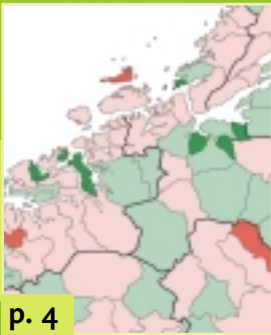


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## JOURNAL OF NORDREGIO

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# The Future of the Periphery

**ONE CANNOT FAIL** to recognise that the Nordic paradigms of regional policy have recently undergone a period of significant change. The focus on urban values and the innovative practices driving the economies of urban systems seem thus to have gained ground over more traditional periphery-oriented policies. Of course this impression is very general and it conceals important national variations and counter-movements, nevertheless however, the question of what will become of the Nordic periphery deserves renewed attention.

The Nordic countries, with the possible exception of Denmark, already constitute a periphery when viewed from a Central European perspective. Scarcely populated and remotely located from the core areas of European markets, the Nordic countries owe much of their international influence to high performing economies and strong welfare state regimes. Theoretically as well as in practice, many argue that the wealth of the Nordic countries has been realised despite of the obvious geographical handicaps of these countries. Thus the political conclusion of this, many argue, should simply be to attempt to counteract such handicaps.

This may seem common sense, but the structural implications of such a move will inevitably come to mean a further concentration of settlement patterns and a more focused geographical allocation of private and public resources aimed at spurring innovation and economic growth. In many ways the recent Finnish experiences with policy programmes on expertise (Centres of Expertise) and urban centres (Urban Centre Programme) may indicate the geographical thresholds pertaining to such political operations. Moreover, even in the most peripherally located and thinly populated Nordic country, Iceland, the recent reorientation of regional policy has come to mean increased attention on the functioning of the country's urban system.

In these circumstances substantial segments of the Nordic citizenry will experience the situation whereby they increasingly find themselves at the wrong end of the geographical continuum, i.e. on the geographical peripheri-

es. These peripheries are not as yet however satisfactorily incorporated into the new policy schemes currently being developed. The problem here does not however relate to the old rural urban dichotomy. What were earlier understood as rural areas have in many cases now come to form constituent parts of the large regional labour markets. The problem thus has more to do with such regions being too small in population, too poorly furnished with private entrepreneurial and managerial resources and with them being too remotely located to substantiate their attractiveness to investors and young people looking for somewhere to settle.

In short, the problem encapsulates the central questions pertaining to the issue of the future of the peripheries. In a European context it essentially concerns a focus on the periphery of the periphery. Responsibility here rests with the various national governments, and they will have to respond to public opinion on these issues in their respective countries. Historically, tolerance for structural rationalisation has been higher in Finland, Iceland and Sweden than in Norway, while the issue has played a minor role in the national politics in Denmark.

The recent Finnish national election showed however that the road to a more urban-oriented regional policy is not as straightforward as it once seemed. At the time of writing, it is still not clear whether the Centre Party will gain access to the Finnish cabinet, but it seems clear that its focus on the need for a more peripherally oriented regional policy has had some success. This is in strong contrast to the recent Swedish national election where regional policy was seen really as a non-issue.

In Norway, there is currently much turmoil over the nature of current policy schemes for the peripheries, due to a dispute between the EU and Norway over the interpretation of the EEA-agre-

ement, as indeed this issue of the Journal of Nordregio highlights in the context of Nordregio Director Hallgeir Aalbu's contribution in the column "Right Now." The outcome of this ongoing dispute however remains to be seen.

While traditional policies have focused strongly on communications and job creation, future political efforts will increasingly have to cope with welfare provision and service.

Though the population of the Nordic peripheries only represent a minor share of the total Nordic population, people living in the peripheries often embody values and traditions that are vital both to the national heritage of the nation and to the nation's identity and to the core of national political debates. Historically, the vexed issue of national security has also played a significant role in the desire to defend the peripheries of these countries. As such, the peripheries cannot be simply evaluated solely by the national population share, or by the total of the number of people living in them. The peripheries will thus always need policy schemes catering to their specific needs.

The nature of these policy schemes, though, should be subject to further discussion. While traditional policies have focused strongly on communications and job creation, future political efforts will increasingly have to cope with welfare provision and service maintenance. At the centre of the discussion however is the question of national priorities. As such, we must come to terms with the fact that even some of the richest countries in the world are simply not able to take all the aspects of modernity and a fully-fledged welfare state to each and every islet populated by a handful of inhabitants. Politics however often has a logic of its own that is more or less coupled to economics. This is however a truism that holds particularly true for regional politics. ■

# No Quick Fix to Nordic Mobility Challenges

by Tomas Hanell

During the latter part of the 1990s we have become accustomed to articles, maps and news bulletins portraying a substantial population decline across the Nordic peripheries. These include many an article that the current author has himself previously published in this very journal. In these articles, depictions of changes in population have usually concentrated on net levels of change. However, the necessarily black and white picture depicted in such analysis – with out-migration from the periphery and in-migration to a few dynamic centres being in effect the only units of analysis - does not reveal the hidden dimensions behind the numbers. The use of this type of simplified depiction is however well justified, for it is the result of this population drainage (or overspill) that in the final analysis sets the context within which local and regional economies have to function. If however one wants not only to depict, but also to address these problems, further understanding of the relationships between the different components of the migration nexus is needed. This article thus represents an initial attempt to highlight some of these relations in a Nordic context.

## Stationary population

Recently we have seen the emergence of intense debate over the general mobility of the population, in Europe as well as in Norden. The Nordic labour force, and in particular, the parts of it that are concentrated in the more disadvantaged areas, is said to be too stationary. The advocates of higher labour mobility turn their eyes towards the US, where the population has traditionally displayed a much higher mobility rate, capitalising on differing economic cycles across the country. True enough; the dynamism of the US labour market is – at least among the industrialised countries – on a scale of its own. It is a large country with an equally large domestic market that has, in a European context, very flexible labour market legislation that, in effect, actively facilitates migration. Perhaps more importantly, attitudes towards migration in the US are in

general positive, and migration is often considered to be a natural step in one's employment career.



Tomas Hanell

How substantial is this Nordic immobility, then? Due to the differing spatial structures of the regions in question exact comparison is understandably difficult. Between March 1999 and March

2000 more than 19 million Americans, or over 7% of the entire US population moved across county borders. In comparison, in Denmark, Finland, Norway and Sweden in 2001, only some 5% of the population moved across municipal boundaries. Not such a large difference, it seems. However, as a US county is on average four times larger in area than a Nordic municipality, this should imply substantially lower levels in the US case. If US counties would hypothetically adhere to the same rule as Nordic municipalities (see technical notes), US migration would be less than 2% instead of the actual 7%. Moreover, the difference becomes even greater when comparing long distance migration between

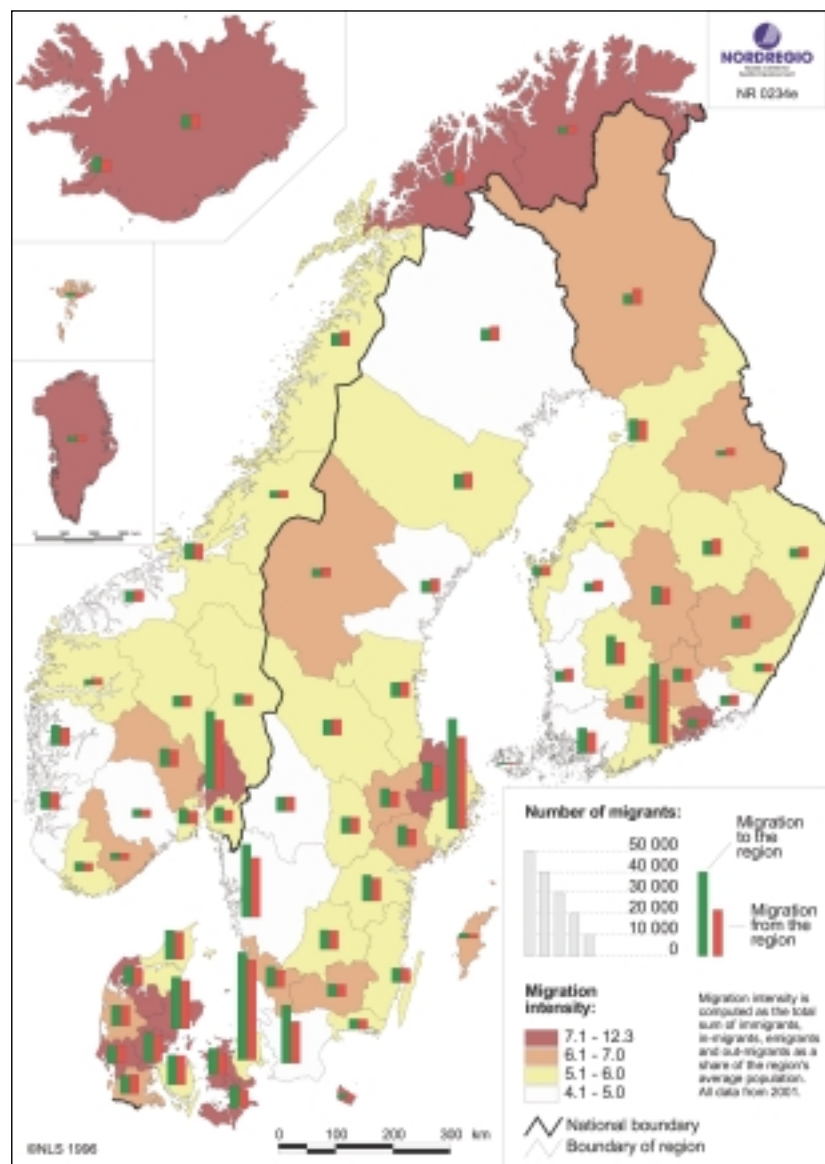


Figure 1: Migration intensity in Nordic regions 2001

the US (between states) and EU member states (between countries).

### Flows and counter flows

Returning once again to the Nordic case, the general presumption is that increasing out-migration causes this “flight from the peripheries” and from other less-favoured areas. This however holds true only to a certain extent. Equally common is the conclusion that increasing population loss is caused not by increasing out-migration but by decreasing in-migration. In Norden the net figures for regional migration in four-fifths of the regions are less than 20% of the gross levels, and for most regions they are less than 10%.

Even in the Finnish region of Lappi – the worst performing Nordic region in terms of net migration loss in 2001 – nearly 4 900 persons migrated that year. This in-migration amounted to nearly 3% of the region’s population. Similarly at the other end of the scale, although the Faroese population increased by as much as 1.2% during 2001, thanks to migration (this being the highest rate of all Nordic regions), 1 200 persons, or 2.6% of the population left the islands that year.

This means that when seeking policy solutions for depopulation (if caused by migration), the problem of imbalance could just as likely be tackled in any or both of the two factors. This general relationship is illustrated in Figure 1. In general, the two components by and large follow each other so that those regions that have substantial in-migration also have substantial out-migration, and vice versa.

