bridge for car transport in 1998⁵. The Øresund Bridge was opened on 1 July 2000⁶ and the decision on the Femern Bridge⁷.

After the Maastricht Treaty in 1993 European integration went into a new phase including increased integration and more emphasis on daily life integration. It was the background for the specific interest from the EU in the Øresund regionalisation.

The decision process on the bridge construction was a top-down process headed by politicians and industrial interests. To establish legitimacy among citizens the Øresund Committee was established

⁴ Lyck, Lise and Nielsen, Jens. 2006. *Government og governance i Øresundsintegrationen*. 1. udgave. København: Center for Tourism and Culture Management, p. 9.

⁵ Sund og Bælt. Storebælt – Fakta og historie. Available from <http://www.storebaelt.dk/omstorebaelt/fakta>. Accessed 15. April 2009.

⁶ Øresundsbron. Øresundsbron historik. Available from <http://osb.oeresundsbron.dk/documents/document.php?obj=173>. Accessed 15 April 2009.

⁷ 3. September 2008.

in 1993. One main task was to create rhetoric in favour of the bridge and to promote the economic advantages of the new transport possibilities. Another, and even more important, institution was created, the Øresundsbron A/S⁸. It had the main responsibility for the construction and financing of the Øresund Bridge. It was a cooperation owned equally by the Danish and Swedish states. The EU started the INTERREG programs⁹ to promote research on the regionalisation process. The mentioned actors were the main drivers of the Øresund regionalisation process up till the opening of the bridge in 2000.

The next phase of the Øresund regionalisation development has taken place after the opening of the bridge. It began as a success story as people wanted to see and “try” the bridge themselves, but after the initial curiosity the use of the bridge declined. It was referred to as the “CEO Bridge.”¹⁰. The limited use of the bridge was closely connected to the price system established and to the lack of the direct cross border activities implying that the purpose for using the bridge was limited. However, as time has passed the bridge has been used still more with 9,7 millions of train passengers in 2007 and with 9,2 millions of vehicles crossing the bridge in 2007. In total, 35,5 million passengers crossed the Øresund bridge in 2007¹¹. Seen from a transport investment point of view the development in transport could have been more efficient by use of another price system but in total the level of transport has increased over time.

Concerning the regionalisation process the price setting has been a main hindrance for achieving the full advantages of the construction of the bridge¹². It is characteristic that the first years did not imply strong integration. Many cross border activities were related to one day tourism and shopping and with many more Swedes going to Denmark than Danes going the opposite way. It has also been characteristic that it has been changes outside the regionalisation process that have caused the main changes in the regionalisation process. To be mentioned here especially is the globalisation that has led to worldwide economic growth and more pronounced labour division in production. This income increase meant a shortage of labour in Denmark and a heavy inflow of Swedes to work on the Danish side of the Øresund region. Globalisation, together with the Danish policy, also implied a shortage of dwellings and a speculation in the Danish market for fixed property that made settling in Sweden close to the bridge very attractive for many Danes as a way to avoid the high Danish prices on dwellings¹³.

⁸ 27 January 1992: Øresundskonsortiet was established by a consortium agreement between A/S Øresundsforbindelsen and Svensk-Danska Broförbindelsen SVEDAB AB. The ownership included a 50% to the Danish State and 50% to the Swedish state.

⁹ Interreg is a Community initiative which aims to stimulate interregional cooperation in the European Union. It started in 1989, and is financed under the European Regional Development Fund (ERDF). The current programme is Interreg IV, covering the period 2007-2013.

¹⁰ DR P4, 14 February 2008.

¹¹ Available from <http://www.tendensoresund.org/da/download/13trafikken.pdf>. Accessed 15 April 2009.

¹² Söderström, Lars, ed. 2002. *Øresundsförbindelse med ett hinder mindre. Effekter på integrationen vid avgiftsfrihet*. Öresundsuniversitetet.

¹³ Øresundsbron A/S.

The financial crisis, followed by the economic crisis, has meant a new development in the Øresund regionalisation as the Swedish currency has lost so much in value that the value of a Swedish crown is 2/3 of a Danish crown. As a consequence, it has become extremely advantageous to purchase goods in Sweden. In practice it is possible to buy most goods at nearly half price compared to those in Denmark¹⁴. This price development implies a heavy inflow in Sweden of Danes for shopping purposes.

Concerning the management of the regionalisation process government was active in the first years after the bridge focusing on economic barriers for the trade development in the Øresund region. However, during the last years government has shown a very low interest and the activity level concerning the Øresund regionalisation. As a consequence most of the barriers identified in the reports from around year 2000 still exist.

