

Pierre Beckouche
Pierre Besnard · Hugues Pecout
Editors

Atlas of Challenges and Opportunities in European Neighbourhoods

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Atlas of Challenges and Opportunities in European Neighbourhoods

Stemming from the ESPON “ITAN” project (Integrated
Territorial Analysis of the Neighbourhoods)

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Abbreviations

AfDB	African Development Bank
AO	Autonomous oblast
ARIJ	Applied Research Institute Jerusalem
ARLEM	<i>Assemblée Régionale et Locale Euro-Méditerranéenne</i>
ASEAN	Association of Southeast Nations
BSR	Baltic Sea Region
CAP	Common agricultural policy
CBC	Cross-border cooperation
CBSS	Council of the Baltic Sea States
CEFTA	Central European Free Trade Agreement
CIHEAM	<i>Centre International des Hautes Etudes Agronomiques Méditerranéennes</i>
CIS	Commonwealth of Independent States
CNRS	<i>Centre national de la recherche scientifique</i>
CORLEAP	Conference of the Regional and Local Authorities for the Eastern Partnership
EaP	Eastern Partnership
EBRD	European Bank for Reconstruction and Development
EEAS	European External Action Service
EIB	European Investment Bank
ENCs	European Neighbourhood countries
ENP	European Neighbourhood Policy
ENPARD	European Neighbourhood Programme for Agriculture and Rural Development
ENPI	European Neighbourhood and Partnership Instrument
ESPON	European Observation Network for Territorial Development and Cohesion
EU	European Union
EUSAIR	EU Strategy for the Adriatic and the Ionian Region
EUSBSR	EU Strategy for the Baltic Sea Region
EUSDR	EU Strategy for the Danube Region

FAO	Food and Agriculture Organization
FDI	Foreign direct investment
FP7	Framework Programme
FYROM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
HDI	Human Development Index
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
ITAN	Integrated Territorial Analysis of the Neighbourhoods
LNG	Liquefied natural gas
M4D	Multi-dimensional data design and development
MENA	Middle East and North Africa
NAFTA	North American Free Trade Agreement
ND	Northern Dimension
NTA	Neighbourhoods Territorial Agenda
NUTS	Nomenclature of Territorial Units for Statistics
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OME	<i>Observatoire méditerranéen de l'énergie</i>
oPt	Occupied Palestinian territory
PCBS	Palestinian Central Bureau of Statistics
PPP	Purchasing power parity
RTAs	Regional trade agreements
SEZ	Special economic zone
SNUTS	Similar to NUTS
TEN	Trans-European Networks
TERCO	Territorial Cooperation
TIGER	Territorial Impact of Globalization for Europe and its Regions
UfM	Union for the Mediterranean
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
VASAB	Vision and Strategies Around the Baltic Sea
WTO	World Trade Organization

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Introduction. Should and Could Europe Use a Territorial Approach to Regain the Influence It Has Lost in Its Region?

European neighbour territories are of utmost importance, given the increasing role of neighbourhoods not only for Europe but also in the other world regions, namely the two leading ones: East Asia and North America—which has included Mexico since the North American Free Trade Agreement. This book recalls the scientific and political issues of the “regionalisation” of the world’s spatial organisation and the importance of geographical *proximity*, be it for environmental purposes, economic or cultural exchanges. There is no “end of geography” nor “end of history”.

The atlas is based on hypotheses. The first is that Europe and its neighbourhoods constitute one world region—what we call the “greater European region” due to the leading role of (Western) Europe in this vast area that stretches from the Sahara to the Middle East, Western Balkans, European Russia and the Arctic. We acknowledge that the phrase “European region” will not suit South Mediterranean countries for instance, because they do not consider themselves to be “European”. But there is no alternative phrase for this region, and as this atlas stems from a European research project [Espan¹ “Integrated Territorial Analysis of the Neighbourhoods”, ITAN (Beckouche 2014)], we have retained this euro-centric wording. We believe that the content of this atlas will convince the non-European readers that its authors have a critical analysis of the current core–periphery relationship between Europe and what the European Union calls its “neighbours”.

Our second hypothesis is that this region shows greater opportunities than threats, contrary to what European stakeholders all too often believe. To our view, neighbourhoods should be regarded as a driver for the European economic growth and a treasury for mutual cultural fertilisation, rather than as territories where migration should be controlled so as to prevent Europe from contagious unrest, for buying oil, and sunbathing on cheap beaches.

¹The European Spatial Planning Observation Network was established in 2002 in order to support policy development and the European scientific community in the field of territorial development and spatial planning. It is funded by EU Member States, partner countries (Norway, Liechtenstein, Iceland and Switzerland) and the European Commission (DG Regio).

We also believe that a territorial approach is a good way to foster partnership when diplomatic relations are stalling, and when Europe's neighbours increasingly deal with other global or emerging players (US, China, Brazil, Gulf...). Promoting a territorial approach would be a competitive advantage for Europe in its neighbourhoods: Asian importers can buy Ukrainian cereals, Emirati investors can develop a tourist resort in North Africa, US businessmen can buy an IT Turkish enterprise, Chinese operators can build an Egyptian motorway, but none of them can be involved in integrated planning, long-term sharing of the value chain, a common energy transition and cooperation in renewable energy related to rural development, and in profound exchanges of experiences in sustainable urbanism or access to sanitation. That kind of broad multi-sectoral cooperation—what economists call a “regional *deep* integration”—belongs to neighbours who share multiple knowledge and partnership.

Chapter 1 presents the rising importance of the regionalisation issue, from a political and a scientific point of view. However, mapping the greater European region is not easy. Building a comprehensive local database compliant with European local data turned out to be incredibly difficult: countless local geometry changes in a contentious recent history, and sometimes complete territorial changeover due to wars (Palestine, Libya, Syria...); difficult access to data; changes in quality of data; insufficient data reliability (informal activity in almost all neighbourhoods: East, Mediterranean, Western Balkans); impossibility of addressing the urban data issue; and virtually impossible data standardisation. Still, this atlas presents the main results of the ITAN project: (i) pioneering harmonised data so as to provide, for the first time, a complete cartography of the greater European region on a local scale; (ii) several “composite indicators” on international openness, on the local level of human development, on territorial dynamics and on territorial potential, of all the neighbour local territories; and (iii) the main stakes and opportunities of each of the European neighbourhoods. It is the first attempt at such comprehensive analysis of this greater region.

Chapter 2 presents the major territorial challenges of the neighbourhoods: environmental risks, territorial inequality and non-inclusive growth, market fragmentation and political unrest. It also describes their opportunities: labour forces—increasingly skilled—and rising markets, and natural resources, namely energy. It assesses the degree of integration of this greater region, with rather bad news when it comes to the declining influence of the EU countries upon their neighbourhoods and to the still prevailing core–periphery pattern between Europe and its neighbours. It provides the first results of pioneering research based on media data.

Chapter 3 analyses the territorial stakes of the different neighbourhoods: Northern (Arctic), Eastern (the Eastern neighbour countries including Russia, without which no relevant Eastern Partnership can really be set up), Western Balkans and Mediterranean.

The last chapter presents the policy orientations for decision-makers: the utmost importance of promoting the European Neighbourhood Policy (ENP) and the notion of a greater region (Europe + neighbourhoods), but, at the same time, the need to profoundly reformulate the neighbourhoods. The failure of the ENP is

obvious, and in 2015, the EU launched a wide consultation “Towards a new European Neighbourhood Policy”. This atlas recommends improved cross-cutting between the ENP and the European cohesion policy and other European policies with a strong territorial component: CAP, transports, environment, energy—indispensable if European stakeholders want to master the Eastern neighbourhood’s issue—and *mobility* rather than a “migration” policy. As a conclusion, we make one overall recommendation: Europe could greatly benefit from a “Neighbourhoods Territorial Agenda”, which could provide a comprehensive vision of territorial stakes, opportunities and projects in this world region.

Reference

Beckouche, P. (coord.). 2014. Integrated territorial analysis of the neighbourhoods. Final report of the ITAN project, ESPON programme, Applied Research 2013/1/22, Luxembourg. Available at: http://www.espon.eu/main/Menu_Projects/Menu_AppliedResearch/itan.html.

Chapter 1

Political Context, Conceptual Framework

Pierre Beckouche

Abstract This chapter highlights the context of the neighbourhoods issue. This is an uneasy one, because globalisation has become a dominant paradigm. What need would then scientists and decision-makers have to pay attention to neighbours, when the global world is at stake and within reach? Yet, we give the factors that explain the rise of the regionalisation –i.e. the neighbourhoods– issue, as a complementary pattern, along with the “globalisation” pattern, of the internationalisation of human activities in the last four decades. We also explain why this issue is poorly addressed in scientific literature in particular in Europe. Indeed, the EU is the most advanced experience of regional integration worldwide. But for many reasons, it overlooks relationships with its developing neighbour countries. We assume here that Europe and its neighbours constitute one major region. Despite unrest and wars in these neighbourhoods, we assume that they offer more opportunities than threats. We provide a territorial analysis of these, showing the tough methodological challenges we had to overcome when it comes to access to reliable data and geometries delineation, which are indispensable if one wants to draw an overall vision of this region.

1.1 The Rise of the Neighbourhoods in the Regionalisation Context

1.1.1 *The Dialectic Between Globalisation and Regionalisation*

Three factors explain the rise of regionalisation—thus the neighbourhood—issue, as a complementary major pattern, along with the “globalisation” pattern, of the internationalisation of human activities in the four last decades. The first factor is

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economic: in a knowledge economy, an increasing share of the resources are decreasingly *withdrawn to* other players but rather *produced with* other players. The bigger the interaction with players the larger the new resources. Thus, neighbouring countries can more easily turn into strategic partners for business. The “neighbour” gets a new status: it is decreasingly viewed as the historical military enemy and increasingly becomes the necessary economic partner—see the new East Asian policy of China, which, in the 1990s turned its regional strategy from confrontation to partnership [Beeson and Li 2012].

The second factor is environmental: the rise of concerns regarding the climate and natural resources has, of course, a global dimension (e.g. IPCC reports), but it also has a regional dimension because dissemination of air or water pollution spreads to neighbouring territories. The domain of the environment provides the most convincing proof that proximity has not been dissolved in globalisation. Moreover, the perspective of costlier long distance transport due to energy price increases, could promote shorter supply chains, hence growing economic interaction with neighbours.

The third factor is political: the collapse of purely national regulation since the 1980s did not give way to alternative regulation at global scale. The recent failures of global regulation in the financial area (2008 international crisis), in the environment area (2009 Copenhagen climate change conference), and in the trade area (Doha round’s successive adjournments), have exposed a need for international regulation on a regional scale, of which the European Union was a primary example.

The consequences of this rising interaction between regionalisation and globalisation are threefold:

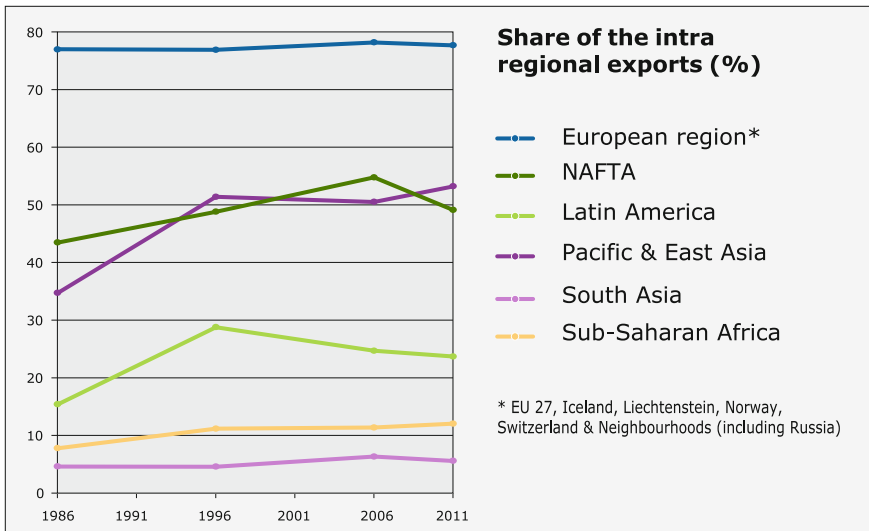


Fig. 1.1 The long-run trend of regional integration. The case of trade. Source: Comtrade, ESPON TIGER & ITAN projects, FP7 Eurobroadmap Project, IGEAT, OMC, P.Beckouche