On a national level Sweden has the lowest migration intensity and Iceland has the highest. On a regional level, the largest turnover of population can be found in the capital and other large city regions. Greater Copenhagen (Hovedstadsregionen) is in this respect the leading Nordic area with approximately 50 000 persons coming and leaving during 2001. Stockholm County, Oslo and Akershus Counties (jointly), the Uusimaa region (surrounding Helsinki) and the County of Västra Götaland (surrounding Gothenburg) all also had more than 30 000 persons moving in and out during that

year. Apart from Uusimaa, the share of international migration was substantial in all of these areas. In the Copenhagen case migration to and from places outside Denmark accounted for some 45% of the total traffic, while in Oslo and Stockholm

such as those of rural Iceland, Greenland or Finnmark in Norway, or in regions surrounding the capitals, such as Uppsala in Sweden, Itä-Uusimaa in Finland and Vestsjælland in Denmark.

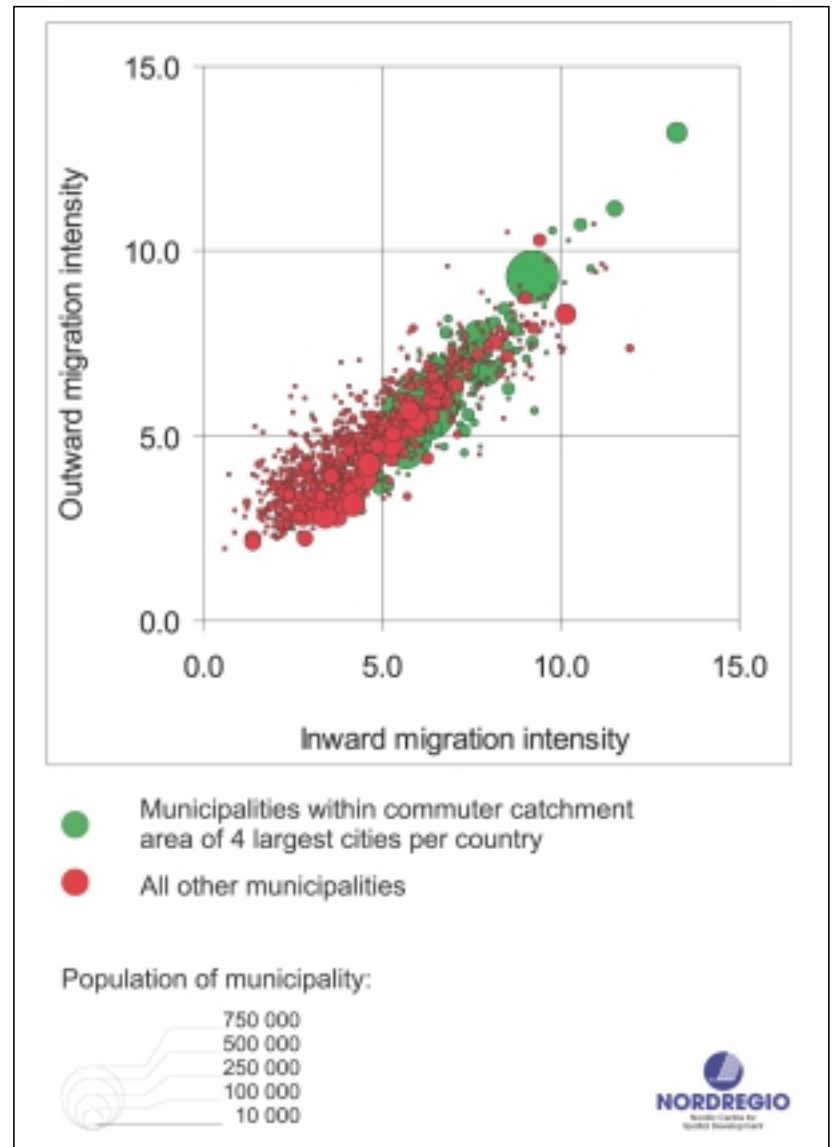


Figure 2: Migration intensity and municipality size.

it was close to a third. In this respect the most extreme Nordic cases are those of Åland and the Reykjavík region of Iceland, where the share of international migration was 54% and 47% respectively. In both cases however much of this traffic was generated by nationals rather than foreigners moving back and forth.

The large city regions do not always top the list when mobility is related to their population however. The largest relative traffic (dark brown areas in figure 1) can be found in either very peripheral regions,

At the other end of the scale however we can also find central and peripheral regions. The low overall migration intensity of the Nordic population in 2001 is found chiefly in “city regions” such as Hordaland (surrounding Bergen) and Rogaland (surrounding Stavanger) in Norway, Skåne and Västra Götaland in Sweden, Varsinais-Suomi (surrounding Turku) and Satakunta (surrounding Pori) in Finland. Similarly, low mobility is notable in more rural areas such as that of Møre og Romsdal or Telemark in Norway, Etelä-Pohjanmaa in Finland or

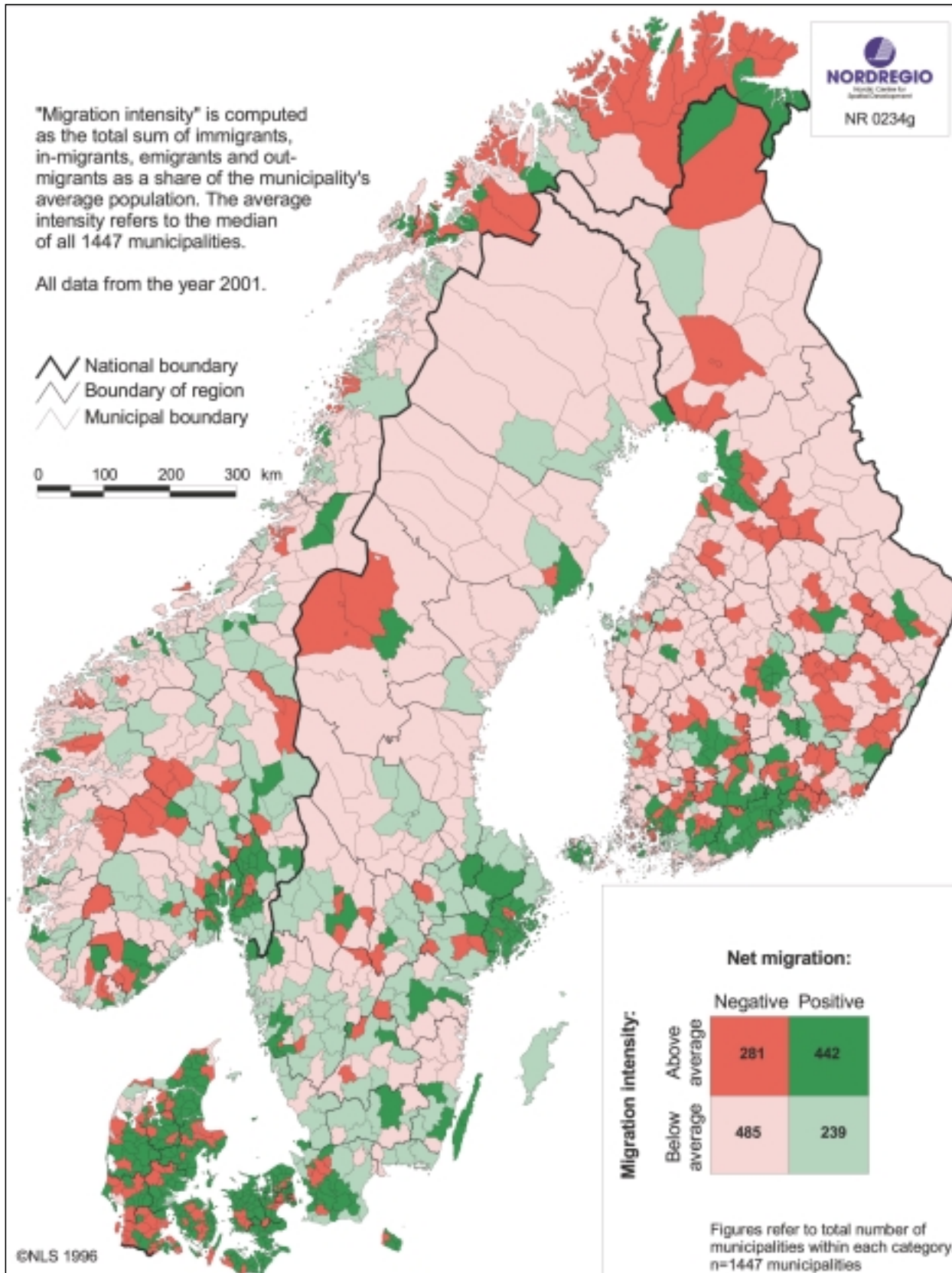


Figure 3: The migration patterns of Nordic municipalities 2001.

Norrbottnen and Västerbottnen in Sweden.

**Mobility corresponding to size**

Moving from the regional level to the municipal one, discernibly familiar patterns again emerge. In figure

2 the relationship between inward migration intensity (x-axis) and outward migration intensity (y-axis) is related to the population size of the municipalities (size of circle). The municipalities are separated by colour so that the green ones are

municipalities situated within the commuter catchment areas of the four largest cities in each of the respective countries, namely: Copenhagen, Århus, Aalborg and Odense in Denmark; Helsinki, Tampere, Turku and Oulu in

Finland; Oslo, Bergen, Trondheim and Stavanger in Norway; and Stockholm, Gothenburg, Malmö and Uppsala in Sweden. The red circles represent all other municipalities in the four countries.

In Nordic terms, the majority of areas displaying fairly low mobility (i.e. less than 5%) are small municipalities situated outside the core urban system. Even if most municipalities could be said to adhere to the rule of inward and outward traffic being of a fairly similar magnitude, those that display low mobility in general, and a negative balance in particular (i.e. are situated left of a hypothetical line running from zero in a 45 degree angle), are predominantly small ones.

At the other end of the scale, municipalities with high mobility are either large cities or attractive residential municipalities situated close to these, such as Frederiksberg adjacent to Copenhagen, Kauniainen outside Helsinki, or Solna and Sundbyberg outside Stockholm.

Figure 3 presents the general relationship between migration intensity (light or dark colour) and the net direction of migration (red or green) for all 1 447 municipalities in Denmark, Finland, Norway and Sweden. In a way, it addresses two separate problem dimensions – volume and direction – with separate policy responses for each.

On the one hand, the traditional centre-periphery dichotomy is again visible for all to see in this material from 2001. Even if exceptions exist due to the limited time frame of the material, the centre in general has a

positive net inflow of population (green) and the periphery a corresponding negative one (red), so there is really nothing new there.

On the other hand, the mobility picture is not quite so polarised. The municipalities that display low migration intensity (light red or light green in colour) could be said to have a problem with volume as the population is fairly stable and the turnover is moderate at best. Those that have a negative net flow, numbering 485, or one third of the total, are mostly – but not always – situated in the traditional periphery. The distant ones are often in a precarious position in the sense that the inflow component to the periphery is much more difficult to address via traditional policy measures than is the outflow. These municipalities are often also the ones with the most elderly populations. On the other hand, even small absolute changes in the in- or outflow could once again tip the balance from negative to positive or vice versa, as the volumes are not generally high.