To conclude on the two phases: the Øresund regionalisation process has included too many different kinds of development from government being extremely proactive in the first period to almost being absent in the second period. The bridge, seen as a transport project, has, in total, developed acceptably after the bridge on the Danish side was included in Sund og Bælt A/S and the financing on the Swedish side was achieved satisfactorily due to the extremely low interest level that stopped the speculations on bankruptcy that had emerged. Today, there is no vision and strategy for the integration processes implying that the integration process is derived from the globalisation.

2. Identification of the Øresund regionalisation drivers

Regionalisation will normally include institutional changes based on new territorial structures. In strategy the concept of a structural driver of change is defined as a force likely to affect the structure of an industry, sector or market¹⁵. Applied in relation to regionalisation structural drivers are factors that cause territorial dynamic leading to a new region. A driver can also be considered as a motivation factor for change¹⁶.

In practice, a driver can be a person, cooperation between two or more persons, institution, policy or motivation factor, that causes a changed behaviour leading to structural regional changes. In the Øresund region it is not possible to identify a single person as a driver, but a driver in form of a cooperation of two persons is found in form of the close cooperation between the Lord Mayor of Copenhagen, Jens Kramer Mikkelsen, and the Lord Mayor of Malmø, Ilmar Reepalu, who developed a governance structure for cross border public cooperation between the municipalities of

¹⁴ DR, 23 March 2009.

¹⁵ Johnson, Gerry and Scholes, Kevin. 2002. *Exploring Corporate Strategy*. The Financial Times Prentice Hall, sixth edition, p. 103.

¹⁶ Herzberg, F. 1974. *Arbejde og motivation*. København: Gyldendal

Copenhagen and Malmø. The Øresund regionalisation has also had institutions as drivers, among the most influential that can be mentioned are: Øresundsbron A/S, Øresundskomiteen and Sydsvenska Handelskammeren. Furthermore, Medicon Valley can also be considered a driver for Øresund regionalisation. Also policy in form of the EU transport and regional policy, as well as, the combined Danish-Swedish cross border transport policy have been drivers for the regionalisation. Motivation factors have mainly been found to function in relation to individual persons and firms, which have changed their buying and leisure tourism behaviour by including activities on the other side of Øresund.

Before the opening of the bridge in July 2000 an investigation, including interviews of the top 40 Danish and Swedish CEOs in private industry and top politicians, and public and civil society organisations identified attitudes and expectations to the development of the Øresund regionalisation¹⁷.

The investigation resulted in 25 findings and showed that almost all of the interviewed had a positive attitude to Øresund regionalisation independent of their political conviction. They wished to have “sweet talk” replaced by concrete visible results and many CEOs from industry found the bridge fee “absurdly” high. Furthermore, 5 types of reaction patterns were identified among four main groups of actors (see overview 1).

¹⁷ Lyck, Lise, ed. 2000. *Øresundsregionaliseringen analyseret strategisk og ledelsesmæssigt*. 2. oplag Handelshøjskolen i København, p. 17-ff.

Overview 1. Reaction patterns found for groups of main actors

Reactions patterns	Groups of main actors			
	Citizens and voluntary organisations	Corporations and industrial organisations	Public servants and politicians	Øresund institutions
Pure market adjustment		+	+ (politicians and few public servants)	
Sweet talk and influencing the attitude		+ (industrial organisations)	+	+
Traditional democratic policy	+		+ (few politicians)	
Strategic instrumental policy		+	+	+
A need for institutionalisation		+ (only few corporations)	+	+

+ indicates a found reaction pattern.

Source: Lyck, Lise, ed. 2000. *Øresundsregionaliseringen analyseret strategisk og ledelsesmæssigt*. 2. oplag Handelshøjskolen i København, p. 21.

The main conclusion of the investigation concerning attitudes and reaction patterns was that the regionalisation process at that time must be considered as a process with a lack of coherence between attitudes and reaction patterns, but at the same time as a process where it was possible to identify and categorize reaction patterns. It was at that time also a topic where the party-political attitude was almost absent.

The latest years of the regionalisation process have been characterized by a lack of drivers in the form of “fiery souls” and close cooperation between influential persons/politicians, lack of strategy and of EU and national policy. The most dominant drivers have been motivation factors implying individuals to a changed behaviour in relation to labour market, buying behaviour and residence.

3. What can be expected to be the future of the Øresund regionalisation?

The development in Denmark with the structural reform from 2007 including reduction with 1/3 of the number the municipalities to 98 municipalities and with replacement of the 13 counties with 5 regions has meant a micro regionalisation in Denmark without a commitment to cross border re-

gionalisation. Neither does the Danish infrastructure report¹⁸ include a commitment to cross border regionalisation. There is a lack of vision for the Øresund regionalisation for coming years.