- (i) The rise of *regionalism*, that is the multiplication since the mid-1990s of Regional trade agreements—which go much further than trade since they can also deal with migration or environment. As reflected in the positions adopted by the FAO and Unctad favouring regional agreements [Mashayekhi et al. 2005], the regionalisation of efforts to regulate environment, food security, new North-South relations and international economic relations is more and more viewed as a positive complement to global regulation.
- (ii) The confirmation of de facto *regionalisation* of migratory, cultural and economic international exchanges. For decades, international trade has increased more on the scale of large international regions than on the scale of the world (Fig. 1.1). The story changed in the 2000s, due to the booming importance of a new global player: China, but the long run regionalisation pattern remains relevant. The advantages of regional cooperation are particularly high when it associates neighbours of different levels of development with economic complementarity: know-how and technology in the developed countries, rising markets, labour forces and low economic costs in their developing neighbours [Deblock and Regnault 2006]. Despite the globalisation of routes, foreigners still mostly come from the neighbourhoods; in the USA, contrary to what is often said due to the rapid growth of Asian newcomers, the bigger change over the last half century has been the replacement of European in-migrants by neighbour American in-migrants (Figs. 1.2 and 1.3).
- (iii) What could be called the *regionalisation of minds*, that is to say the rising use of international institutions and think tanks to figure out internationalisation through the regional pattern. The World Bank works increasingly at a regional scale: “East Asia and the Pacific”, “Latin America”, “Middle East and North Africa (Mena region)” etc., as an example, see its book with the Islamic

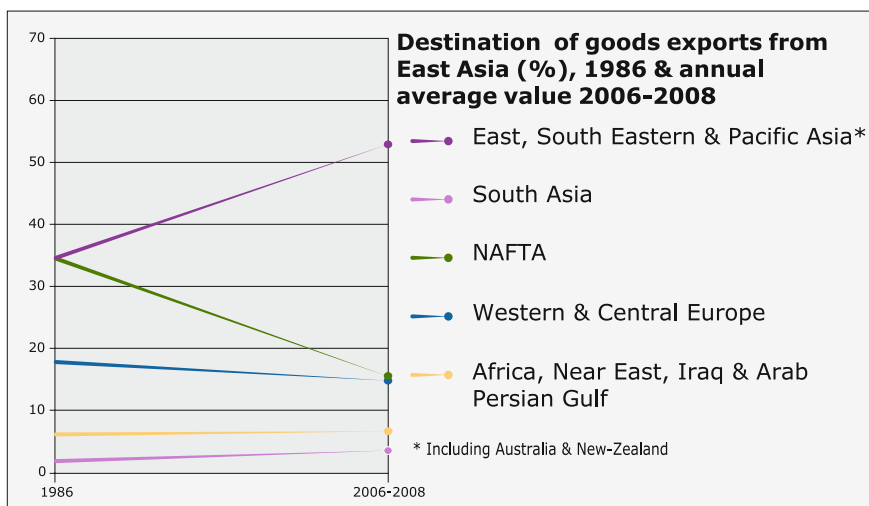


Fig. 1.2 Trade: the impressive rise of the East Asia regional integration. Source: ESPON Europe in the World project, FP7 FP7 Eurobroadmap Project, IGEAT

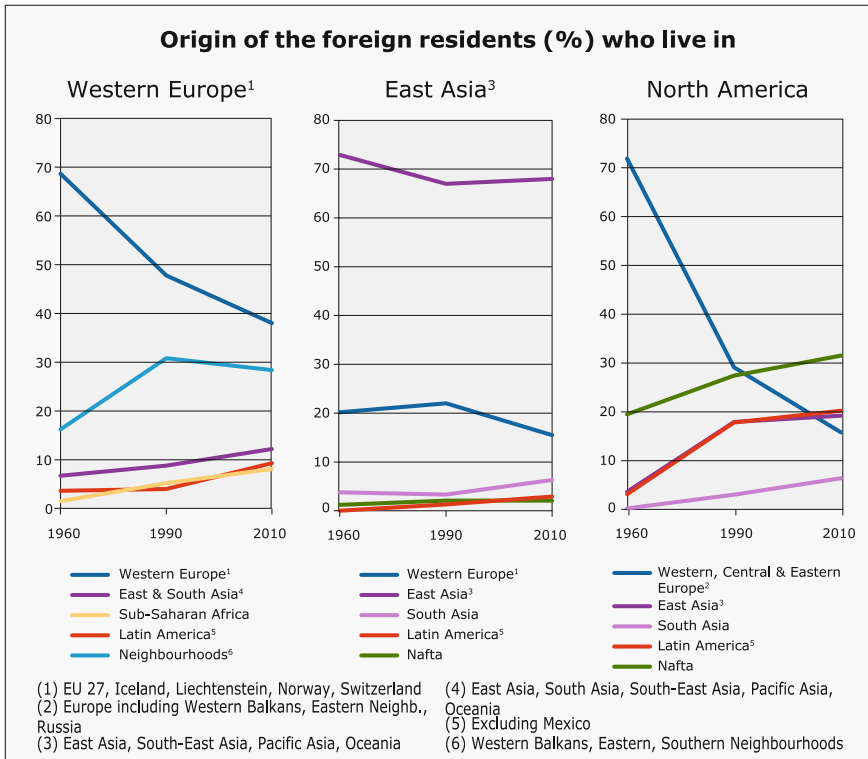


Fig. 1.3 Despite the globalisation of routes, foreigners mostly come from the neighbourhoods. Source: IGEAT, World Bank & Bilateral Migration and Remittances, 2012

development bank on the Arab countries’ integration [CMI, WB and IDB 2012]. In 2011, the Asian development bank (ADB) published a report whose significant title is “Institutions for Regional Integration—Towards an Asian Economic Community”; regional integration is one of its three strategic axes, along with inclusive and sustainable growth. Likewise, the strategy of the African development bank is now designed in a regional framework, as expressed in the “AfDB Group Regional Integration Strategy”; in 2012 the bank published a book very much in favour of a North African integration [Santi et al. 2012]; since 2004 it has been associated with the UN Economic commission for Africa in publishing a set of reports on African regional integration. The UNDP and the WTO also see the world in regions. The Institute for the integration of Latin America (Intal) of the Inter-American development bank publishes comparisons with other large world regions. The OECD publishes studies of the various regional integrations. Whereas it had come down against any East Asian financial cooperation during the 1997–1998 financial crisis and advocated for a sole global monetary fund, the IMF now regards the regional issue positively. Its *Finance & Development* review recognises that

“Done right, regional integration helps connect developing countries to world markets” [Deichmann and Gill 2008]. Meaningfully, a rising number of large companies choose a regionalised organisation of their world activities: Americas, Europe (more and more “Europe-Middle East-Africa”), East Asia ...

1.1.2 How the Neighbourhoods Issue Is Addressed in International Scientific Literature...

Since the beginning of the 2000s, the regional issue has also been the target of a huge rise in academic publishing. Things began as early as the 1960s when the European Community came into force: the debate among economists dealt mainly with the opportunity this community represented for fulfilling the five stages of any regional integration according to the theory of Balassa [1961]: free trade area, customs union, common market, economic and monetary union.

The main impetus for academic publishing came from the rise of Regional trade agreements (RTAs) worldwide in the 1990s and what Hettne and Soderbaum [2004] called the “new regionalism”. Contrary to the old regionalism that took place in the 1950s and 1960s, this new regionalism is open to new membership and to globalisation, has multidimensional objectives (politics, security, culture but above all economics [Baldwin 1997]), and involves State but also market and civil society actors in many institutional forms. In a recent book, De Lombaerde and Soderbaum [2014] provide a comprehensive analysis of the regionalisation process in the six last decades. However, the territorial issue remains largely overlooked.

1.1.3 ... and in the EU Political Framework

For Europe, the territorial approach of regionalisation is a way to ease functional integration with its neighbourhoods (transports, energy...), and its international relations with its neighbours thanks to territorial cooperation—which is often easier than diplomatic relations. Lastly, a territorial approach of regionalisation is a driver to mobilise the rising civil society in the European neighbour countries (ENCs). That is why the EU pays close attention to this neighbourhood issue in its strategic papers. Cooperation with the neighbourhoods has long been a significant matter for the European Union. The rise of regional integration in America (Nafta) and eastern Asia (Asean Plus Three: Japan, South Korea and China), the European need for new markets since the beginning of the financial crisis, the Arab spring and the outburst of the regional crisis in Eastern Ukraine, have made this issue still more relevant. A large set of EU policies draw a favourable context for a renewal of European territorial actions related to neighbour countries:

- Launched in 2007, the *European Neighbourhood Policy* (ENP, plus the Strategic partnership with Russia) provides the general framework for cooperation, security and free trade with the neighbourhoods defined as the countries sharing a border with EU.

- *Europe 2020 Strategy* advocating smart, inclusive and sustainable growth, gives a role to enlargement and regional integration with neighbouring countries: “*The Europe 2020 strategy (...) can also offer considerable potential to candidate countries and our neighbourhood and better help anchor their own reform efforts*” [European Commission 2010, p. 23].
- The *Cohesion Policy* promotes cross-border and transnational cooperation and macro-regions including neighbouring countries.
- The *Territorial Agenda 2020* states that “*cohesion at the external borders is crucial, as disparities and differences in legal, social and political systems have important consequences especially in terms of migration and trade*” and that “*growing interdependence of regions generates demand for better connectivity*” [European Union 2011b, p. 5].

Nevertheless, the tools for a better cooperation with neighbouring territories are to be improved. As the Territorial State and Perspective of the EU states, “*the current territorial cooperation system is composed of three loosely co-ordinated blocks: territorial cooperation within the EU, territorial cooperation with neighbouring, candidate and potential candidate countries, and cooperation with other countries*” [European Union 2011a p. 24]. This means that a comprehensive vision of this large region that encompasses Europe and the neighbouring countries is lacking. Rather, we have a juxtaposition of status, tools, programmes and visions. Launched by the EU and the Mediterranean partner countries in 1995, the Barcelona process itself is divided into an enormous number of programmes—much closer to an impressionist painting than to a coherent strategy.

In its “*Elements for a Common Strategic Framework 2014 to 2020*”, the European Commission [2013] paves the way for a better combination of its financial funds for cohesion, social, regional, rural and maritime policies. It maintains the main EU goals related to the neighbourhoods. The European Neighbourhood Instrument (ENI, which replaced the ENPI in January 2014) benefits from a significant increase when compared to the budget of the previous ENPI instrument, with €18.2 billion for the period 2014–2020. Given the potential role of territorial cooperation, it is of utmost importance for the success of EU policies dedicated to the neighbourhoods to begin to fill the gap of territorial knowledge on the two sides of the external European border.

1.2 Assumptions and Key Questions

1.2.1 Two Assumptions: “One Region”, “Greater Opportunities than Threats”

Our first assumption is that the European territory and its neighbourhoods are one “region”. The EU and its neighbours have a number of cooperation agreements on an intergovernmental scale down to the local cross-border local scale. Nevertheless, it has to be said that these agreements are much less effective than the EU’s discourse on the ENP would lead one to expect. Several studies have shown how scattered the action taken by the Commission in the framework of the Barcelona

process was for overall very limited financial means—not to mention the almost non-existent neighbourhood strategy of each EU member state.

Our second assumption is that this greater region shows greater opportunities than threats. European neighbourhoods are all too often regarded with a simplified view: great natural resources on the one hand, especially energy; migration pressure and political unrest on the other hand. This atlas depicts a much more nuanced view of both opportunities and threats, at national and at local scale: access to markets, investment scarcity and potential, climate change and water shortage but also opportunities for cooperation, cross-border trafficking control but also cooperation, etc. We acknowledge that the assessment of threats is underrepresented because we do not deal with geopolitics.

1.2.2 *Three Objectives*

The atlas has three objectives. The first objective is humble: bringing a *comprehensive view of the neighbour territories* to European stakeholders. It is a preliminary step for any regional view of the greater European region. Otherwise stakeholders would remain in today's situation: a fragmented representation of the various neighbourhoods, with large loopholes in the knowledge of these strategic territories for Europe, and, all too often, fantasy rather than sound knowledge.

The second objective is *assessing the regional integration* between the Europe and the neighbour countries, through a territorial analysis. Can we more and more speak of “one greater region”? Do trends show convergence or divergence? Convergence is increasing in the Northern neighbourhood, whereas divergence is increasing in the Southern neighbourhood. In the case of the Western Balkans the dominant trend is convergence rather than divergence, but the results of research show a variety of degrees according to the country considered. The result of the Eastern neighbourhood is highly complex, because Russia has resisted, in the last decade, the reorientation of the Eastern neighbourhood's economic geography toward Europe that occurred in the 1990s, and recently managed to regain economic, energetic and, thus, political influence upon its CIS neighbours.

The last objective is *suggesting policy orientations* in order to reduce risks and foster opportunities throughout the regional integration.