The darker colours again refer to the municipalities where population turnover is higher than that on average across Norden. The municipalities shaded dark green, i.e. the ones that have a high and positive turnover of population, are mostly large cities. The small physical size of Danish municipalities, with correspondingly larger mobility (see separate box with technical notes), implies high mobility across virtually all of the country, with the exception of some problematic areas in northern and western Jutland.

The dark red shaded municipalities i.e. the ones where the net flow is

negative but the volume is high, are of two types. Either the outflow is of such a magnitude that overall mobility becomes high, or then both components are substantial but only slightly tipped to the negative side. The former case refers predominantly to Norway, Finland and partially also to Sweden, whereas the latter refers in particular to the case of Denmark. Nonetheless, under both conditions high volumes suggest that small relative changes in either the incoming or outgoing population amounts to substantial absolute changes in the flows that, if considerable enough, could tip the scale.

### Conclusions

Based on the discussion above, it seems that the question of mobility or migration intensity on a local or regional level is not just a simple matter of centre-periphery differentiation, but that there are several dimensions to the issue. Low relative mobility is as common in the core as it is in the periphery. Moreover, even if international mobility is separated from mobility at the national level this pattern remains.

However, in order to draw any definite conclusions, data for a longer period is needed. In addition, the correspondence between mobility and mobility-impeding stimuli, such as unemployment schemes or labour market measures, also needs to be more thoroughly addressed. Nonetheless, one initial conclusion may be that policy measures need to differentiate between those areas where the problem is a simple matter of direction, and those where the added overall complexity of low volumes challenges traditional measures.

*In this article the indiscriminately used terms “mobility” and “migration intensity” refer to the total amount of all registered migratory movements across region or municipality borders. This includes both domestic (in-migration, out-migration) and international (immigration, emigration) transfers but it does not include commuting. In our case the sum of these four movements is then related to the average population in each region or municipality, providing an overall picture of how substantial the total turnover of the population is.*

*This kind of analysis is extremely sensitive to the spatial units used. Thus, in the Nordic case, the average mobility between municipalities per country has an almost perfectly linear correspondence to the average size of the country's municipalities. In other words: the smaller the municipalities - the larger the mobility, and vice versa. This relationship should be kept in mind when interpreting the results, at least on a local level.*

*No data on migration to and from Icelandic, Faroese or Greenlandic municipalities is presented here, the reason for this being the extremely large*

*number of them in relation to their very small populations. To include these municipalities would distort the focus in the other four countries. For example, the total number of movements across municipal borders in Iceland in 2001 was some 22 000 or 8% of the entire population. In some Icelandic municipalities the total turnover of residents amounted to nearly a quarter of the population. For comparison, the Swedish county of Norrbotten - similar to Iceland in both size and population - had less than 10 000 corresponding moves across municipal boundaries. Thus Iceland, the Faroes and Greenland are presented here on a “regional” level only.*

*All data in this article refers to the year 2001, which in migration terms represents an average level for the latter part of the 1990s. The sources of the data are the national/regional statistical institutes in each country/region.*

*Maps and graphs in this article are downloadable at our website [www.nord-regio.se](http://www.nord-regio.se)*

# Proposals to Merge Finnish Policy Programmes

by Jon P. Knudsen

Perttu Vartiainen, rector of the University of Joensuu, and one of the ideological fathers of the Finnish Urban Centres Programme has recently proposed the merger of the Centres of Expertise Programme and the Urban Centres Programme. To the Journal of Nordregio Vartiainen makes the point that his proposal was aimed more at raising questions for further discussion than presenting ready-made solutions to specific problems:

– We may have too many programmes in Finland. We need our centres, so why not discuss the option of strengthening their overall impact by merging them. I think in so doing we will also strengthen their implementation. I am not criticising the programmes as such,

but rather, looking for models in which they can work better within their respective functional settings. It is vital that the programmes become more actor-oriented and not too strongly tied up with the administrative systems of the various provinces. I am not against the provinces as such, but they are



Perttu Vartiainen

not in the forefront as regional actors.

– Have you experienced the phenomenon whereby the persons and institutions managing the networks of differing or competing programmes are often seen to double-up in terms of roles?

– In some regions yes, but not in all. To take Jyväskylä as an example, people here were generally against the idea of merging the programmes, as different people identified with different programmes. In other regions the situation may be that of doubling roles.

Vartiainen has, as yet, stirred little in the way of debate over his proposal, while he admits that it was spontaneously uttered, though seriously meant. ■

# Swedish Organisations for Local and County Interests to Merge

by Jon P. Knudsen

During the period 5 – 8 May both organisations will hold their annual conferences in Linköping ending with a vote to merge the two organisations into one. The process was already agreed by the two boards in a joint meeting of 8 November 2002. The merger will be operative by the year 2005, and it is believed that the whole merger process will last until the spring of 2007.

The preparatory history of cooperation has lasted for a couple years. The first steps to bring the organisations closer together came in 1998 when the two boards began a process to reinforce their relations, a process eventually leading to the physical cohabitation of the secretariats. In July 2000 the two organisations set up four joint political committees to work with the following issues: International affairs, Democracy and autonomy, Growth

and regional development, Health care and Social issues.

In their joint presentation to their respective congresses the boards point to their common interests in major political issues as the main reason for this move. In addition, the boards foresee organisational as well as economic efficiencies ■

# Report Proposes New Measures for Icelandic Peripheries

As a follow-up to the regional plan adopted by the Parliament, a recent research report highlights the wide-range policy measures needed to strengthen peripheral areas in Iceland.

by Jon P. Knudsen

In the regional plan adopted by the Icelandic Parliament last year two out of twenty-two points included further research on living conditions and the business climate in sparsely populated areas. In a fresh report stemming from a joint project of the Regional Institute at the University of Akureyri and the Institute of Economics at the University of Iceland (Reykjavik) these questions have subsequently been dealt with. The report comes to several conclusions and makes a number of recommendations that will be the subject of debate before any measures are taken.

Secondary education, the report notes,

seems to be more crucial to rural and peripheral settlement than was previously believed. Many parents hesitate before sending youngsters aged 16 or 17 years to boarding schools. As regards Icelandic upper secondary education, which lasts for four years, the researchers propose that the first two years be decentralised, or, alternatively, that new secondary schools be built in regions that hitherto have had to rely on schools in neighbouring regions, thus enabling a larger share of students to live at home. Further strengthening of public transport in rural areas may also alleviate the problem.

The report also highlights the need to decentralise some of the courses offered by the University of Akureyri to Egilstadir and Ísafjörður, thus covering the

Northwest Fiords and Eastern Iceland. The report also proposes a five years moratorium on the repayment of study loans to candidates taking up positions in peripheral areas.

As transport is a critical factor to many communities across the country, the report suggests that a transport aid scheme, based on the Swedish model, be set up to facilitate manufacturing industries in the periphery. In addition, the report also proposes that road projects leading to the enlargement of commuter areas be given priority by the government.

Given the advent of national elections in May the report and its proposals are liable to be hotly debated in the weeks to come. ■



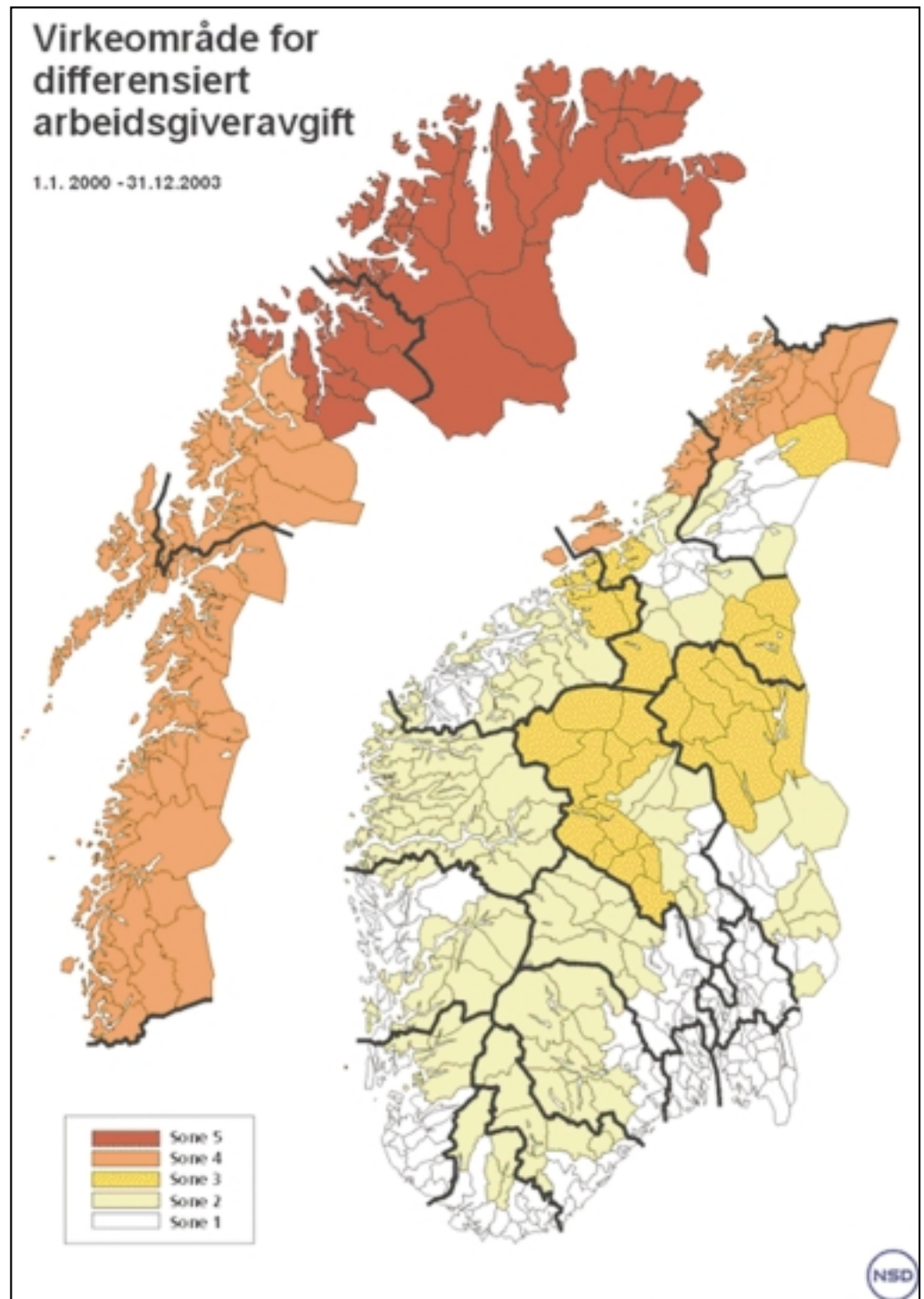
# Norwegian Government Proposes Changes to Differentiated Social Security Contributions

In a letter to the EFTA Surveillance Authorities (ESA) the Norwegian Government proposes to alter the country's system of differentiated social security contributions, currently being contested by the ESA, so as to comply with EU regulations.

by Jon P. Knudsen

The Norwegian system of differentiated social security contributions, in the form of a regionally differentiated labour tax, has come under attack from the ESA who judge it to be in conflict with EU rules on European competition. Recently evaluated, the measure is thought to be a powerful tool in the pursuit of regional job creation (see comment by Hallgeir Aalbu p 13). As such, the Norwegian priority has been to guard it as an integral part of future regional policy.