JobØMagt, March 2009¹⁹, presents the first regional analysis from the Øresund institute made by Anders Olshov. It confirms the findings of the OECD report, "Territorial Review Copenhagen,"²⁰ that showed that Copenhagen was losing momentum in relation to other metropolises. The OECD report gave a very harsh critic of the political institutional structure in Copenhagen, Denmark and the Øresund region saying that government was inflexible and limiting the space for action for municipal and regional actions. It was also stated that there was a lack of coordination of actors in the capital. Another finding was that the Øresund cooperation was not developed enough, that the Danish and Swedish government should strengthen the integration of the labour market in the Øresund region and that the laws on taxation and health insurance ought to be harmonized and that the competitive strength of the capital was under pressure. The same kind of findings was also seen in the publication "Øresundshandel- og Service" from 2006 and in the publication "Government og governance i Øresundsintegrationen" from 2006. Anders Olshov forecasts that 85,000 jobs can disappear from 2009-2010. Furthermore, it is a fact that the number of persons passing the bridge has gone 1% down in 2009. Danish leisure transport over the bridge has increased 40%, but commuting and business related transport, especially freight, have declined. In total, prognoses for the next years are very negative and the lack of a strategic vision makes it even worse.

4. Is there learning from the Øresund regionalisation that can add to regionalisation theory and practice?

It is well-known that regionalisation takes time, but in spite of this fact there seems to be learning from the ongoing regionalisation process that can be useful for future regionalisation policy in the EU and in general concerning cross border regionalisation:

- Mega transport projects are important to initiate a regionalisation process. It is found in many studies and it seems to have a general validity for all kinds of regionalisation, including macro regionalisation and cross border regionalisation.
- An efficient regionalisation seems to require active EU and government policy to remove barriers and to promote synergies. In relation to the Øresund regionalisation this requirement was fulfilled in the years around year 2000, but it has been lacking in recent years.
- A strategy and a vision, appreciated and agreed upon, by the stakeholders in a regionalisation process is a real asset for a regionalisation process. It sets the priorities and gives the directions for the development. Already Douglas North, the Nobel Prize taker in economics

¹⁸ *Infrastrukturkommissionens rapport*, 2008.

¹⁹ JobØMagt, March 2009, Øresundsinstituttet.

²⁰ OECD. *Territorial Review Copenhagen*. March 2009.

in 1993, stated: “That two countries with similar conditions can achieve totally different results” due to different institutionalisation and strategic policy²¹.

- Territorial dynamic requires a vision, a strategic policy and institutions to be efficient.

The consequence for the EU concerning regional policy seems to be that regional policy has to include a common strategy at the EU and the cross border level to be efficient. It also seems to require that a regionalisation process needs an institutionalisation to monitor and control that the regionalisation process is linked to the strategic policy. An EU policy or a cross border policy without fulfilling these requirements seems to be totally based on the ongoing globalisation trends involving a lot of temporary flows with short termed developments due to the globalisation, meaning uncontrolled flows of capital, labour and goods without a structural base and thereby implying high adjustment costs and inefficiency.

Conclusion

The regionalisation process has been dealt with, both from a theoretical and an applied perspective, with a focus on macro regionalisation (EU) and on cross border regionalisation (Øresund regionalisation).

25 years of Øresund regionalisation has been analysed, divided in two periods – the time up to the opening of the bridge in July 2000 and the time after the opening of the bridge. The regionalisation process started with a close cooperation between EU, and the cross border territories in Sweden and Denmark and the Danish and Swedish government. The cooperation was characterised by a high degree of correspondence between government and governance and by a common vision and a strategic policy, but over time the drivers of the process diminished and disappeared without the market forces being able to cope with the problems due to too high transaction costs caused by barriers not being removed and by an inappropriate price policy concerning bridge fee. Today the regionalisation process lacks momentum as well as a vision and a strategic policy.

This article has discussed drivers of regionalisation and their influence on the Øresund regionalisation process. It is found that the number of drivers as well as the strengths of the drivers have diminished and that the current drivers are the main institutions established and individual change of behaviour caused by the ongoing globalisation.

The forecast for the future development is found to be rather negative based on findings of the OECD and the Øresund Institute. It is also found in the publication “Øresundshandel- og Service”

²¹ JobØMagt, p. 5

from 2006 and the publication “Government og governance i Øresundsintegrationen” from 2006.²²

Although it is difficult to evaluate an ongoing process it is needed when the turbulence and the territorial dynamic are high. The main learning concerning macro and cross border regionalisation seems to be that mega transport investments can create regionalisation but that an efficient regionalisation process requires a vision, a strategic policy, coherent government and governance cooperation and an institutionalisation to support the regionalisation process.

²² Lyck, Lise, 2006. *Øresundshandel og –service*. First edition. København: Center for Tourism and Culture Management & Lyck, Lise and Nielsen, Jens. 2006. *Government og governance i Øresundsintegrationen*. 1. udgave. København: Center for Tourism and Culture Management.

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