1.2.3 *What Do We Call “Neighbourhoods”?*

The ESPON project “Europe in the world” had proposed a *functional* regional breakdown of the world thanks to a wide range of economic, cultural and historical indicators. In the European case, it designed a region encompassing Europe and its neighbouring countries. Indeed the precise span of the “European region” varies according to the chosen indicators but as a whole, this geographical figure confirmed

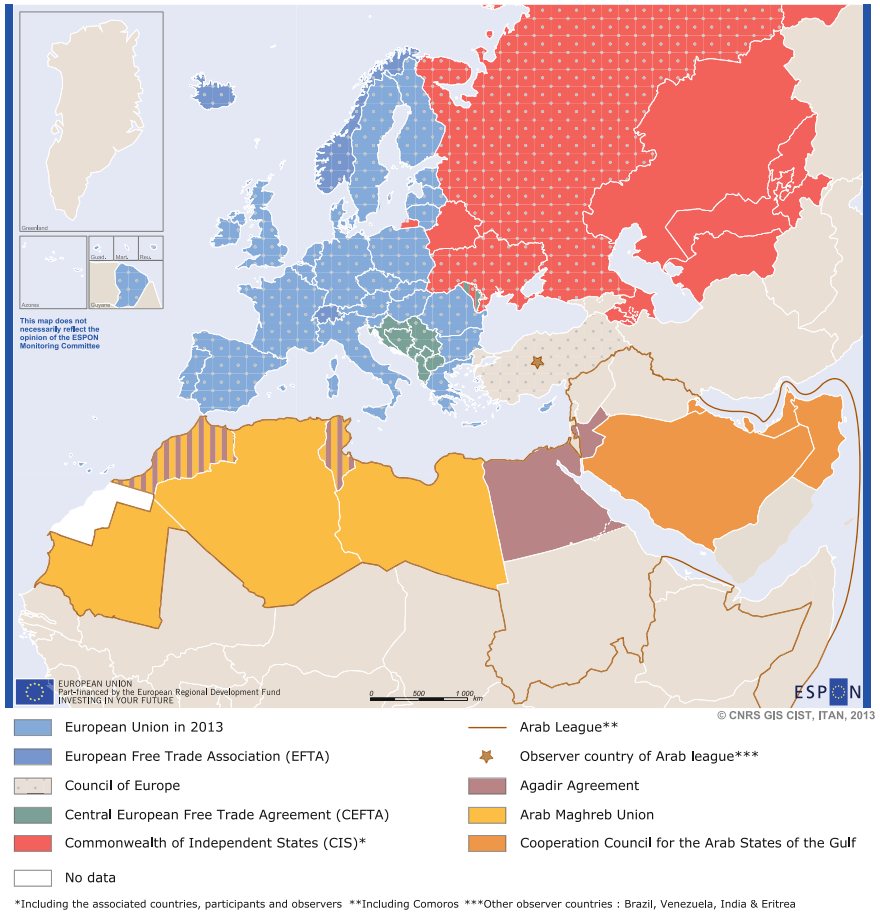
that countries surrounding Europe belong to the same large region [Grasland and Didelon 2007]. The issue of the Arabic peninsula and the Persian Gulf which are in the area of influence of several world poles, including Europe, remains unclear.

This atlas is based on the official list of neighbour countries according to the ENP, but with some differences: (i) formally Turkey was, but is no longer, a “neighbour” country since it became a “candidate” country in 2005. The same applies to the candidate countries of the Western Balkans: the Former Yugoslav Republic of Macedonia, Serbia and Montenegro, which are, nevertheless, regarded as “neighbours” in this atlas. (ii) The Caucasian countries (Georgia, Armenia and Azerbaijan) are taken into account but only at a national scale, with no infra-national data and mapping. (iii) The atlas encompasses the Faroe Islands and Greenland as neighbouring countries of the Northern Periphery Programme and the Northern Dimension.

Our choice of considering actual and recent European neighbour countries, should not make us forget that other groupings exist in the area. Not the least of these groupings is the Community of independent states (CIS) which is being reinforced by a Eurasian custom union driven by Russia, which Ukraine recently decided to join under very contentious circumstances, provoking political unrest since the beginning of 2014. In the Mediterranean also, in line with the background of rising South-South trade and investment flows, other alternatives are offered to the Arab countries, on the scale of the Arab Maghreb Union or on the scale of a pan-Arab agreement (Greater Arab free trade agreement, GAFTA). For Europe, there is less motivation given that some neighbour countries have not yet negotiated any Association agreement or Action plan (see Syria, Libya and Belarus on Map 1.2 [Beckouche and Richard 2013]). Turkey considers the Union for the Mediterranean as a diversion of the membership issue, and develops its own sub-regional strategy with the Middle-East and the countries with Turkish-speaking populations of central Asia (a “five seas strategy” from Caspian to Black, Aegean, Mediterranean and Red Seas).

Sticking to a strict definition of the “neighbourhood”, we do not cover the central and eastern parts of Russia nor Europe overseas’ American neighbours. The present neighbourhoods are, therefore:

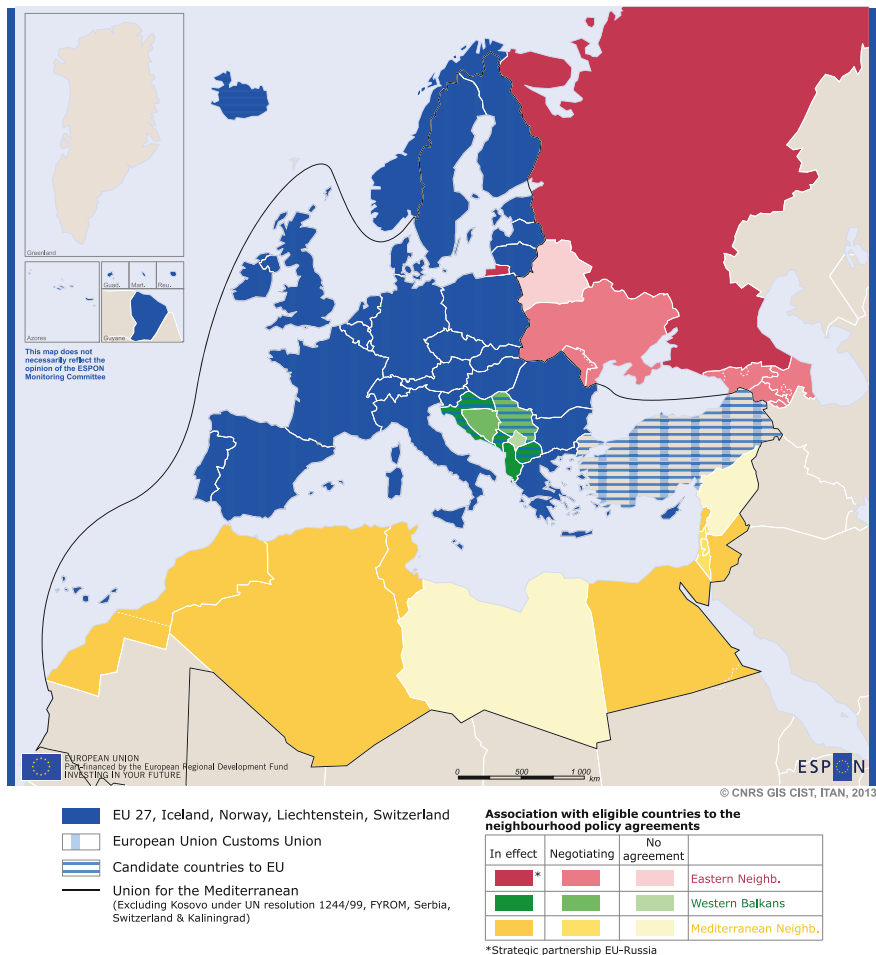
- Northern neighbourhood: the Faroe Islands and Greenland (to Denmark), and not Iceland because this country is an ESPON member. The Faroe Islands and Greenland are self-governing overseas administrative divisions of the Kingdom of Denmark, but, unlike Denmark, they are not members of the European Union or ESPON.
- Eastern neighbourhood: Ukraine, Belarus, Moldova, and Russia (every oblast from the western boundaries to the Ural Mountains which is the conventional limit of European Russia). Georgia, Armenia and Azerbaijan are covered on a national scale.
- South-Eastern neighbourhood, i.e. Western Balkans: Croatia (because it joined the EU after the beginning of the ITAN project), Bosnia-Herzegovina, Serbia, Montenegro, Kosovo, The Former Yugoslav Republic of Macedonia (Fyrom) and Albania.



Map 1.1 A proliferation of sub-regional organisations in the greater European region

- Southern, i.e. Mediterranean, neighbourhood: Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, the occupied Palestinian territory (oPt), Israel, Lebanon, Syria and Turkey.

Our area covers territories that are politically disputed: Abkhazia (vis-à-vis Georgia); South Ossetia (vis-à-vis Georgia); Transnistria (vis-à-vis the Republic of Moldova); the Golan Heights (between Israel and Syria); the Hala’ib triangle (between Egypt and Sudan). We followed the EU statements to be able to properly display these territories on maps, though there is no statement on the Hala’ib Triangle claimed by Egypt and Sudan. The Western Sahara issue was difficult to address: the UN cartography does not encompass it within the Moroccan national territory—whereas Morocco is certainly the Mediterranean country the most thoroughly involved in the partnership with the EU (Maps 1.1, 1.2 and 1.3).

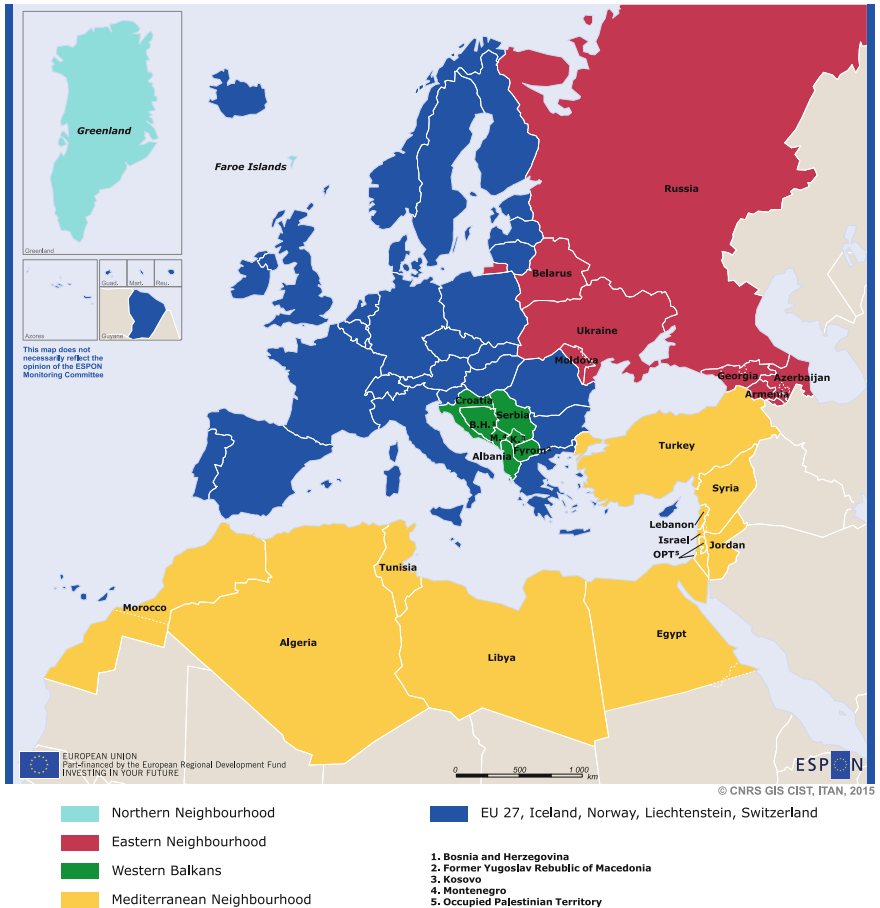


Map 1.2 Contractual relations between the EU and the neighbour countries

1.3 Methodological Challenges in Unstable Territories

1.3.1 The Difficult Geometries Issue

As the goal is to create an integrated geography EU + neighbourhoods, we have set up “similar to NUTS” geometries throughout all the neighbourhoods, that is to say territorial delineation stemming from administrative local divisions (oblast in Russia, governorates or provinces in many Arab countries, etc.) and comparable to the European NUTS (Nomenclature of Territorial Units for Statistics, that is to say the official subdivisions of EU countries for statistical purposes). As a first step, our



Map 1.3 The atlas’ four neighbourhoods

targeted scale is the equivalent of European NUTS 2 or 3 (Regions, Départements, Länder...). That means that we could not reduce the scale, thus we could not address the urban issue, since it would have required data collection on a very local scale.

Another shortcoming is that several neighbour countries have recently experienced major unrest and even wars such as the Lebanon civil war (1975–1990), the two Intifadas (1987 and 2000, the current situation being close to a permanent guerrilla conflict between Israel and the Palestinians), the breaking up of the former USSR in 1991. Various unrests followed the latter: in Transnistria (1992 war), Chechnya (wars from 1994 to 2000, maybe 200,000 deaths), Georgia (armed conflict in August 2008 with Russia and the separatist South Ossetia and Abkhazia), Ukraine (on-going crisis which started after the unsuccessful Eastern Partnership Summit of November 2013). The former Yugoslavian wars lasted from 1991 to

2001, and caused between 200,000 and 300,000 deaths and one million displaced people.