The Minister of Finance has made the Norwegian position clear in a letter sent to the ESA on 25 March 2003. The Government intends to maintain the special tax exemption zone for Finnmark and Northern Troms, arguing that the special conditions offered to economic activity in this part of the country justify the continuation of the present measures, whereas there will be a transitional period for the other taxation zones in order to bring the arrangements there into line with EU regulations. The government intends, though, to introduce new measures in order to ensure that the end results are not too disruptive for small firms operating in the various zones.



For firms operating outside the EEA-agreement, i.e. relating to fisheries and agriculture, there will be no changes.

A new system of national transport aid will be introduced to encompass

enterprises in Northern, Western and Central Norway. This system, which is clearly in line with EU regulations, will apply to transport journeys stretching over a minimum distance of 350 km. ■

**Forskning om den regionale udvikling i Europa  
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# OECD with Propositions to Speed up Öresund Cooperation

In its recently presented report on the Øresund region the OECD Territorial Development Policy Committee asks for institutional changes in order to enhance cooperation across the sound.

by Jon P. Knudsen

The OECD report pays particular attention to differences in economic performance between the Danish and Swedish parts of the region, GDP on the Swedish side of the sound being substantially lower than that in the Copenhagen metropolitan area. Furthermore the labour market is more difficult on the Swedish than on the Danish one. The desire to break this pattern relies on further economic and institutional integration of this most populous Nordic region.

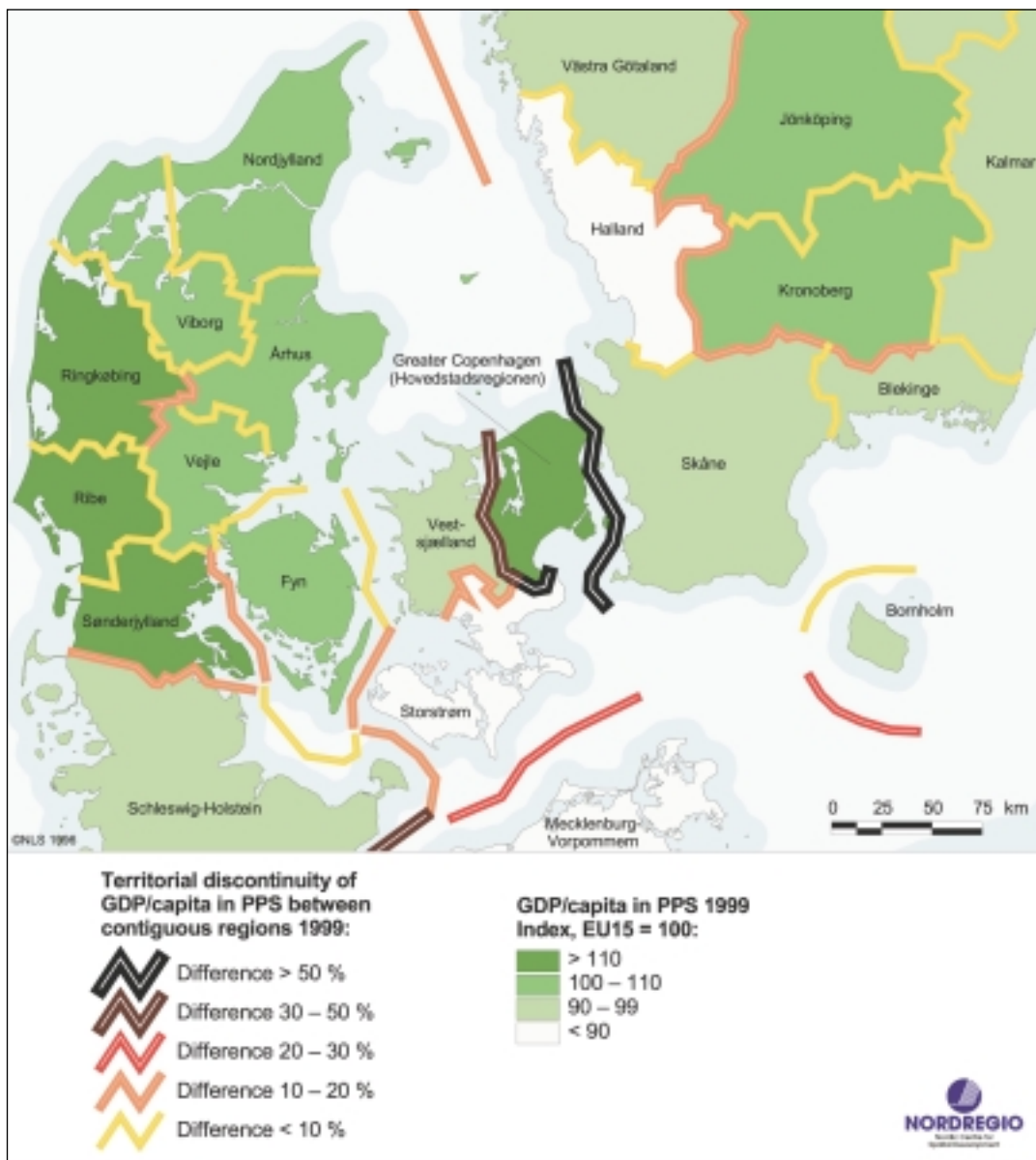
This ambition cannot however be met solely by private project initiatives, there is thus a need for more thoroughgoing institutional changes to take place. For example, as they currently function national taxation systems are incompatible, and this results in a biased pattern where the most remunerative behaviour seems to be to work in Denmark where wages are higher, and to live in Sweden, where the housing pri-

ces are lower and the social system more generous.

A few years after the opening of the bridge connecting Malmö and Copenhagen, there are only some 3 200 persons commuting over the sound on a daily basis. In order to enhance further integration the OECD argues the need to concentrate on four themes of cooperation: 1. Infrastructure and physical planning. 2. The Labour market. 3. Networks and knowledge diffusion. 4. Taxation.

Torben Aaberg Deputy director of the Öresund Committee discusses the implications of the report on page 14 in this issue of the Journal of Nordregio.

The OECD analysis consists of a main report and a summary of assessments and recommendations. By mid 2003 the entire report will be published. A summary, with comments, is available at [www.oresundskomiteen.dk](http://www.oresundskomiteen.dk).



The border between Denmark and Sweden across the Sound offers one of the sharpest economic cleavages in Norden.

# Norden in a Favourable Economic Position

Two recent reports highlight the performing capacity of the Nordic economies in the European landscape of knowledge economies.

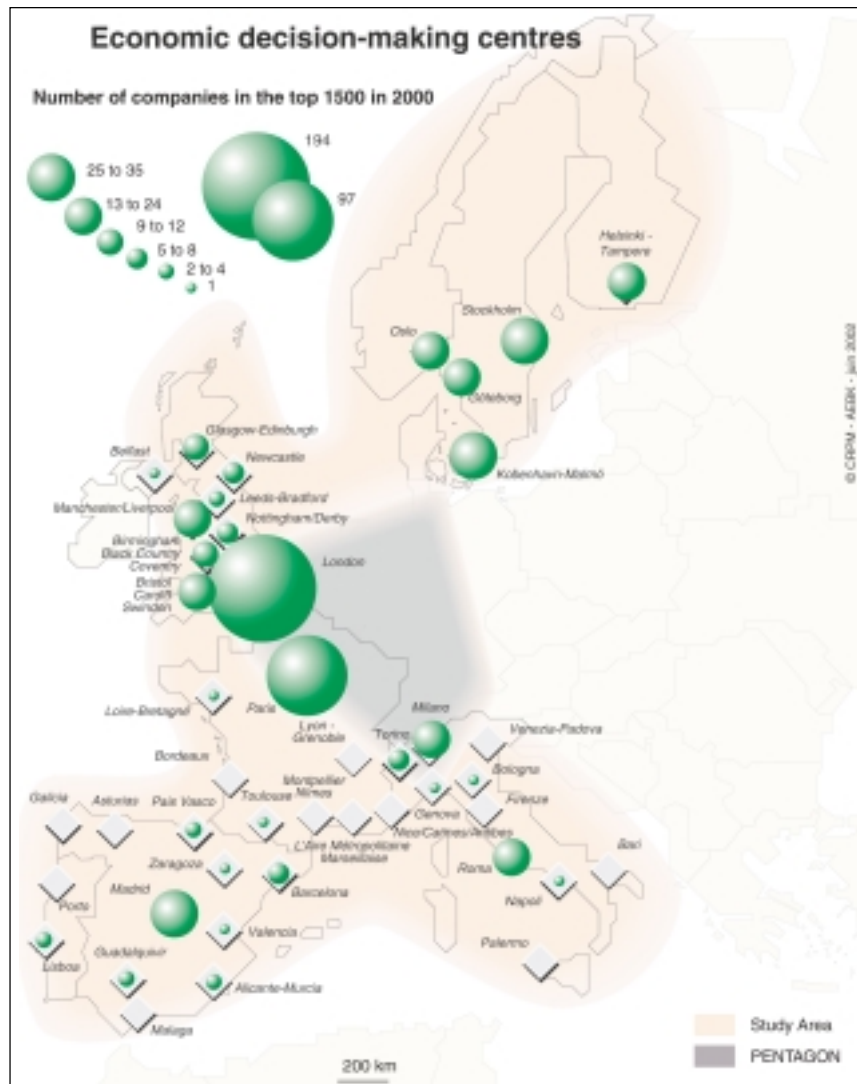
by Jon P. Knudsen

The CPMR study on the construction of a polycentric and balanced development model for the European territory points to the leading position of Nordic city regions over the European Pentagon-system when it comes to educational attainment, research and development.<sup>1</sup> The study also points to the fact that the leading Nordic cities have a relatively higher proportion of multinational company headquarters than is to be expected from their population figures. Stockholm, Gothenburg, Helsinki, Copenhagen and Oslo are in this respect perhaps almost more crucial to global economic networks than large Mediterranean cities such as Lisbon, Madrid, Barcelona, Rome or Athens.

These features are important to understand the assets of the Nordic periphery in the further economic integration of Europe, especially as the Nordic countries have to compensate for their peripheral location and low population density relative to the main European markets.

The study points to two different patterns of spatial consolidation, marking the scopes for further Nordic development. To the west, the development corridor formed by the Scandinavian capitals forms a structure of high territorial integration. To the east, what is called the development corridor of the Gulf of Finland constitutes a structure whose future remains more uncertain, based as it is on the consolidation of Russia's development process.

More specifically concentrating on the knowledge economy, professors Philip Cooke and Carla de Laurentis from the Centre for Advanced Studies at Cardiff University have undertaken to rank the European regions by their knowledge intensity, using "knowledge economy indices".<sup>2</sup> Their method is to establish the share of high technology manufacturing and knowledge intensive services in comparison to total employ-



ment in EU regions on the NUTS 2 level. Their findings show that the Stockholm region is the most knowledge intensive region in Europe, followed by inner London and West Sweden. Of the top twenty regions on the list, seven are accounted for by Sweden and one region by Finland (Uusimaa). Denmark is found further down the list, partly due to the fact that the whole country is treated as one single region in the analysis.

One immediate conclusion from the study is that the Nordic countries are favourably endowed when it comes to economic performance and the institutional prerequisites needed in the age of the knowledge-based economy. The question remains however as to whether this is sufficient in itself to make up for Norden

being located in the geographical periphery, and whether this pattern of knowledge-related leadership will prevail in the years ahead. The answers to the last question is however obviously more political than empirical.

<sup>1</sup> Study on the Construction of a Polycentric and Balanced Development Model for the European Territory. A Point of View of Europe's Maritime Peripheries. Second Interim Report. CPMR: January 2002.

<sup>2</sup> Philip Cooke and Carla de Laurentis: The Index of Knowledge Economies in the European Union: Performance Rankings of Cities and Regions. Regional Industrial Research Report 41. Centre for Advanced Studies, Cardiff University.

The regional balance between core and periphery – or territorial cohesion – has been a major issue in Norwegian politics since 1945. Regional considerations play an important role in many strands of governmental policies. The single most important regional policy measure is the regionally differentiated labour tax. This is a tax that employers pay on top of wages and salaries, as a constituent part of the funding of social security schemes. There are five different zones, where the tax varies from 14.1% of wage costs in the central parts of the country, down to 0% in the northernmost municipalities. For the whole country, the average tax level is 13%.

HALLGEIR AALBU

Director of Nordregio

The impact of this measure has been recently evaluated. Depending on the methods and models used, the job creation effect is assessed as being up to a net gain of approximately 60,000. The total revenue loss for the state is 1050 mill. ff per year, when calculated as if all employers paid 14.1% tax. However, a tax increase will of course have an impact on employment, as some employers will reduce their number of employees.

If 60% of the theoretical tax increase is paid, that is 630 mill. ff, in extra income for the state annually. The cost-per-job is then about 10,000-11,000 ff per year, or 591 ff per inhabitant in the supported zone per year. As a comparison, the Objective 1 programme for East Finland has a budget of about 537 ff per inhabitant per year. How expensive this is, is of course a matter of discussion, and it depends predominantly on the size and scale of alternative costs. Until now, the Norwegian Government's assessment is that this is an efficient measure in respect of territorial cohesion.

As a part of the EEA agreement, EU competition rules apply for Norway. The first conflict regarding the regionally differentiated labour tax concerned the question of whether it came under the auspices of tax policy (not

## Competition Rules and Territorial Cohesion

wit-  
hin the  
EEA agreement)  
or whether it was busi-  
ness aid (included in the EEA  
agreement and subject to notificati-  
on under EU competition rules)? The  
EEA Surveillance Authority won this  
round. In July 1998, they ordered  
Norway to make certain adjustments to  
the current scheme and gave a deadli-  
ne of December 2003 for a full revisi-  
on of the whole measure.



The  
Surveillance  
Authority  
have made it  
clear that  
they can  
accept the  
differentiation  
in labour tax as  
a general com-  
pensation for  
peripherality,

i.e. as an indirect transport subsidy. Their fear is, however, that some private employers may be overcompensated and receive a tax relief that exceeds their actual extra costs for transport and communication. What they actually envisage is therefore a scheme to replace a transparent and automatic subsidy on the important production factor (labour), with a subsidy on a production factor we - for environmental reasons - would like to use less of (transport). They also want Norway to replace a measure that is without management costs, with one that implies a significant increase in bureaucracy for businesses and authorities. And their position is of course even more difficult to understand when we know the business structure of the support zone. In the northernmost regions, where this measure is most important, we hardly find any businesses with an impact on European competition.

What will the consequences then be for employment in the affected regions? A tax raise up to 14.1% of labour costs will of course reduce the number of those employed. How it will affect

single  
businesses  
however depends  
on their own ability to  
increase prices or to cut wages.  
Employers in the public sector will  
have to reduce their service level  
unless the Government compensates  
them. Private companies will have to  
face a reduction in demand when pri-  
ces go up, or they will have to let staff  
go to keep prices down. Some might  
even move their production to other  
regions or even end up in bankruptcy.

Calculations show that as many as  
30.000 jobs in the private sector, and  
an additional 30.000 jobs in the muni-  
cipal sector may be lost. In total, this  
equals 2,8% of the total number of  
those employed in Norway. The conse-  
quences will be most devastating for  
the northernmost regions, where the  
tax increase will be largest: as much as  
20% of those currently employed may  
become unemployed the county of  
Finnmark, and territorial cohesion will  
thus be seriously hampered. Moreover,  
there will of course be significant poli-  
tical costs for a change such as this in  
the tax rules.

What can the Norwegian  
Government do to relieve the situati-  
on? First of all, the municipal sector  
can be compensated through other  
mechanisms. For the private sector, a  
transport subsidy like the one in  
Sweden is possible. The fact remains,  
however, that an effective measure may  
be replaced by a much less effective  
and more bureaucratic one - just  
because the rules say so.

It will thus be interesting to follow  
developments in this case: who will  
win when territorial cohesion comes  
up against the monolith that is EU  
competition rules? ■

In January 2003 the OECD finalised its analysis of the Öresund cross-border region. The Öresund Study, which will run from 2002 to 2004, is the result of two years of cooperation between the OECD, the two governments, the cities of Malmö and Copenhagen, the Greater Copenhagen Authority, Skåne Region, the Öresund Committee and Øresund University. Cooperation with the OECD was coordinated by the Öresund Committee and was co-financed by the EU via Interreg IIIA Øresund

TORBEN AABERG

Deputy Director of Öresund Committee



The main themes of the analysis are: The overall development strategies, the common labour market, infrastructure and spatial planning, competitiveness and the potential for innovation, networking and the development of the knowledge society, and regional governance with a focus on cross-border cooperation.

The OECD analysis does not aim to present ready-to-use solutions; rather, it provides observations and assessments leading to suggestions and possible directions for future development and initiatives. The following recommendations deserve emphasis and further discussion:

It is necessary to evaluate the degree of integration and to draw a road map as orientation for a common strategy for the future development of the region

A coordination of the spatial planning across Øresund should be considered. A coordination committee could serve as a forum for dialogue on issues of strategic importance

## OECD Reports from Öresund

A common labour market requires harmonisation of rules and institutions in the long run.

However, on a short-term basis, progress can follow from improved information, the mutual recognition of skills, public recruitment across the border and cooperation within an active labour market policy

To improve the competitiveness of the region those networks that stimulate innovation and ensure the better utilisation of knowledge should be further strengthened. In particular, the networks pertaining to SME's can be improved.

Establishing a centre of innovation is proposed, covering the entire region.

Cooperation within research and education is emphasized, as is the development of networks within key industries and clusters connected by umbrellas.

The differences between the national taxation systems hinder the free movement of capital and labour. The two governments can however find inspiration for a tax agreement in the border regions of Belgium-Germany and the Basle region.

Is the present structure of cross border cooperation capable of handling the problems of a newly functional region? A framework should be developed that improves the efficiency of cross border activities but acknowledges the principles of democratic legitimacy and transparency. The private sector should be included in efforts at cross border cooperation. A common political body is neither realistic

nor desirable in the long run. However, there is a risk of fragmentation and lack of consistency among cross border activities. A "light institutionalism" could thus lead to more structured cooperation.

Øresund is the first cross border region analysed by the OECD. The presentation of the results at the TDPC Committee in Paris emphasized regional competitiveness and governance to be issues of with Øresund has considerable experience, while they are of course also issues of considerable international interest.

Moreover, considerable interest has also been shown in these issues both domestically and from abroad. The study is an excellent opportunity to profile the region internationally and to stimulate our own debate on development directions, trends, results and challenges. The OECD has pointed out issues of strategic importance that we need to strengthen if we are serious about the vision of a functionally integrated region. This "view from the outside" has thus proved to be very useful.

The Öresund Committee will now initiate a debate on the follow-up to the OECD report. We need to discuss whether the observations and recommendations should lead to adjustments in present policies and strategies. The analysis has already fulfilled our expectations; particularly if it can further inspire new ideas, and encourage greater experimentation and common initiatives across both national and regional levels and between the public and private actors in the Øresund region. ■

**What will become of the Nordic rural areas? In this issue of the Journal of Nordregio we have asked two distinguished participants in the current debate to express their views.**

## Pia Enochsson: – There is no Designated Rural Policy for Sweden

Being the prime defender of rural habitation and development in Sweden, director Pia Enochsson of the Swedish National Rural Development Agency can boast that her country presents the sole Nordic example of a state run rural development agency of this kind. But of what use is this if the country still lacks a definite rural policy?

by Jon P. Knudsen

In this predominantly urban age of triple helixes and innovations schemes in regional policy, the question of what will become of the rural areas and the geographical peripheries of the Nordic countries so cherished in the 1970s, deserves renewed attention. What is the scope of the traditional scattered settlement pattern of Norden in a country like Sweden?

– That is our concern as well, Pia Enochsson answers. – The answer will have to do with development, but increasingly also with welfare provision.

– *Is there something like a growth policy paradigm for the periphery or for rural areas?*

– This is a question of definition. There is important economic production taking place in rural areas, but of course commuting is increasingly becoming the backbone of many local communities. In fact rural areas are very different, and we therefore have to deconstruct the overall picture to get hold of the various processes at work here. Some areas are highly accessible, while others remain remote. What I judge important is to cater for living conditions in rural areas, and by that I mean the prerequisites for future residential use.

– *How can this be done?*

– Young people leave the countryside as they have always done. What is more interesting is that many

elderly leave as well to settle in nearby towns and cities. This process leaves behind a great number of dwellings suitable for families. We find that the Swedish rural population is increasingly made up of people aged between 30 and 64. As this happens to be the most active segment of the population as well, this trend should be viewed as an asset for rural Sweden. The crucial factors for enhancing rural living therefore have to do with service procurement pertaining to schooling, communications, retail services etc. Many, these days, have the opportunity to bring their work to their preferred place of residence. Even in northern Sweden there are few local communities that find themselves beyond a 60 minutes journey from the nearest serviced airport.