Since January 2011 the Arab spring has affected all the Mediterranean neighbours, in particular:

- Tunisia, where it first broke out, and Egypt where the revolution caused at least 500 deaths and where a civil war is not at stake but is not completely impossible.
- Libya where the civil war, from February to October 2011, caused around 30,000 deaths and provoked the outmigration of hundreds of thousands, maybe millions, into the neighbouring countries Egypt and Tunisia in particular. Libya now faces a dramatic period that recalls the violence of its history, including during the Italian Fascist occupation. Since the 2011 war, Libyan society is still characterised by reversibility: everything is done and undone; everything is built and then falls into ruin. Everything reflects the Bedouin tent: quickly installed for a short moment in a space that never becomes a place. Nevertheless, we managed to collect some local Libyan data, all the more valuable in that we have demographic data from before and after the war, which provides interesting insights into the territorial impact of the war.
- Syria, where the civil war has been on-going since March 2011. In this atlas, the analysis of the Syrian territory is based on data and information obtained recently pertaining to the period prior to the civil war. The crisis that has overwhelmed the country since 2011 has seen 4 million Syrians flee to the neighbouring states of Iraq (0.2 million), Turkey (1.6 million), Lebanon (1.5) and Jordan (0.9), and more than 6 million within Syria in search of a safe refuge. As the Arab Reform Initiative states,¹ the conflict has not only caused many casualties (perhaps 300,000 to date), but also disrupted health systems that are essential for the nation's future, with childhood diseases such as polio resurfacing, a number of hospitals being turned into refugee shelters, and destroyed the economy down. The country is torn apart for decades.

Notwithstanding wars, many countries of the European neighbourhoods have experienced huge changes in their territorial geometries over the last decades and sometimes the last century. The attempt to delineate territories similar to Europe's is all the more challenging in that several neighbour countries do not benefit from a steady territorial division.

There are many examples of the difficulty of setting up good time series due to these delineation changes. In Moldova, the number of rayons (departments) has varied between 60 and 18 during the Soviet period; at the time of independence there were 40 rayons, then during the first years of independence three administrative-territorial reforms took place. Approaching European standards, Moldova returned to the pre-Soviet administrative-territorial structure of 12 counties in 1998; but in 2003 the country returned to the departmental administrative system! Moreover, one of the two main regions of the country, Transnistria, is a

¹<http://www.arab-reform.net/>.

breakaway state located on a strip of land between the River Dniester and the eastern Moldovan border with Ukraine. Since its declaration of independence in 1990, and especially after the War of Transnistria in 1992, it has been governed as the Pridnestrovian Moldavian Republic (PMR), a state with limited recognition. Because of the Russian military contingent there, the European Court of Human Rights considers Transnistria “under the effective authority or at least decisive influence of Russia”. The territory’s political status remains unresolved: it is an unrecognized, but independent, presidential republic with its own government, parliament, military, police, postal system, and currency. Countless geometry changes of this kind exist in the European neighbourhoods.

When it became independent, in 1963, Algeria had to drastically reduce the number of communes (from 1577 to 676) to tackle the lack of competent managers once the Europeans left. This skill shortage has to be kept in mind when trying to understand why the South Mediterranean countries are so centralised; this is, of course, only one of a number of explanations but, for instance, in the case of Tunisia the choice of centralised public national bodies and delivery for water supply or electricity was partly due to the need to concentrate the few competent managers left in the country at the end of the French protectorate. Indeed, poor national governance also explains geometry changes: for instance, continuous changes have occurred in Libya, during the colonial era, under Kadhafi’s rule and since the 2011 war.

Likewise, Moroccan territorial reform in the 2000s introduced new provinces. Due to the quality of Moroccan local data, it could be partially possible to rebuild the data corresponding to the limits of former provinces by aggregating municipal data. This demonstrates the importance of on-the-ground work to fully understand the nature of the delineation changes, even when official names and territories’ codes remain unchanged!

Lebanon is another case. In 2003, its parliament approved the establishing of two new governorates by splitting the governorates of the North into two, and that of Beqaa into two as well. The corresponding application decrees were never developed and the political will to implement the administrative division is lacking. But one fears that further research will have to cope with this coming geometry change.

The number and boundaries of Turkish provinces and districts have undergone radical changes. The number of districts increased from 636 in 1960 to 957 in 2011. These changes do not seem to follow a clear pattern, and it is barely possible to track the changes. TurkStat has not published any data to allow comparisons with previous borders.

In the former Yugoslavia, the territory, its delimitation and settlements have been largely modified during the wars. From 1991 (secession of Slovenia from the federation) to 2001 and even 2008, these territories went through combats, ethnic cleansing, massive migration, finally the multiplication of new republics replacing the former confederation with in-depth internal territorial reorganisation. For instance in Bosnia and Herzegovina, after 1995, the territorial structure was reformed according to the “Inter-Entity Boundary Line” with no continuity with the previous situation, assigning municipalities or part of municipalities to one of the

two entities (Federation of Bosnia and Herzegovina on the one hand and Republika Srpska on the other) in accordance with their “ethnic” composition. As a result, drawing any steady delineation was a complex process. For the first time, and thanks to the help of the M4D consortium,² this atlas displays a coherent new nomenclature for all the neighbour countries except for Croatia, the Fyrom, Montenegro and Turkey which were granted official NUTS divisions as candidate countries to the EU.

1.3.2 The Local Data Issue: Scarcely Available, Reliable and Comparable

Problems are common to all the fields of data: access to data, change in quality of data, data reliability in particular the expected issue of informal activity, sources’ reliability, etc.

The main problem of data reliability lies in the informal issue. The huge scale of informal activity, income and employment is a major characteristic of the neighbourhoods’ economy and thus statistics. It ranges from 20 to 50 % in the non-agricultural sectors in Arab countries [Aita 2011]. In Egypt one can estimate that informal economy accounts for 40 % of the economy; informal jobs have enormously increased during the liberal 2000s decade. In Morocco, the informal economy employs 30 % of the workforce. In Jordan the figure is about 20 % for jobs and over 20 % for the economy. Before the uprising in Syria broke out, 25 % of the workforce was unregulated. The figures are similar in the Western Balkans. Over the 1990s, the ratio of the informal economy to registered GDP in the Federal Republic of Yugoslavia was approximately one-third. Before they split into two countries, the size of the shadow economy in Serbia and Montenegro was estimated at more than one third of the GDP [Krstić and Sanfey 2010].

According to the estimate of the Russian federal state statistics service (Goskomstat), the share of the informal economy of total GDP increased from 13 % in 1993 to 23 % in 1996 and 25 % in 2000s. However, Goskomstat’s method has been strongly criticized by national and international experts; their estimation is that during the transition, the informal economy reached 23 % when the USSR collapsed, 42 % in 1995 and almost 50 % in the first half of the 2000 decade. One half of the Russian population is employed informally as a part or the entirety of their activity. In Ukraine, the share of employment in informal activity outside of agriculture in the mid-2000s was 17 %, but at the largest account, that is, including individuals involved in agricultural production on a secondary basis or for their own use, the figure was 66 % [Commander et al. 2013]. It seems that informal activity accounted for around 16 % of the Ukrainian GDP in 1990, rising to 47 % in the mid-1990s and over 50 % in the mid-2000s. Formerly, it has been estimated that the

²<http://database.espon.eu/db2/>.

informal economy accounted for between 35 and 44 % of GDP in the countries of the former Soviet Union. In this matter, things do not seem to have really changed since then.

Another shortcoming of the neighbour countries' statistics system is that the national body in charge is often recently-created—the Palestinian Central Bureau of Statistics was created in 1994. These bodies follow international prescriptions in terms of statistical definition and methods, but to varying degrees and since different years. Definitions of categories remain different from one country to another and even when they are alike, the available data on the local scale varies. As an example, incomes are documented in a large number of ways: in the Near East we could only find net incomes in Israel, daily wages in the occupied Palestinian territory, and households' income in Jordan. In order to make comparable series and maps, we harmonised data by keeping the regional distribution of the data provided for a given country, and applying it to the national value found in the same international database selected to apply to all neighbour countries—Gross National Income from World Bank data in that case. We acknowledge that the final result is an approximation, but such approximation allows comparison.

Given the challenge of the heterogeneity of the collected data, our composite indicators are a major asset of this territorial integrated analysis of the neighbourhoods. The atlas set up four composite indicators:

- “Local Human Development Index” taking into account income, life expectancy and education, in order to analyse local social disparities
- “Territorial dynamism” through the demographic evolution and the economic evolution in the 2000s (which, by the way, means that we also had to make time series harmonisation so as to be able to have data for 2000 and 2010 for all countries)
- “International openness index” based on data on international ports, international airports and presence of Foreign Direct Investment (FDI) on a local scale, so as to address the question of regional international integration
- “Territorial potential index” based on tertiary education, transport accessibility and international openness.

1.3.3 The Climax of Geometries and Data Complexity: The Israel-Palestine Puzzle

Nowhere in the neighbourhoods are these contested territories, data and mapping more complex than in Palestine and Israel. This conflicting history has directly impacted not only the size of “Palestine” but also its internal territorial organisation and data production. Between 1948 and 1967, the West Bank (800,000 inhabitants) was under the Jordanian administration and divided into 3 districts, the Gaza Strip (300,000 inhabitants) was under the Egyptian administration and included

5 territorial entities. Under Israeli administration between 1967 and 1994, the West Bank was divided into 8 governorates, and the Gaza Strip into 5 governorates. Since 1994, according to the Palestinian Authority administration, the Occupied Palestinian territory (OPT) has consisted of two physically separated land masses, the West Bank (5660 km², 2.6 million inhabitants in 2011, 11 governorates including East Jerusalem) and the Gaza Strip (360 km², 1.6 million, 5 governorates).

The conflicted complexity of these recurrent territorial changes is increased by settlements developed under the on-going Israeli occupation: upon the Israeli withdrawal from the heart of the Gaza Strip in 2005, the main urban areas of Gaza constitute a single territorial unit, with the exception of an unpopulated security buffer zone along the northern and eastern borders of Gaza that remains under Israeli control. But in the West Bank, Israel's aim has been to control as much land as possible, and this aim was marked, in 1991, by a master plan for every single settlement. In the past two decades the Israeli settlements' built-up areas have increased from 69 km² in 1990 (240,000 settlers) to 189 km² in 2011 (179 settlements, 628,000 settlers³ whereas the Israeli Central Bureau of Statistics says "531,000" people including East Jerusalem). 84 % of the Palestinian West Bank population live in Areas A and B, whilst Area C, over which Israel has full control, constitutes 61 % of the total West Bank but is scarcely populated with Palestinians because of the long term restrictions imposed on any kind of Palestinian development. In the West Bank as a whole, in addition to the 72 checkpoints, 26 partial checkpoints, 94 road blocks, 163 earth mounds, 121 road/iron gates, 71 watch-towers and 113 agricultural gates, Israel initiated, in 2002, its "defensive wall". Once completed, the wall will isolate 66 Palestinian localities (320,000 people including 274,000 in Jerusalem), totalling 733 km² i.e. 13 % of the total area of the West Bank.

When it comes to the data issue, the most valuable data on population come from the census taken by the British in 1931. The quality of Mandate statistics declined after the 1931 census. Civil unrest, followed by World War II, made it impossible for the British to take another census. After 1948, during the Israeli occupation, the statistical situation deteriorated even further in the West Bank and Gaza Strip. In this atlas, directly derived from the ARIJ work, occupied Palestinian territory data for the years 1950–1990 are taken from the Palestine remembered website,⁴ a non-profit organisation that gathers data from this variety of statistical sources. The task is all the more difficult in that Israel did not transfer the data to the Palestinian Authority covering the years 1948–1994. Despite serious efforts been made by different governmental and non-governmental institutions to generate demography data for that period, data for the years 1991 and 1993 remains unavailable, because of the unrest of the first Intifada which occurred since 1987 until the Oslo Agreements of 1993. When the Palestinian Authority took over the administration

³Source: ARIJ GIS Department 2011.

⁴<http://www.palestineremembered.com>.

in 1994, it established the Palestinian Central Bureau of Statistics (PCBS); data for the years 1994–1996 are preliminary estimates published by the PCBS; the first census taken by the Bureau was conducted in 1997, and the second in 2007, with reasonable reliability.

Let us now consider these data matters from the Israeli side. The occupation, annexation of East Jerusalem and Golan Heights, and the settlement movement emanating from the 1967 war have influenced the complex way Israel counts its own population. The 1949 borders of Israel, known more commonly as the pre-1967 borders, or the “Green Line,” were in effect for only 18 years, until 1967 when Israel unilaterally occupied the West Bank, the Golan Heights, the Sinai Peninsula and the Gaza Strip. At the end of 2012, about 531,000 Israeli Jewish settlers lived in the occupied West Bank (including an estimated 190,000 in East Jerusalem); an additional 19,000 settlers reside in the annexed Golan Heights. Israel considers its population to include all those residing within the 1967 borders, plus all those residing in Jewish settlements in the West Bank, as well as all those (both Jews and Palestinian-Arabs) residing in annexed East Jerusalem and the Golan Heights. By contrast, the international community does not consider the occupied West Bank and the Golan Heights to be part of Israel, nor does it recognise the annexation of East Jerusalem or consider the settler population in the occupied Palestinian territory to be part of Israel. However, specific statistical analyses made it possible for ITAN to compare the settler population in the West Bank (not including those in East Jerusalem) to the population in Israel’s other six districts, something which had not been done by previous research.

Note that many Israeli maps, notably those available at schools and other state institutions, do not show the 1967 borders (Green Line) between Israel and the West Bank and the Golan Heights.

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Chapter 2

Presentation of the European Neighbouring Space

Pierre Beckouche, Karine Emsellem and Gilles Van Hamme

Abstract This chapter provides a profile of Europe's neighbouring territories. It highlights the role of transport and energy networks, which draw the delineation of the region. Europe is the centre of this area, and dominates the exchanges in a core-periphery pattern with its neighbours. Yet, we show that the European influence in the region is declining, especially in the Middle East, and in Eastern Europe where Russia is recreating its former area of influence thanks to its Eurasian customs union. What prospective can be figured out? The neighbourhoods offer key opportunities to Europe in terms of workforce, markets and business opportunities. Energy, too, is a major field of potential cooperation and win-win opportunities with the neighbours; but it could also prove worrisome if we cannot implement collectively the energy transition –air pollution does not stop at EU borders. Moreover, Europe has to confront many challenges in its neighbourhoods: environmental risks, water scarcity, non-inclusive growth, political unrest. The prerequisite to turn ignorance into cooperation is changing the Europeans' vision on their neighbours. For the moment, European press pays scant attention to them, as is underlined in the last section.

2.1 Overview

2.1.1 Main Figures

Climatic conditions constitute a major component of the neighbouring regions, when it comes to the issue of transport in the North or to solar electricity potential in

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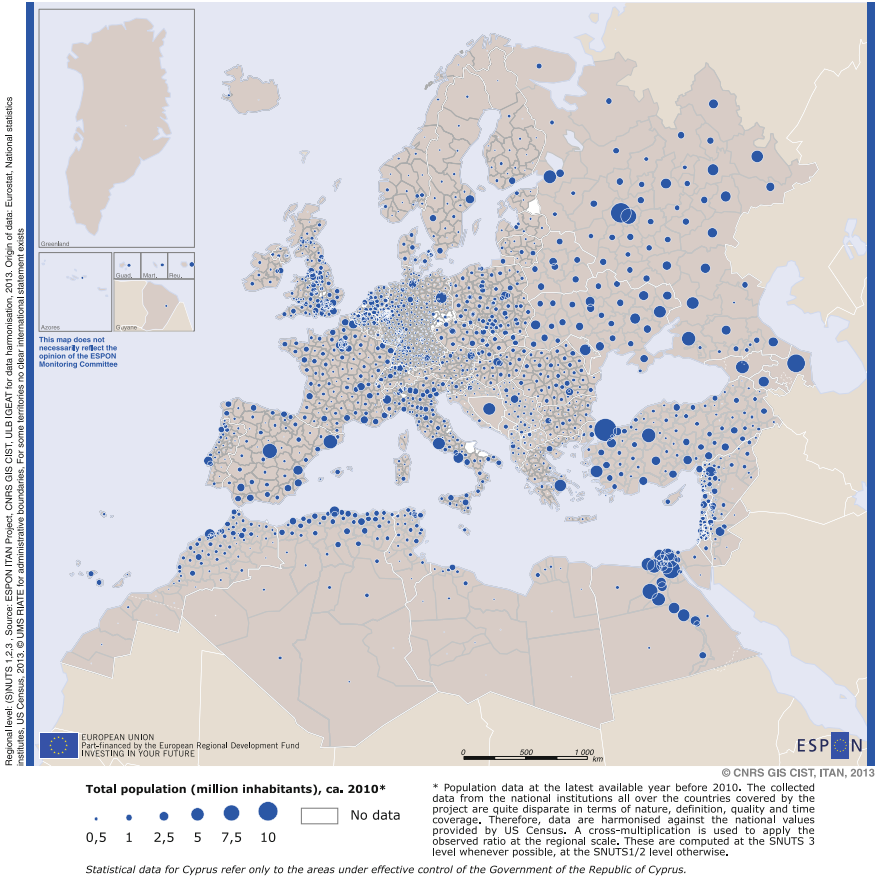
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Map 2.1 Population at (S)NUTS 3 level, 2010

the South. Settlement is largely explained by climatic constraint, with low density in the northernmost and in the southernmost areas (Map 2.1). In Russia the severe continental climate contributes to explain an overall low density, even at what is usually called “temperate” latitudes. In the Near East and in North Africa the littoral band hosts the vast majority of the population, yet the desert extends to the littoral in Libya between Tripolitania and Cyrenaique, and between the latter and the Nile delta. Huge demographic concentration can be seen on the Near East littoral from Gaza, Israel, Lebanon, western Syria up to southern Turkey around Iskenderun; and of course in the very large cities of the neighbour countries: Moscow, Istanbul and its Marmara’s urban region, to a much lesser extent the Maghreb large cities. But no place in the neighbourhoods displays a bigger demographic concentration than the Nile valley, from Luxor to the Mediterranean coast.

These countries include 508 million inhabitants (2011, national scale i.e. including whole Russia here see Table 2.1), with a rapid growth in the Mediterranean

Table 2.1 Main figures of the neighbourhoods

Coverage	<p>24 countries i.e.:</p> <ul style="list-style-type: none"> • Faroe Islands and Greenland (to Denmark) (Northern neighbourhood) • Russia, Ukraine, Belarus, Moldova (Eastern neighbourhood) • Croatia, Bosnia-Herzegovina, Serbia, Montenegro, Kosovo (under the UN Security Council resolution 1244/99), FYROM and Albania (Western Balkans) • Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, the occupied Palestinian territories (OPT), Israel, Lebanon, Syria and Turkey (Mediterranean neighbourhood) • <i>NB</i>: the three ENP Caucasian countries (Armenia, Azerbaijan and Georgia) are not covered by the ITAN project
Total territory	<p>25 million km² (neighbouring the Arctic areas of Canada not included) ranging from 1400 km² in Faroe Islands to 17 million km² in Russia (but the sole western part of Russia is covered by ITAN)</p>
Share of world GDP at current prices	<p>3.4 % in 1994 → 5.8 % in 2011</p> <ul style="list-style-type: none"> • Northern neighbourhood = 0.008 % → 0.005 % • Eastern neighbourhood = 1.7 % → 3.0 % • Western Balkans = 0.2 % → 0.2 % • Mediterranean neighbourhood = 1.5 % → 2.5 % • <i>NB</i>: ENP Caucasian countries = 0.03 % → 0.13 %
GDP per capita	<p>2,017 US\$/hab. in 1994 → 7,919 US\$/hab. in 2011 (ranging from <1,000 US\$ in Palestinian territory to 45,000 in the Faroe)</p> <ul style="list-style-type: none"> • Northern neighbourhood = 21,217 → 32,818 US\$ • Eastern neighbourhood = 2,168 → 10,391 US\$ • Western Balkans = 1,923 → 6,966 US\$ • Mediterranean neighbourhood = 1,869 → 6,244 US\$ • <i>NB</i>: ENP Caucasian countries = 454 → 5,253 US\$
Average annual growth of GDP per capita	<p>8.4 % between 1994 and 2011 (ranging from -1.0 % in OPT to 16.4 % in Bosnia-Herzegovina)</p> <ul style="list-style-type: none"> • Northern neighbourhood = 2.6 % • Eastern neighbourhood = 9.7 % • Western Balkans = 7.9 % • Mediterranean neighbourhood = 7.4 % • <i>NB</i>: ENP Caucasian countries = 15.5 %
Share of world population	<p>8.1 % in 1994 → 7.3 % in 2011</p> <ul style="list-style-type: none"> • Northern neighbourhood = 0.002 → 0.002 % • Eastern neighbourhood = 3.8 → 2.9 % • Western Balkans = 0.4 → 0.3 % • Mediterranean neighbourhood = 3.9 → 4.1 % • <i>NB</i>: ENP Caucasian countries = 0.3 → 0.2 %

(continued)

Table 2.1 (continued)

Total population:	454 million in 1994 → 508 million in 2011 (ranging from 0.04 million in Faroe to 142 million in Russia) <ul style="list-style-type: none"> • Northern neighbourhood = 0.1 million (2011) • Eastern neighbourhood = 200.6 million (2011) • Western Balkans = 23.1 million (2011) • Mediterranean neighbourhood = 284.6 million (2011) • <i>NB</i>: ENP Caucasian countries = 16.8 million (2011)
Population development (annual growth)	+0.7 % between 1994 and 2011 (ranging from -0.7 % in Ukraine to +2.5 % in Cyprus) <ul style="list-style-type: none"> • Northern neighbourhood = 0.3 % • Eastern neighbourhood = -0.4 % • Western Balkans = -0.1 % • Mediterranean neighbourhood = 1.6 % • <i>NB</i>: ENP Caucasian countries = 0.4 %
Proportion of population aged 0-14 years and 65 years and more	0-14 year old: 29.3 % (1994) → 22.9 % (2011) 65 and more: 8.2 % (1994) → 8.9 % (2011) <ul style="list-style-type: none"> • Northern neighbourhood = n.a. • Eastern neighbourhood = 21.6 % → 15.1 %; and 12.2 % → 13.4 % • Western Balkans = 21.4 % → 15.8 %; and 9.1 % → 12.9 % • Mediterranean neighb. = 37.9 % → 29.0 %; and 4.2 % → 5.5 % • <i>NB</i>: ENP Caucasian countries = 30.3 % → 19.6 %; 7.2 % → 9.4 %
Population density	21 inhabitants per km ² in 2011 (ranging from 0.1 in Greenland to 668 in occupied Palestinian territory) <ul style="list-style-type: none"> • Northern neighbourhood = 0.3 hab./km² • Eastern neighbourhood = 12 hab./km² • Western Balkans = 85 hab./km² • Mediterranean neighbourhood = 42 hab./km² • <i>NB</i>: ENP Caucasian countries = 93 hab./km²
Investment (gross capital formation) as % of GDP	Approx. 25 % in 2011 (ranging from 15 % Israel to 41 % in Algeria)
Greenhouse gas emissions per capita	7.9 t CO ₂ equivalent in 2010 [CO ₂ , Methane, and Nitrous oxide, that is 98 % of the world greenhouse gas emissions] (ranging from 0.5 t in OPT to 15.3 t in Russia) <ul style="list-style-type: none"> • Northern neighbourhood = 12.2 t per capita • Eastern neighbourhood = 13.1 t per capita • Western Balkans = 6.4 t per capita • Mediterranean neighbourhood = 4.4 t per capita • <i>NB</i>: ENP Caucasian countries = 5.5 t per capita

(continued)

Table 2.1 (continued)

Greenhouse gas emissions per GDP in millions of euro	1000 t CO ₂ equivalent in 2010 (ranging from 298 t in Israel to 2186 t in Ukraine) • Northern neighbourhood = 370 t • Eastern neighbourhood = 1262 t • Western Balkans = 913 t • Mediterranean neighbourhood = 702 t • <i>NB</i> : ENP Caucasian countries = 1044 t
Human development index	0.717 in 2011 [non demographically weighted average] (ranging from 0.582 for Morocco to 0.888 for Israel) • Northern neighbourhood = na • Eastern neighbourhood = 0.722 (2011) • Western Balkans = 0.756 (2011) • Mediterranean neighbourhood = 0.565 (1990) → 0.698 (2011) • <i>NB</i> : ENP Caucasian countries = 0.717 (2011)

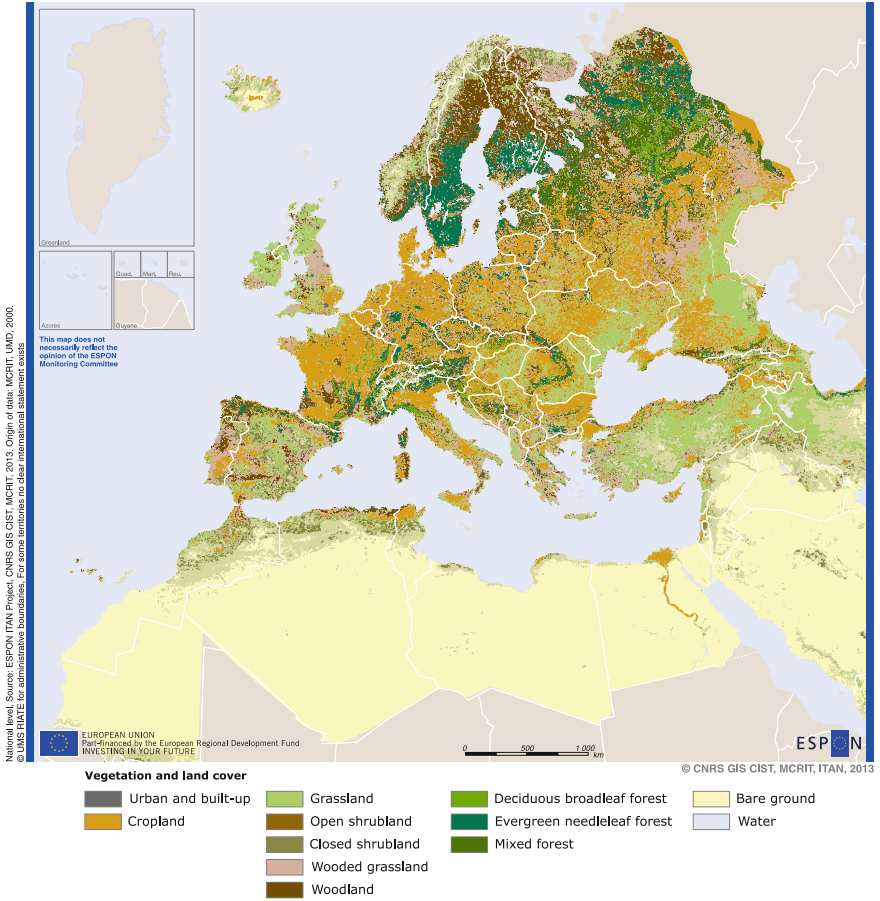
Notes

- “GDP 1994”: 1998 for Faroe, 2000 for Kosovo and Montenegro, 1997 for Serbia
- “GDP 2011”: 2009 for Faroe, Greenland and Libya, 2010 for Ukraine, 2005 for the occupied Palestinian territory
- “Greenhouse gas emissions”: CO₂ 2009, nitrous oxide 2010, methane 2010; HFC, PFC, SF₆ are excluded (but they only represent 2 % for the total at world scale); only CO₂ available for Faroe, Greenland, Montenegro and the occupied Palestinian territory (but methane and nitrous oxide represent small emissions compared to CO₂); Kosovo: no data at all
- All data: source World Bank

neighbourhood and a decrease of the population in the other neighbourhoods. As a whole the neighbourhoods’ share of the world population is decreasing but their share in the world’s GDP has been rising in the last fifteen years, thanks to the recovery of the former Soviet countries after the difficult phase of transition, and to quite strong economic growth in the Mediterranean neighbourhood especially in Turkey. The overall GDP per capita of the neighbourhoods has increased from US\$ 2000 in 1994 to 8000 in 2011; this means that Europe is surrounded by regions which represent important market opportunities. As the demographic transition is deeply advanced in all these countries including the Arab countries, the social structures and issues (“oldies boom” namely) are converging with that of the EU.