– *What then are the strategies that should be adopted to further strengthen rural living?*

– We should first of all examine our housing policies. There are few traditional rural farmsteads available to young families. But getting a mortgage for setting up a new house in the countryside is difficult, as most banks make general and rather unfavourable credit ratings for entire

rural municipalities without noting that in most of them there are viable but small centres with a reasonable second hand housing market. This we will have to deal with in some way or another. Then there is an interesting policy regime developed in Norway centred around the concept of “boplikt”, a regulation that obliges owners of houses and apartments to keep them occupied on a yearly basis. Large coastal areas in Sweden are almost depopulated outside of the summer holiday season. If we cannot copy the Norwegian regime altogether, we could at least seek inspiration from it to secure habitation in some designated areas. There seems to be a different attitude in Denmark, Finland and Norway as regards the need for conservation and development of coastal settlement areas, an attitude that, as yet, is not so prevalent in our country. Then there are the different policies on service provision. Our agency has proposed a moratorium on the further development of new extra-urban commercial estates inspired by similar Danish and Norwegian legislation, however the Swedish Government has chosen not to follow suit. Our argument has been twofold, both to secure a good level of service in rural areas and to safeguard the traditional commercial vitality of the various city centres. More comprehensively, we would like to see an active development policy for rural areas as in Great Britain where such a policy has been formulated in terms of a contract for a fair deal. At present, to be frank, there is no designated rural policy for Sweden.

– *I find this curious as regional mat-*



Pia Enochsson

*ters are in the hands of the Ministry of Industry Employment and Communications, a ministry that has been deliberately created to facilitate sector integration?*

– It does not function in this way at all. The Ministry is as sectorised as the rest of the state apparatus. And besides, rural policy has not really been considered in the elaboration of the new regional development policy paradigm. The mistake that has been made is that of thinking that the development of local labour markets can be seen as a substitute for a specific rural policy. Furthermore the Ministry of Agriculture is as important as the Ministry of Industry in this regard, as rural affairs tend to be viewed as an integral aspect of agricultural policy. This is why we need a specific policy on rurality to view this phenomenon in its own right and as a sector-encompassing concern.

*– Does your agency hold a vision of what such a rural policy would look like?*

– This is a difficult question. I should say that it is the role of politicians to present a viable vision for national rural policy. Our task would then be to implement it. We do not at present have an overall policy ready for implementation; we only have the fragments of a possible policy. Erik Westholm is charged with making an assessment of the future role of our Agency. His report is due to appear this month. Hopefully his work will entail the discussion of the need for a rural policy. This has in the end to do with the legitimacy of our work

*– Sweden has a rural Agency but no rural policy. The other Nordic countries do not have a similar Agency, but they seem to have a more developed rural policy. This is a paradox, isn't it?*

– It may look like one, but I think that our role will be crucial in order to contribute towards the development of a different policy for certain parts of the country, especially for parts of the interior North. For Jämtland and other parts of rural Sweden, which are more evenly populated, the need for special arrangements are not that strongly felt. Moreover, I feel that our ideas are more likely to be accepted the closer to the heart of Government they are

presented, which is as important an argument as any for our presence. Personally, I think in terms of European comparisons, that Swedish ministries are understaffed in the context of the tasks that they are expected to perform, and that our Agency, among others, suffers from this.

*– You do not hesitate to criticise your own Government?*

– It could be construed as misconduct on our part not to do so when appropriate.

*– What does your list of successes look like as regards influencing the Government?*

– Firstly I would mention our proposals concerning rural service provision for the latest governmental bill on regional development policy. They were all accepted in the final text. Then I should point to our role in informing the Government on trends in regional population development. We have also had a crucial role in establishing a system of air traffic contracts for the interior North. I would also mention our role in influencing investment decisions on subsidiary roads and railways. Finally I would like to draw attention to the new reforms in local and regional governments recently introduced allowing the municipalities to form collaborating entities for several of their services. This is a measure of great importance to small and peripheral municipalities.

*– And your list of failures?*

– Primarily that we have not been able to develop a national rural policy. I should add that several of our present ministers share our hope that such a policy will eventually be created. The problem, though, seems to reside in the more operational aspects of such a policy. The longer one spends out of governmental office the more contradictory the various national sectoral policy aims appear. Concerning the operation of such services as post and rail, to mention but two examples, I experience a feeling of great disappointment around the country. Our minister, Ulrica Messing, is well aware of the need for more explicitly stated regional policy performance indicators to be put in place for the various sector

policies, and we as an Agency will follow up on these issues. Then there is a job to do on developing the rural policies of the ministry of Agriculture in order that they become broader as far as rural interests are concerned. As currently interpreted within the ministry today these interests are mainly perceived as being associated with issues such as environmental protection.

*– Regional policy in Sweden, as in other EU countries, has increasingly come to be part and parcel of the EU structural policy regime. With a new funding period and the enlargement of the Union ahead, do you fear that regional policy will change significantly from 2007 onwards?*

– This is complicated, because the Riksdagen has already taken its rather reluctant position to further Swedish financial contributions to the EU's structural policies. Contrary to this, in Swedish counties and municipalities the attitude is more comparable to that of the official Finnish position. We are presently conducting some research on the possible outcomes for rural Sweden, and, clearly the options ahead of us will be demanding, especially with regard to future cohesion policy. We have asked our scientific advisors to present different scenarios for rural Sweden with several alternatives: Firstly that we get our fair share of structural funding; secondly that we get some of it; and thirdly in respect of the consequences following a re-nationalisation of the structural policies. Let me also add that we need to change the way in which current EU structural funding is scrutinised. Current evaluations are geared far too closely to monitoring what I will call internal system performance and are thus far too weak on highlighting the job creation and other important societal goals.

*– How important is this in a broader setting. Does not rural policy, after all, concern a dwindling minority of the population?*

– This is a often repeated misconception. I consider about 2 million Swedes to be rurally settled. This is about as many as the total population of Stockholm, Gothenburg and Malmö. Clearly the policy field is important. Rural policy is about the future of Sweden. ■



## Henrik Christoffersen: – Jobs Cannot Simply be Created by Redistributing Resources

Henrik Christoffersen of the Danish Institute of Local Government Studies has for many years been one of the leading observers of regional trends in Denmark. One of his specialties is evaluating the recent shifts in rural patterns of settlement and occupational structures. The challenges facing Danish peripheral areas may seem different than those met by other Nordic countries, but the basic societal forces in operation are strikingly similar.

by Jon P. Knudsen

– In Denmark there is a tendency for economic trends to manifest themselves rather differently than in the rest of Norden, Christoffersen explains. – This may have to do with Danish geography as well as with the special aspects of the Danish welfare state model. The general mechanisms at play here are strongly related to the present shift towards human capital becoming ever more important to economic activity. As such, geographical labour markets are changing, with the remarkable strengthening of the greater Copenhagen and the greater Århus areas as the subsequent result. But the geography of Denmark is such that it facilitates most parts of the country becoming incorporated in one or other of the major labour markets.

– You mentioned the attraction of Århus. How far should the influence of Århus be understood concerning the development of Jutland?



Henrik Christoffersen

– The growth impetuses prevail beyond the influence of Århus as such. We should rather think of a growth area stretching at least from the triangle cities bordering the island of Funen and up to Ålborg in the north of Jutland.

– Speaking of rurality in this respect, it seems that rural areas are increasingly coming to be seen also as important dwelling areas?

– Housing markets now play a bigger role than ever before in explaining changes in population distribution. A prerequisite for any housing market to have some degree of success is that it be connected to a labour market. Where we previously had a distinction or a difference in scope between rural and urban areas, the present cleavage is between central and peripheral areas. We have long since witnessed the relocation of manufacturing out of its previous central locations. The present tendencies, where the human capital component is becoming ever more important, contributes to making the differences between centre and periphery even more salient.

– Regional balance has become a slogan in Denmark, particularly with the present government. Given these tendencies, can we still speak of regional balance?

– In a Nordic context these traits may appear less dramatic. Denmark has very little in the way of the heavy industries typical of Norway, Sweden and Finland, and therefore the structural challenges pertaining to these industries are not that strongly felt. Nevertheless, the changes taking place in our country are strongly felt by those experiencing them, and I would like to answer the question on balance by pointing to two important aspects that would distinguish respondents in central and peripheral areas respectively, because this question is all about the future of the regions. In central areas, the main challenge is to create favourable conditions for future development, whereas in the periphery the challenge is more about how to counteract the effects of a structural rationalisation that is necessary in order to enhance productivity, but which may have various negative side-effects with regard to the future possibilities of the region in question.

– Is housing becoming more important in the stabilisation of rural Denmark?

– I prefer not to use the concept “rural Denmark”. I have been studying rural conditions for a long period. If we look at the location of jobs, the bulk of rurally located jobs are to be found in the vicinity of the larger urban centres. Therefore, usage of the term rural tends to encourage certain misconceptions to persist in respect of the discussion we now need to engage in. The possible policy conclusions, though, tend to be rather more difficult to pin down. As rural jobs are plentiful, and seemingly thriving in the urban commuter areas, a policy explicitly designed to meet the need for more jobs in peripheral regions could easily destroy the present rural job structure in the urbanised regions without being of much help to the periphery.

– So what are the options for the Danish periphery then?

– We do observe some counter-movements in the general picture. House prices in central areas of the country area have become too expensive for many to afford. Thus some centrifugal movements have been created. Accordingly there are a substantial number of families with children who are now seeking cheaper housing in the periphery. But this in turn demands an adequate level of service provision, and I would therefore underline that peripheral communities should enhance their process of modernisation in the fullest sense of the word in order to facilitate this process.

– What about the need to redistribute income and welfare between regions and municipalities?

– This is the subject of intense discussion. We do after all have a highly developed re-distributional system in Denmark. Nevertheless, we should not forget that jobs can hardly be created by redistributing resources. The functioning of the labour market is the main road to development, and it should be said that we have a rather liberal tradition of labour market performance in Denmark as opposed to that for instance in Sweden. Moreover, we should also not forget that many households receive a high disposable income by profiting from the favourable housing costs in the peripheries. Meanwhile, the smaller and remotely located municipalities have set up their own organisation called “Det skæve Danmark” to support their position, and this has ultimately led to the debate on these issues becoming more or less institutionalised.

– Even so, to someone coming from another Nordic country, the Danish debate on regional distribution and rural challenges seems rather pragmatic. The regional reports given to the Folketinget

are each year very targeted on specific measures, and play a low key on more ideological themes?

– Yes, I agree, and that is partly due to our system of transfers and redistribution being almost automatic in form; it cannot easily be swayed by political initiatives and mobilisation, contrary to the case of for instance Norway where ongoing debates are more or less constantly influencing regional policy.

– Does this hold true even after the advent of EU regional policy with its multitude of funding and programmes?

– Oh yes. The main Danish structures are put in place by the working of market forces. Politics, and this also goes for EU structural funding, only slightly modifies or smoothes the picture.

– Do you envisage that the present balance between centre and periphery will prevail in the years to come?