In terms of the environment, the issues are very important (climate change, pollution, energy resources and transition ...) and diversified in such a vast area. This can be seen with the greenhouse gas figures, which range from 0.5 t per capita in the occupied Palestinian territory to more than 15 t in Russia. The poorest of these countries have the lowest figures but they are rising rapidly which makes environment a stake common to Europe and its neighbours.

The land cover map (Map 2.2) shows the different typologies of vegetation cover in EU and the neighbourhoods. EU borders separate continuous biotopes, even if the vegetal cover decreases rapidly southward. Due to the large geographic coverage, there are many types of land areas present, from harsh climatic regions in the North and South extremes with tundra and desert to temperate areas with croplands

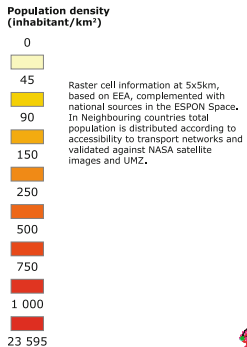
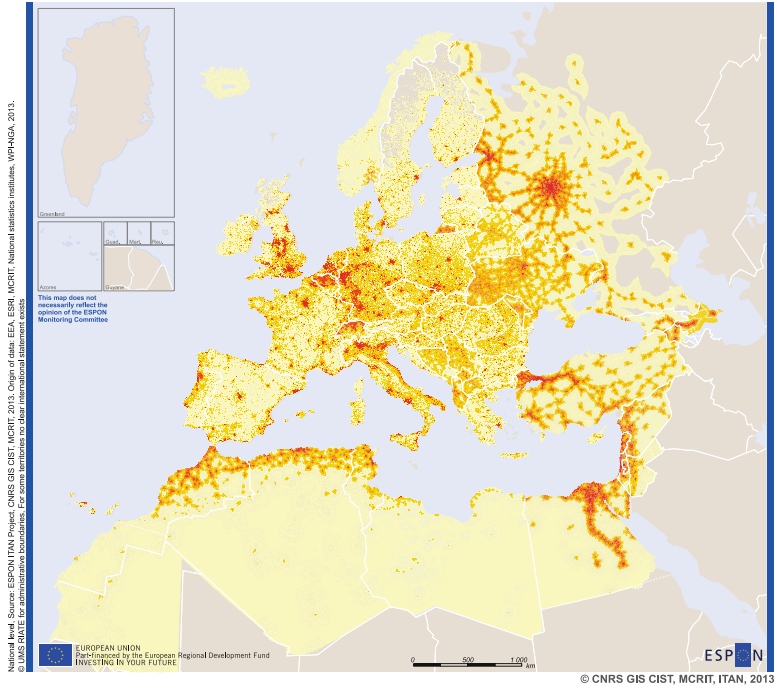


Map 2.2 Land cover, 2000

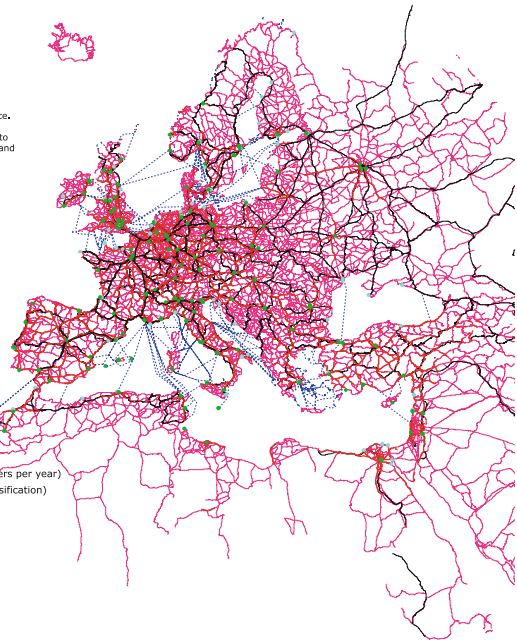
and forests. Desert is the biggest feature of all the area with about 30 % of the entire surface, whereas croplands come second with 20 %. These croplands are concentrated between 43 and 55° of latitude and extend eastward but with a decreasing gradient. This highlights the potential of the neighbourhoods for primary sectors such as agriculture and energy generation.

2.1.2 Transport and Energy Networks Make the Region

We provide here, for the first time, a thorough cartography of the transport network of the greater European region ca 2010. Map 2.3 displays the network density: all the European territory is meshed, to varying degrees but meshed nonetheless, including eastern Europe up to Moscow and including Turkey on its European territory up to central Anatolia. In the Arab neighbour countries, the network is much more limited, for geo-climatic reasons as well as economic reasons.



- Main airport (over 2 million passengers per year)
- Main sea port (World Port Index classification)
- High speed rail
- Main railway
- Motorway
- Main road
- Main ferry line



Map 2.3 Demographic density and main transport network in the greater European region, ca 2010

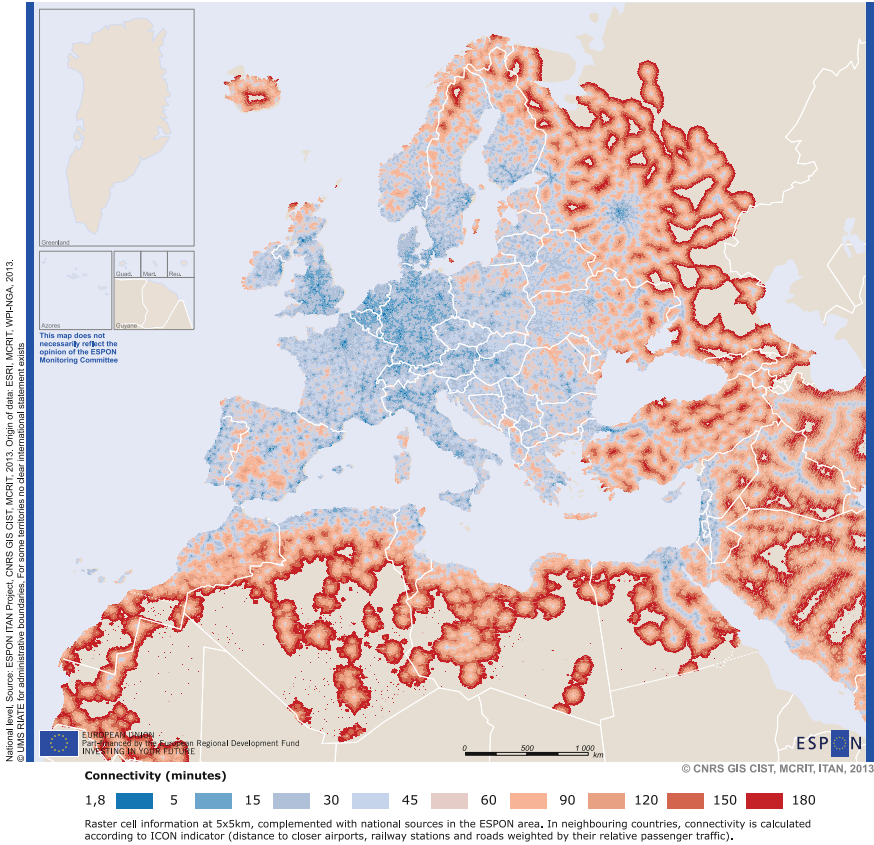
The road network is less dense than in the EU. This is especially true for most remote Russian regions and for the desert areas in North Africa and eastern Mediterranean. The network is dense in the Eastern Mediterranean coast but rapidly becomes sparser when moving away from the coast, except in the Nile valley, where it is fairly good up to Aswan. A similar pattern exists in the Maghreb, with good road provision near the coast that worsens when moving far away from it. The *quality* of the networks is also quite different, as the number of high capacity roads with lane separation is much smaller in all the neighbourhoods; they only are significant in Turkey, part of the Eastern Mediterranean coast and part of the Maghreb. Some borders are closed and crossing others involves long administrative delays; this happens mainly in the southern (in particular between Morocco and Algeria) and eastern Mediterranean countries (due to the political unrest in the Near East), but also, to a minor extent, between Russia and Ukraine.

The rail network is sparser and patchier than the road network, and of lower quality than in the EU, with a very limited network in the Maghreb, the Eastern Mediterranean and Turkey. Especially noticeable is the absence of a rail network in most of Libya. The Eastern neighbourhood however, especially Russia and Ukraine, has a relatively good provision. While there are almost no barriers for crossing countries by rail in the EU, many neighbour countries have borders that are difficult to cross or even completely closed, such as those between Morocco and Algeria or Palestine and Israel. In some cases links are missing making it impossible to move between neighbouring regions, as for example in the Turkey-Syria or Israel-Jordan borders. The rail network has some additional continuity problems across the neighbourhood as there are incompatibilities between systems in terms of gauge and electrification. High speed rail is currently non-existent throughout all the neighbourhoods, although several projects are at the design stage. Morocco intends to create 1500 km of high-speed rail in the two coming decades, to thoroughly modernise its old inter-city network; a first line will follow the Atlantic coast from Agadir to Tangier and, when financially and politically possible, Algeria.

Thanks to the Euromed Transport Forum, which gathers ministers of transports of both sides of the Mediterranean, some transnational projects aim to give continuity to the networks, thus improving relations between countries. One of those is a high level transport infrastructure (high-speed rail and motorway) that would one day link the Maghreb coast from Casablanca to Tripoli in Libya.

Maps 2.4 and 2.5 give the resulting transport connectivity and accessibility in the greater European region. The number of persons accessible within a time-span of three hours (possible return trip in the day which is an approximation for business needs for interaction) displays a harsh contrast between western Europe and its outskirts. A striking feature is that, along with western Turkey, the northern part of Maghreb is linked to the European territory in terms of accessibility. Another area of important demographic accessibility is the Nile valley but due to dramatic local demographic density and without any connection to Europe. The Eastern neighbourhood but also, more surprisingly, the Western Balkans, are areas of medium to quite low accessibility, due limited local density and/or poor access to western Europe.

The contrast between Europe and its Mediterranean neighbours is particularly striking in the field of energy networks, including those countries which are

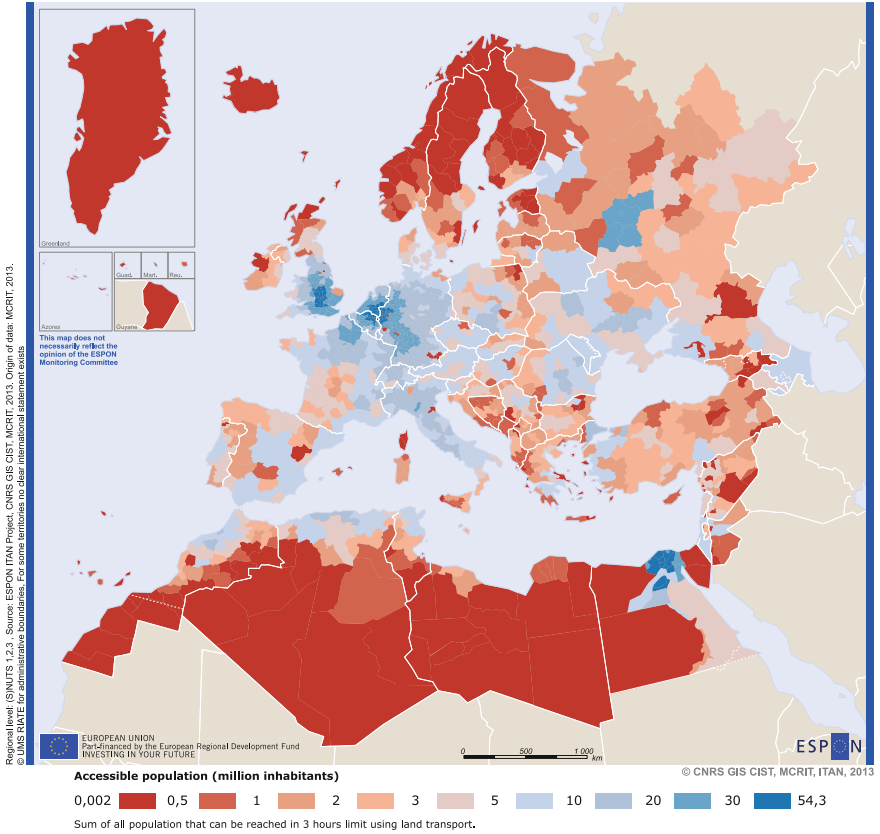


Map 2.4 Transport connectivity

important energy providers, such as Algeria and Libya. This shows that their role, on the greater region’s scale, remains basically that of raw material suppliers with low local territorial development.