– This is a difficult question. To take the capital area, we should be

aware of the fact that the growth of Copenhagen is a rather new phenomenon. We do not yet know how stable this process of growth will be. I believe that businesses in the Copenhagen area are more vulnerable to business cycles – consisting as they do of businesses in sectors such as ICT and biotechnology - than businesses in the periphery. If this holds true, we will have to be cautious about predicting on the basis of trends. When it comes to counter-urbanisation tendencies, it is very difficult to evaluate their potential. If we do get new commuter-based settlements beyond a certain threshold outside the established urban centres, then new forms of social patterns may occur. But this is also precisely where we went wrong some years ago by predicting that telecommuting would become more widespread than it actually did. The only thing I will say for certain now is that human capital is becoming more important, and that the preferred location of human capital will be of paramount importance to future regional patterns. ■

feature

## Centres of Expertise: The Finnish “Success Story” and its Limits

by Kaisa Lähteenmäki-Smith

The Finnish Centres of Expertise (CoE) Programme aims to create a strong network of centres of expertise supporting specialisation and cooperation between regions, and by so doing to significantly increase regional competitiveness. In the period 1999–2002 there were a total of 14 regional centres and two network based centres (map to be attached) implementing the programme, with a total of 35 areas of expertise included. Though the CoE programme has been the flagship of Finnish regional policy since 1994, and has been developed to suit Finnish national and regional circumstances, there are a number of questions related to

the programme that may be usefully explored beyond the Finnish context. How to achieve functioning and stable regional partnerships in innovation and industrial policy, and how to promote regional development through them? How to support internationally competitive expertise in areas as different as automation, IT, biotechnology, energy, the experience

industry and chamber music? Is the regional approach to expertise useful or should small countries concentrate on the national perspectives on innovation policy instead? In the following article the author concludes that the programme can still boast its uniqueness and success in supporting regional specialisation and expertise, though there do remain

	FINISHED PROJECTS 1999 - 2002	PROJECTS UNDER WAY (ESTIMATE 2002)	TOTAL
New high-skill jobs	5,700	1,400	7,100
Jobs maintained	5,100	3,900	9,000
New high-tech businesses	316	182	498
New innovations	1,400	400	1,800
Number of people trained	28,360	11,640	40,000
Number of projects implemented during the programme	903	359	1,262
Total funding of projects	148.7 M	179.6 ME	328.3 ME
Basic funding	20 ME		

challenges as far as successful implementation of the programme is concerned. 1

### “Crunching the numbers”: what has been achieved?

The estimated results calculated on the basis of the national (TelNytOske) project database<sup>2</sup> are positive, though they say little about the actual content and regional relevance of the programme.

While the quantitative data may have value in itself as to justifying the value of the programme on the national level, at the regional level such figures are not particularly informative. One of the starting points for the evaluation was to concentrate on evaluating how the centres succeeded in achieving their own goals within their respective regional innovation systems, which naturally have widely divergent starting points as to the availability of financial resources, innovation and education institutions, infrastructure etc. The main challenges for innovation and industrial policy in a small country such as Finland are clear enough, even if we leave aside the demanding geographical conditions, long distances and sparse population: though the research and development (R&D) resources are highly concentrated. The impact of policy instruments such as the CoE programme on regional innovation activities and R&D is thus one of the dimensions of the evaluation that could profitably be analysed further.

Based on the statistical analysis of the regions participating in the programme, as well as on the results of their project activities, it is clear that all regions have increased their innovation capabilities, though there has been little relative change in terms of their position nationally in this regard. Between 1995 and 1999 for instance, innovation activity (measured in patents applied for) was dominated by Helsinki Region, followed by Tampere, Jyväskylä, Oulu and Turku. The increase during this period in terms of

innovation was largest in Tampere, followed by Jyväskylä. R&D investment was also dominated by the “big 5”. More interesting however was the development in the “medium-sized” centres, where relative growth in terms of R&D investment was important.

The impact of the CoEs on job-creation and the turnover of businesses in the chosen areas of expertise and regions varied greatly. Such variations undoubtedly however have more due to differences in economic trends and to the nature of the industrial branches in question than to the impact of any particular policy instrument as such. While almost all chosen areas of expertise managed to achieve positive results between 1998 and 2000, there were only four regions that achieved a very significant (over 25%) growth in terms of job-creation. These were Northern Ostrobothnia / Oulu (Information technology, with 38% growth), Central Finland / Jyväskylä (ICT, with 37% growth) and South East Finland / Lappeenranta (ICT, 31% growth). Northern Karelia / Joensuu was the only region that managed to achieve a growth level of over 25% when measured in employment terms in a non-ICT area of expertise, i.e. in polymer technology and tooling.

In terms of business turnover the picture looked even more positive, with a total of 11 branches (out of the total 35) achieving over 25% growth in the period 1998-2000. Relative growth was once again greatest in the IT field, with Oulu Region reaching a growth rate of a staggering 366% (IT did grow elsewhere as well, though not by nearly as much, i.e. in South East Finland +84%, Helsinki region +43%).



Kaisa Lähteenmäki-Smith

Tampere region with its automation cluster accounted for the second largest growth rate in turnover terms, with 247% growth between 1998 and 2000. In addition to ICT and automation, there are some other important growth clusters which do not perhaps make media headlines quite as often, though they are worth our attention as their growth in turnover has been significant during the first half of the current programming period. These include biotechnology (over 25% growth in the Turku and Helsinki regions), energy (32% growth in Ostrobothnia / Vaasa, 26% growth in Central Finland / Jyväskylä), cultural business and new media (55% growth in the Helsinki region), as well as food production (Southern Ostrobothnia / Seinäjoki, 34% growth).

Naturally we should take these results with a pinch of salt. Such developments in industrial clusters are the result of a variety of factors, of which public intervention in general and the CoE programme in particular is but one small part. Scepticism should be tempered to some extent however when we consider the nature of the programme as one of prioritising, focussing and channelling development resources (both public and private) and seeking to identify future growth clusters. The actors who participated in the survey undertaken as part of the evaluation process viewed the impact of the programme for the most part in a very positive light, and the priorities set in regional terms were seen as justified and useful. It is also important to take note of the relevance (in relative terms) and perception of the ‘value added’ of the programme in the regions in question. Based on a survey of CoE stakeholders, where the respondents were asked about their perceptions in respect of the different effects of the programme in the region, the overall results were positive. The most important effects of the programme were identified as the strengthening of expertise and of the technological base, as well as

renewing industrial structures in the regions. Important effects were also found in the area of improving the ability to utilise the national and European sources of R&D funding. Improving regional attractiveness was also identified as an important effect of the programme, particularly in regions where expertise has been used as an important element of regional strategies and profiling (Oulu, Tampere, Turku and Jyväskylä are rated highest in this regard).

While the quantitative analysis and surveys with the stakeholders gave more critical results in the most peripheral small centres concentrating on “soft” areas of expertise (Lapland/Rovaniemi and Kuhmo), it would be incorrect to argue that these centres have failed in their objectives. In the case of Rovaniemi’s ‘experience industry’ branch for instance development has been positive both in terms of personnel and business turnover in 1998-2000, while the Kuhmo CoE has achieved both direct and indirect effects from the implementation of the programme. It is however clear that the CoE programme is an urban policy instrument, more suited for growth centres with well-developed innovation structures. In this respect it is to be expected that the natural limits to growth – in terms of the number of centres – will be reached relatively soon: though positive effects can no doubt be achieved in all regions in terms of developing the endogenous resources and potential for regional development and innovation, internationally competitive top-ranked ‘expertise’ can only be found in highly specialised regions with a relatively advanced innovation system. Competence development is naturally important in all regions and localities, but in cases where the aims are less ambitious than internationally competitive expertise, other policy instruments should probably be implemented in the pursuit of such goals.

### **The key to success: broad-based partnerships mobilised for implementation and funding**

The organisational method of the Finnish CoEs is unique in terms of wider Nordic comparisons. One of the Finnish “keys to success” seems to lie with the organisational structure of the programme: it is regionally steered in regional partnership constellations (formed by the public sector, businesses, public authorities and the R&D sector), while it is put into operational practice by the Technology Centres, and nationally co-ordinated by a broad-based national Committee ranging from business representatives to representatives of the public authorities, key ministries and universities and innovation organisations. This is in line with the prevailing ideas of innovation systems (e.g. the triple helix) and therefore perhaps not particularly unique as a core idea for regional innovation as a development resource. This organisational model (together with the prevailing consensus over high technology and expertise as “key to success” for a small, knowledge-intensive society such as Finland) has however ensured that the management of the CoEs has been stable over a long period of time.

Another one of these “keys to success” is undoubtedly the role of the CoEs in regional innovation systems: between 1999 and 2002 the centres mobilised a significant part of the network of innovation and regional development around their activities. By so doing they also convinced regional actors of the usefulness of the programme. Commitment to the programme, both regionally and nationally is strong, and businesses have come to see CoE activities as useful, a point that is further illuminated by illustrating the funding structure.

The fact that the Centres of Expertise have been successful in mobilising an important slice of R&D funding and the other

financial resources required for the co-financing of the programme can be taken as an indication of this regional commitment. Basic funding, which is used to launch projects accelerating the development of the innovation environment, only amounts to approximately 6% of the total funding available. Therefore it can only be used as a minor tool in launching new projects and as a project co-ordination resource. A total of 30% of the funding comes from businesses and this share has increased since the first programming period (1994-1998). Other important sources of funding include national technology funding (especially through Tekes, the National Technology Agency), funding from the municipalities and through the EU Structural Funds. The challenges are most of all connected to technology funding: only 4 % of total funding comes from European R&D-resources. This is a particularly worrying prospect if one considers that the currently well-utilised EU Structural Funds are unlikely to be available (at least to a similar extent) for much longer in light of the approaching EU enlargement. Therefore the need to utilise R&D funding in all areas of expertise becomes all the more pressing.

### **Cooperation in the Centres of Expertise network**

The Centres of Expertise solidified their position as actors implementing regional innovation and industrial policies during the period 1999-2002. The results of the network analysis noted above indicated that cooperation did not only grow but also deepened during this period. In addition to the direct impact of the promotion of business and knowledge, the added value of the Centres of Expertise Programme is best expressed in relation to the increasing levels of cooperation experienced between those developing the network. Through the regional implementation of the program-

me the benefits of knowledge-related cooperation based on partnership have been made more visible among the participating actors. The network analysis indicates that it was mostly businesses located in the region, as well as polytechnics and development organisations that found an important number of new common interests and engaged in practical projects during the period 1999-2002.

**Where do we go from here?**

According to the evaluation, the programme is, as a whole, effectively bringing genuine ‘added value’ to the regional innovation system. Evaluation however also warrants caution in further enlarging the programme. If the aim is to identify genuine expertise and by so doing to promote regional development, instead of geographically extending the programme for its own sake, attention should in future also be paid to the issues of focus and effectiveness.

Not every region can live on IT alone. Neither can all innovation policy be university-based. Therefore the decisions to extend the range of areas of expertise covered by the programme into a number of so-called “softer” fields of expertise, as well as to urban centres without fully-fledged universities have been justified. Many of these branches and centres show important growth potential as well as already having a firm industrial base upon which to build. They are therefore highly relevant in the drive to diversify regional innovation environments and to create new businesses and jobs. The operational implementation of the programme however relies predominantly upon the network of technology centres, and is thus technology-driven. As such, one of the conclusions of the evaluation is that in the future, one should use a certain amount of caution when seeking to extend the programme into new “soft” fields. Alternatively new instruments of innovation policy should be developed which are better suited to such “soft fields of expertise”.

<sup>1</sup> This article is based on the mid-term evaluation of the CoEs, in which Nordregio was lead-partner in a consortium with Net Effect and the Technical Research Centre of Finland (VTT). For the full report see [http://www.intermin.fi/intermin/biblio.nsf/1C848696B9716D80C2256CC600409494/\\$file/OSKE.pdf](http://www.intermin.fi/intermin/biblio.nsf/1C848696B9716D80C2256CC600409494/$file/OSKE.pdf)

<sup>2</sup> The evaluation was based on a dataset ranging from interviews and case studies to an electronic survey of the CoE stakeholders, self-evaluation of the centres, and statistical profiling of R&D and industrial development indicators. One of the key resources was the project database co-ordinated by the Ministry of the Interior and TEKEL (The Association of Finnish Technology Centres). ■

Invitation to the seminar  
**Culture, creative industries and regional development**

Monday 12 May 2003

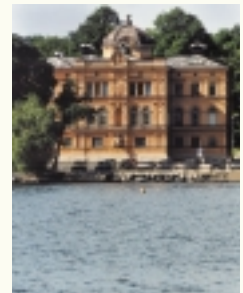
**Kath Morgan**

*“Supporting the creative industries”*

**Austin Barber**

*“Creative industries and the urban renaissance in Britain: the case of city living in Birmingham”*

Centre for Urban and Regional Studies, University of Birmingham, UK



The two presentations provide complementary perspectives on the development of the creative industries in Birmingham and the West Midlands region. Kath Morgan’s presentation discusses the special needs of creative industries – an economic sector that has been highlighted as a key sector for regional growth. Her research focuses on a policy project to financially support such businesses through a regional venture capital fund. Austin Barber’s presentation is a critical assessment of Birmingham’s city centre living strategy. The strategy is part of the city’s competitive ambitions and its development of the creative industries in the central urban districts.

This seminar builds on current research that bridges the academic and policy/practice worlds. It is of relevance both to students and academics in higher education and to practitioners and policy-makers in local, regional and national authorities and agencies.

The seminar is entirely free of charge but booking is essential for catering purposes. The seminar takes place at Nordregio in Stockholm. It runs 10.00-13.00 and includes coffee/tea from 9.30 and a sandwich lunch.

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# Making Mobility Pay

Guenter Schmid and Bernard Gazier (eds), 2002, *The Dynamics of Full Employment – Social Integration Through Transitional Labour Markets*. Edward Elgar, Cheltenham, UK

by Lars Olof Persson

More than 50 years ago, Lord Beveridge defined full employment as meaning that “unemployment is reduced to short intervals of standing by”. In these golden days of social engineering, he also set the limit for well functioning labour markets, thus not more than 3 per cent of the labour force should be allowed to be unemployed at any one time. Ever since, the policy goal of full employment has been adopted by most European countries and is now also expressed at the EU level. However, it is evident that most of the industrialized countries remain as far as ever from reaching this goal. In spite of emerging labour shortages in some sectors, rising levels of unemployment have in different periods led to persistent long-term unemployment. Moreover the iron law of unemployment and social exclusion remains, the longer the period of exclusion from gainful employment, the higher is the risk that one is excluded from social and economic life, and consequently the increased likelihood that social cohesion within society will decline still further.

On occasion some countries have been able to reduce unemployment but at the same time they have experienced increasing income gaps and increased numbers of so-called working poor. In a country like Sweden, which has historically promoted an active labour market policy stressing full employment, the number of people on long term sickness leave, often leading to early retirement, has increased markedly over the last ten years. Measures to cope with these obvious signs of an increasingly dysfunctional labour market are however still in their infancy.

It is evident that neither traditional labour market policy nor social policy alone can cope effectively with these dysfunctions. It is also becoming more obvious that the traditional concept of employment is challenged by new ways of achieving social integration through participati-

on in the labour market without excluding productive activities in other spheres of social life.

The concept of the Transitional labour market was launched by the OECD in the mid 1990s. Transitional labour markets are defined as legitimate, negotiated and politically supported sets of mobility options for the individual. These transitions can take place in different time scales, day, week, month and year, but also in different phases of the life cycle. In this book on “The Dynamics of full Employment”, it is noted that the issue of the average individuals’ increasingly frequent changes of status from/to employment and education, disability and sickness, retirement, household work, unemployment, etc., is one that it is becoming increasingly important to deal with in terms of fashioning a successful employment policy.

The first hypothesis put forth is that the functional and dysfunctional trends exhibited by labour markets can only be understood within the context of a systemic framework. Employment systems are defined as the set of policies and institutions influencing interaction between the production systems and the labour market systems. The outcome of this interaction determines the quality and quantity of employment.

The second key hypothesis is that transitional labour markets are beginning to emerge across Europe. TLMs are used as both a theoretical and as a policy-oriented concept. They are based on observations that the border between the labour market and other social systems - the educational system, the private household economy, etc) are becoming increasingly blurred. The important policy recommendations connected to this are that these boundaries should become more open to facilitating transitions between formal employment and productive non-market activities. The opening up of these boundaries should thus reduce the permanent insider/outsider problem that is so typical of

modern labour markets.

In transitional labour market theory, employment is currently attaining a new meaning. Traditionally, employment was defined as the act of employing someone, the state of being employed, or it was understood to be a person’s regular occupation. (In Lord Beveridge’s world of the 1940s, employment was still more narrowly defined, merely as the male breadwinners full time occupation based on a longstanding contract with the same employer.) In the emerging transitional labour market, employment is rather a temporary state or the current manifestation of long-term employability. The prototype for this new employment concept is the network labour market, with flexible entries and exits contingent on opportunities and individual expertise, and continuous and flexible paths of accumulating work experience.

Thus, transitional labour markets are arenas for new forms of self-employment, where social integration is developed through the individuals’ relation to others. In this form, social integration takes place through productive social interaction not only within the field of paid work, but also in family work, cultural activities and voluntary work. Transition does not only mean movement between employment statuses, but also stands for flexible employment careers, including stages of preparation, encounter, adjustment, stabilization and renewed preparation for a new job or a new task.

This way of analysing labour market performance makes it very obvious that simple, one-dimensional measures to achieve full employment such as minimum wages or negative income tax are not expected to be efficient. There is little doubt then that the TLM concept provides a richer and more realistic model for proactive and cooperative labour market policy.

The book is divided into three parts which each containing a num-

ber of contributions by 14 different authors in total, from five European countries. The first part elaborates on the concept of the employment system as an analytical framework for the international comparative study of labour market performance and social integration. This approach is then applied to the evaluation of labour market performance in European countries, among them Denmark. The findings note that whatever the employment policy regime implemented, trade-offs always exist between measures. For example, the good performance reported in one dimension, e.g. declining unemployment, often reduces performance in other dimensions, such as productivity.

A basic recommendation put forward is that modern labour market policy should be activating rather than active in order to prevent workers being trapped in publicly subsidized secondary labour markets.

The second part of the book deepens the discussion of the analytical and normative issues connected to TLMs. One of the editors, Guenter Schmidt, who is a researcher at Wissenschaftszentrum Berlin für Sozialforschung - makes sure that the majority of workers are still in a traditional employment situation, i.e. in permanent, full time employment. However, increasingly different forms of sales contracts - stipulating specified targets, training costs, flexible working practices are now however becoming more common in employment relations. Indeed, an examination of the labour markets for journalists and for artists in this context, illuminate some aspects of the likely nature of work in the future. One chapter deals with the important legal aspects of the emerging TLM and provides examples of good practice. The Dutch experience in particular stresses the need for intermediary job services or transition agencies.

The final part of the book contains more TLM analyses and suggests a number of policy strategies. A useful transition matrix is developed as a basis for investigating the interrelated complexity of transitions between various labour force statu-

ses. By applying the matrix it is possible - for the first time - to describe the size and compositions of ten EU member states. Moreover, this form of comparative cross-European study is becoming increasingly important and necessary as European integration and enlargement proceeds apace.

After reviewing labour market policy evaluation reports the authors are however rather pessimistic as regards the effectiveness of conventional measures. The majority of these measures are directed not towards mobility but towards exclusionary transitions such as early retirement or maintenance transition not designed to enhance employability. A general recommendation is that closer links should be established between social policy and labour market policy. In particular, the risks taken by the individual during transition stages should be minimized. In this context, the book helpfully forwards a set of quality criteria for good transitions. These criteria include freedom of choice through empowerment, solidarity through risk sharing, effectiveness through a combination of cooperation and competition and improved efficiency through decentralization.

Five main types of transitions are scrutinized and policy recommendations are explicitly undertaken. For transitions between training and work, leave schemes supported by training vouchers are proposed. For efficient transitions between various working time regimes or employment statuses, flexible income security schemes are recommended. For transitions between private household and the labour market, various transition agencies are proposed, such as temporary work agencies. For transition from work to retirement, different schemes for phased retirement are proposed.

This rich volume of forthcoming proposals is in itself the fruit of an international research project within the Fourth Framework Programme. No doubt, the volume contributes to a new understanding of what is going on in labour markets in Europe, while also proposing very concrete suggestions to make transi-

tions pay for both the individuals and the societies concerned.

What is striking however is that throughout the book, the labour market is considered to be a-spatial, responding only to national institutional frameworks. In the real world however the labour market is highly spatial reflecting large differences in diversity, density and career options for different professions and life styles.

This means that the spatial dimension of the transitional labour market is still to be explored and evaluated. No doubt, this is a field that should be prioritised in both regional research and in spatial planning. Guidance from theoretical considerations and interregional comparative research is thus badly needed for improved coordination of labour market policy, social policy and economic development at the local and regional level.

Specifically with the Nordic countries in mind we can see that the dysfunctions of the many small labour markets in depopulating regions are in particular need of notification.?? The options for good transitions in these regions are extremely limited and are indeed probably decreasing over time, in spite of the large input of labour market, social and structural policies. As such, this brings forward the need for a Northern dimension to the European policy for full employment and for particular attention to be paid to the problems of these regions. For large parts of the territories of Sweden, Finland and Norway that are sparsely populated, it is questionable whether such regions will ever provide a functional market for labour. Even today, they are dominated by a secondary labour market, based on publicly subsidized employment. The ageing population in these regions demand ever more elaborate services from the shrinking - and also ageing - local labour force, moreover, in such circumstance, the question remains, how can we "make transitions pay" in these parts of the European space? ■

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