Map 2.6 shows the high density of gas networks in the North Sea, eastern and central Europe. It also shows the presence of LNG export terminals in the Maghreb; it is related to the growing “spot market” strategy of these countries, at the expense of long-term deliveries thanks to long-term contracts in respect of which the European Commission shows increasing reluctance. Along with the presence of major gas fields in the North Sea, eastern Europe and Maghreb, recent discoveries in the eastern Mediterranean have revived the disputes about maritime boundaries in the area (Israel-Lebanon-Cyprus). The numerous projects of natural gas pipelines in the Balkans could make them an interface between Russia and western Europe. Lastly, the Trans-Saharan gas pipeline project linking Algeria with gas fields in the Gulf of Guinea shows that “neighbours of the neighbours” have to be increasingly taken into account.

The main features for oil are the presence of pipelines in the neighbouring countries (Russia, Maghreb, Near East, Caucasus), and again the numerous projects of crude oil pipelines in the Balkans.

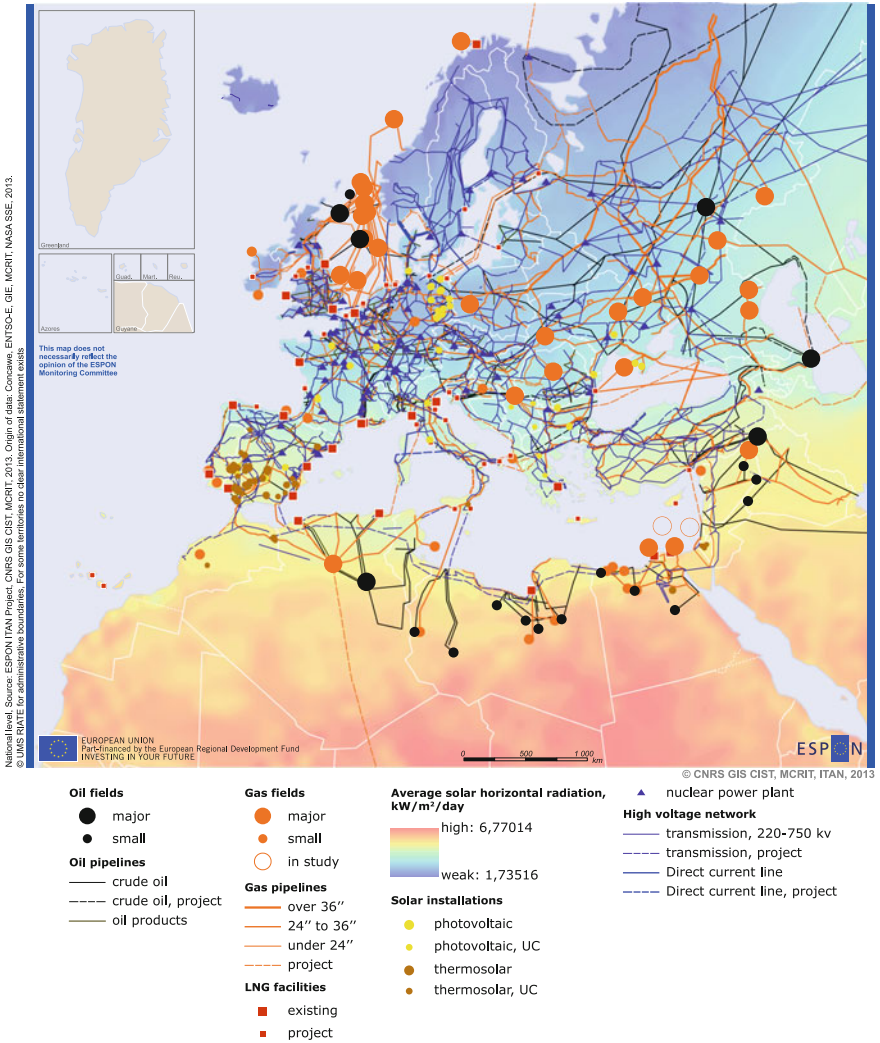


Map 2.5 Accessible population within 3 h

The main features for electricity are the numerous nuclear power plants in western Europe especially Germany, France and Belgium; the very high voltage network in Russia; the high density of the electricity grid in the centre of the EU, decreases with distance from European metropolitan areas. The “Medring” project is a key project for improved electricity connection between the North and the South of the Mediterranean. It aims at connecting the North African countries between themselves and with European countries (Spain, Italy) using high voltage lines; a connection already exists between Maghreb and western Europe, but at a low voltage.

2.1.3 The (Relative) Importance of Neighbours for Europe

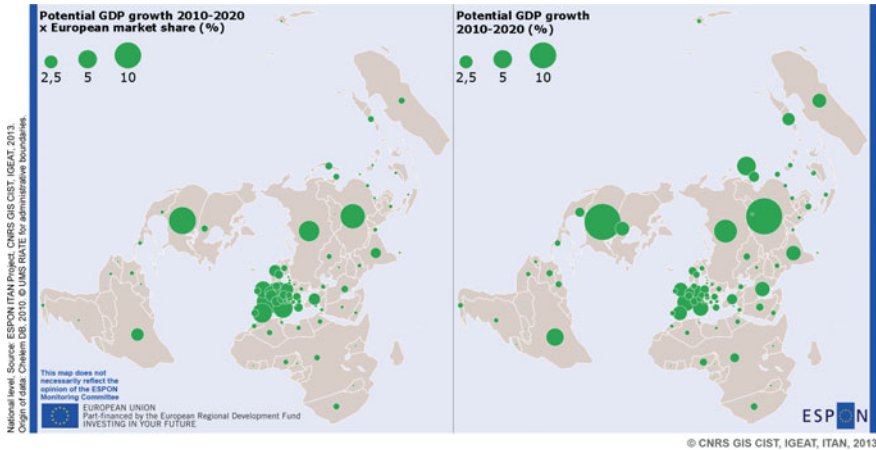
In this section, we assess the regional integration between the EU space (plus Iceland, Liechtenstein, Norway and Switzerland) and the neighbour countries. The driving question is to know if interaction (economic flows, human and migratory flows, energy supply) shows a trend toward integration or rather de-integration.



Map 2.6 Energy networks in the greater European region, ca 2010

Our answer is threefold. Starting from the EU perspective, we first assess the importance of neighbourhoods for the EU in comparison to other world regions. Then taking the reverse perspective, we assess whether the EU is important for neighbouring countries and, moreover, how this importance has evolved across time. Finally, changing the scale of analysis, we assess the geographical diversity of relations between European and neighbouring countries, showing that the latter have privileged relations with *specific* European countries.

Europe’s influence around the world has dramatically declined over the years (Van Hamme 2012). It is increasingly limited to its immediate neighbourhood.



Map 2.7 Growth markets potential for the EU, 2010–2020

However, this does not mean that the neighbourhoods are the most important partners for the EU.

From an economic point view, we first assess the growth potential for the EU in the decade 2010–2020 on the basis of a simple model: we extend the average growth rate of the years 2000–2010 to the next decade; in a second step we assess what it means for the EU, considering the current geography of its trade (the basic idea is that EU will benefit more from growth in areas where the EU currently has more market shares). By far, the EU is the major source of potential growth for itself in the next decade. Then we have three major market growth potentials: the US, around 11 % of the growth potential of the EU; China, with 9 % in current \$ and 19 % in PPS; and the neighbourhoods, with shares very similar to the US. However, more than half of this potential growth is toward the East (eastern neighbours and Russia, Map 2.7); Turkey also plays a significant role, while the other neighbourhoods remain marginal for the EU growth potential because of their marginal economic weight.

In trade and FDI (Table 2.2), the importance of neighbourhoods is limited. The reason is that most trade and FDI are internal in Europe. When these internal flows are excluded, the neighbourhoods appear as the main trade partner of the EU, though they remain very marginal in investment flows. Indeed, 7.5 % of EU trade takes place with the neighbourhoods, while the US only accounts for 6.2 and China for 2.2 % of the European trade. Half of the trade toward the neighbourhoods is with Russia and other European former Soviet Republics, while the rest is dispersed among the different neighbourhoods.

Human flows can be tackled from two different perspectives: airflows, which mainly take into account short-term mobility for medium and long distances, and migrations toward Europe. Short-term mobility (airflows) is mainly intra-European since 80 % of all movements are within European countries. Flows with neighbourhoods, equally toward Turkey, former Soviet republics and Maghreb, account for more than 7 % of the flows, more than any other part of the world. It indicates a

Table 2.2 Share (%) of neighbourhoods and other parts of the world in EU relations and flows

	Trade of goods: exports plus imports (2011)	FDI in and out (2006–2008)	Cooperation (2010)	Air flows (2012)	Immigration (2010)	Energy supply
EU27 + (1)	70.0	71.8	0.0	80.4	37.9	42.4
Eastern neighbours (2)	3.8	2.2	1.8	1.9	5.7	21.1
Western Balkans	0.5	0.2	3.5	0.7	6.1	0.3
Turkey	1.3	0.7	1.7	1.7	7.9	0.1
Near east (3)	0.4	0.0	3.3	0.8	1.2	0.7
Israel	0.4	0.0	0.0	0.4	0.1	0.0
<i>Maghreb</i>	1.1	0.2	4.6	1.5	8.7	10.3
∑ Neighbourhoods	7.5	3.4	14.8	7.1	29.8	32.5
North America	6.2	17.8	1.0	4.2	1.9	2.5
Latin America	1.9	1.7	13.4	1.4	8.6	1.6
Southern Asia	1.2	0.4	14.8	0.7	5.6	0.6
Japan, Korea, Taiwan	2.2	1.1	0.0	0.5	0.6	0.8
China	5.1	0.8	3.7	0.7	1.9	0.1
Rest of Asia and Oceania	2.8	1.9	6.8	1.1	3.8	3.4
Sub-Saharan Africa	1.6	0.8	44.0	1.3	7.7	5.5
Middle-East	1.7	0.5	1.5	2.0	1.7	8.6
Rest of the world				0.4	0.3	1.8
Total	100	100	100	100	100	100

Notes

(1) Includes Switzerland, Norway, Iceland, Liechtenstein, Andorra

(2) Russia, Belarus, the Ukraine, Moldavia

(3) Egypt included

Source IGEAT (Université Libre de Bruxelles)

clear distance effect. Regarding migrations, neighbourhoods account for 30 % of the stocks of migrants in Europe, while Europeans themselves only account for 38 %. Hence, Europe and its neighbourhoods account for most of the origins of migrants present in Europe.

Finally, neighbourhoods play also a major role for energy supply in Europe. Europe provides 42 % of its energy while neighbourhoods provide 32.5 %, two thirds from Russia and the rest from Maghreb, mostly Algeria and Libya. Oil and gas producers of the Middle East play a limited role in comparison, with 9 % of the energy supply for Europe.

What results from the figures is that neighbourhoods play an important role in two domains: migrations and energy supply. The ENP focuses on these aspects as well as security matters (Richard 2012). In contrast, neighbourhoods are not considered as strategic *economic* partners (only 7.5 % in the EU trade in goods), as well as in many other domains such as scientific cooperation.

2.1.4 The Strong but Declining Importance of Europe for Neighbours

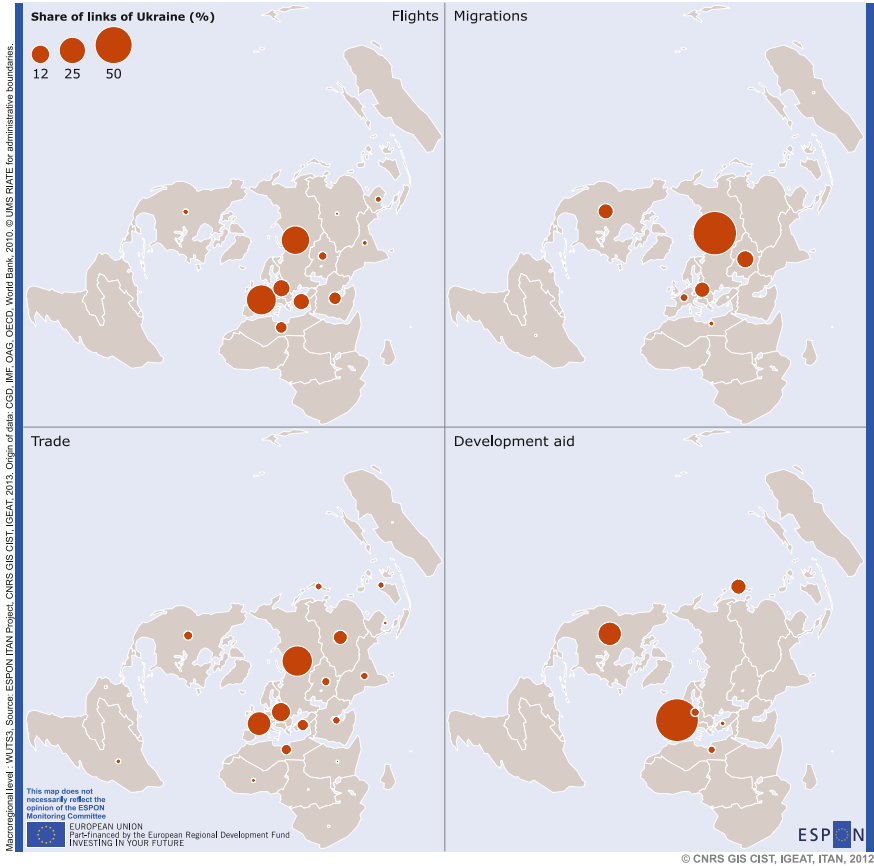
We now take the reverse perspective: what is the importance of Europe within relations of the whole set of neighbour countries with the world? Most figures illustrate the declining importance of the EU in neighbours' flows. The share of the EU in neighbours' trade is declining for all neighbours except the Eastern neighbourhood (including Russia) which has become a key partner in energy. In air flows, the EU is increasingly important for Maghreb and the Western Balkans and the opposite trend for the Near East and Eastern neighbours.

If we now turn to the relations of the neighbours with themselves, we find very poor integration, with the notable exception of the Eastern neighbourhood which has a moderate and declining economic integration but intense human and related air flows. In the Maghreb, the integration is poor and stagnant. A similar pattern is found in the Near East despite an important increase in human flows.

Europe is by far the main if not hegemonic partner for Western Balkans and Maghreb—to a lesser extent for Algeria, the result of a political choice to sell oil resources not only to Europe but also to the US. European dominance is similar for Croatia (with figures prior to EU membership); in contrast to the Maghreb however, Croatia maintains important relations with the neighbouring Balkans, notably through trade and flight connections. For the former USSR, the persistence of flows between former USSR republics explains the lower importance of Europe; Map 2.8 illustrates this situation for Ukraine for which relations are balanced between Europe and Russia. When it comes to Russia, polarisation toward western Europe is more intense, except for migratory stocks because of the presence of Russians in all former USSR republics.

In the Near East, the low share of Europe in global flows is the result of the European decline versus the increasing importance of the oil powers of the Gulf. The Jordan case illustrates this importance of Gulf countries, even if the EU remains an important partner for trade and the second largest donor of development aid behind the US. For Egypt, economic flows are still dominated by Europe; however, in terms of flight connections and migrations, relations with the Middle East have become central. Finally, Turkey is strongly polarised toward Europe though a little less than before (Map 2.9).

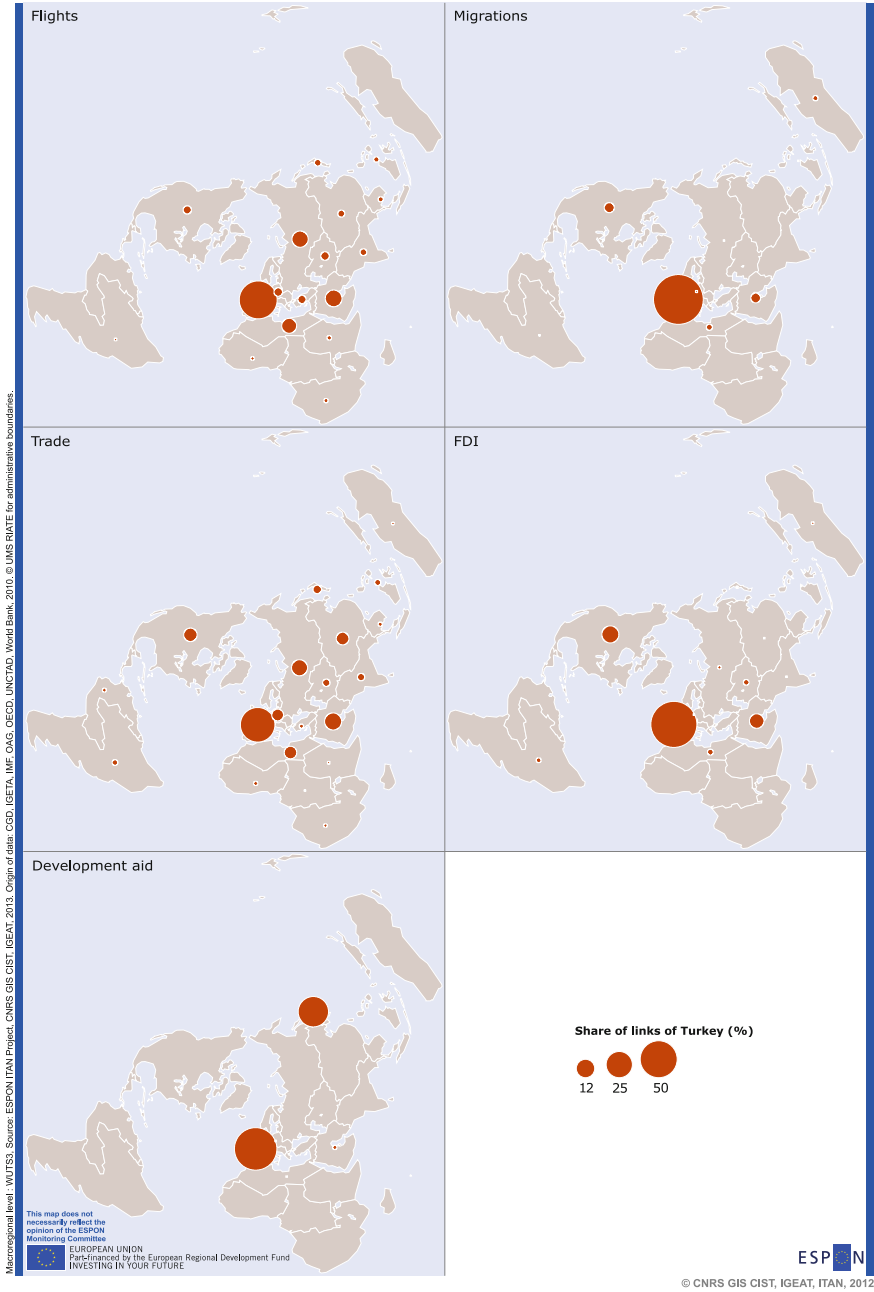
Recent trends confirm the declining role of Europe for the international flows of its neighbours. In the case of container flows by global vessel movements in 1996 and 2006, North Africa, the Black Sea and the Russian Baltic areas made rather moderate volumes in absolute terms but the share of Europe in their total traffic was the highest. However, in ten years this European share has reduced from over 50 % to between 30 and 50 % due to the import of manufactured goods from Asian countries rather than from Europe. A similar pattern is obtained when considering all commodity flows (containers but also bulks, vehicles, general cargo) for the year 2004: more than 50 % of North Africa and the Black Sea/Russian Baltic areas' traffics was with European countries, but this time with higher absolute volumes



Map 2.8 The geography of relations of Ukraine, around 2010

due to the great importance of liquid bulk traffics such as natural gas, crude oil, and refined oil, the rest of such traffic being imported by Europe through pipelines and therefore not being counted in maritime flows. Data for containers and bulks in 2004 and 2011 confirm the drastic shrink of Europe’s external maritime influence globally but with a maintained dominance in its nearest regions, those of Eastern and Southern neighbourhoods.

Looking to the 1990–2012 period, we observe similarities with the evolution of flight connections. The most striking changes take place in the Near East: in the last two decades, we observe a reorientation of flows toward the Middle East mainly to the disadvantage of western Europe for Jordan, Syria and Lebanon. There has also been a rapid decline in western Europe for flight connections with Israel and Turkey, though this results from diversification rather than the emergence of a new polarisation.



Map 2.9 The geography of relations of Turkey, around 2010

2.1.5 The Prevailing Core-Periphery Pattern

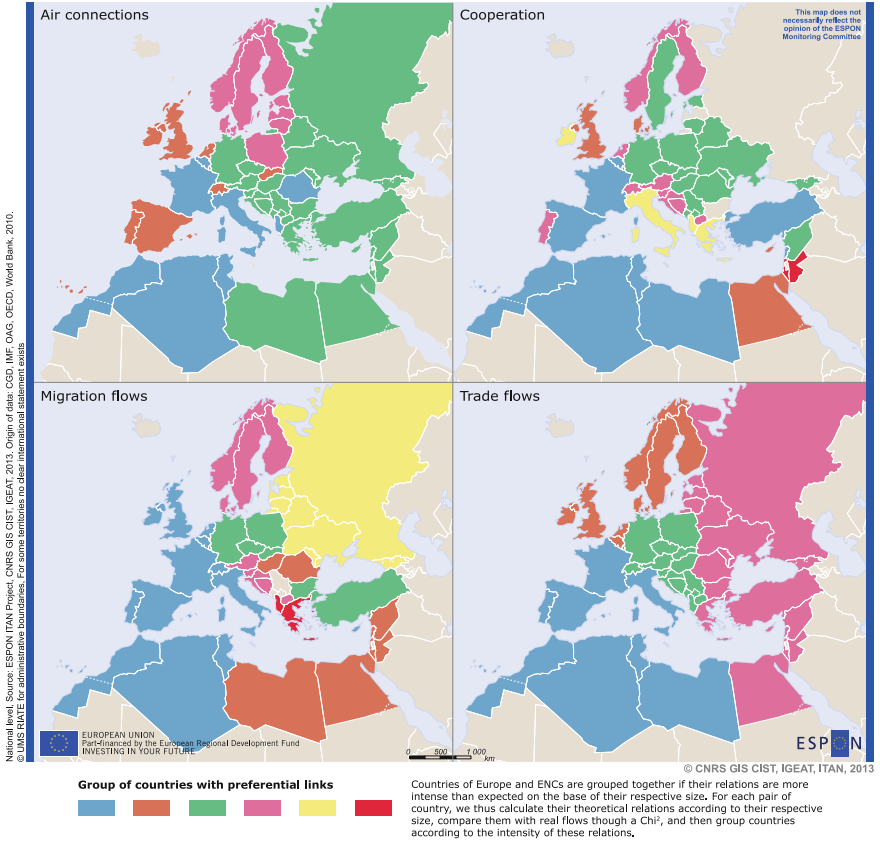
Most EU neighbours can be considered as semi-peripheral or peripheral countries (Van Hamme and Pion 2012). It reflects the dependence on Europe in qualitative and quantitative terms. Europe is more important to its neighbours than the neighbours are for Europe. Moreover, the exchanges are unequal in their nature: the EU buys primary or low added value manufactured products while selling products with medium and high technological content. Some countries tend to move from a pure peripheral position, mainly selling primary goods, toward specialisation in low added value manufacturing goods: Turkey and Tunisia are the best examples; Egypt is less clearly engaged in this path while Morocco is still highly specialized in mining and agricultural products. Last, qualified labour force is attracted to western Europe while tourist flows take the reverse direction (Grasland and Van Hamme 2010; Van Hamme 2012).

Let us detail the cases of Tunisia and Turkey's trade, two typical examples. With western Europe, by far their main partner, both countries show a negative balance in all sophisticated products (chemical, mechanical industry etc.) and a positive balance in agro-food and textile goods; with more peripheral countries (North African neighbours for Tunisia or Gulf countries for Turkey), both countries show positive balances in all types of products except primary goods. A similar pattern is observed for the Ukraine, buying sophisticated goods in western and central Europe, while having a positive balance in these goods with Russia, their first trade partner. More peripheral positions are also observed as in the case of Morocco: the country has a positive trade balance in textile and primary goods and negative balances in other types of products, whichever region Morocco is trading with.

2.1.6 Neighbours' Preferential Relations with Specific EU Countries

In Map 2.10 on air connections, development aid, migratory stocks and trade around 2010, countries are classified according to the relative intensity of their relations. Countries of Europe and of the neighbourhoods are grouped together if their relations are more intense than expected on the base of their respective size:

- The first coherent area includes south-western Europe and the Maghreb; the precise limits of this group vary according to the flows considered but it always includes France, Morocco, Algeria and Tunisia. It confirms the strong polarisation of the Maghreb toward this part of Europe, along with low interrelations between countries of the Maghreb.
- Former USSR republics are always grouped together forming a second coherent area.



Map 2.10 Privileged relations within the greater European region, 2010. *Note* countries of Europe and neighbour countries are grouped together if their relations are more intense than expected on the base of their respective size. For each pair of country, we thus calculate their theoretical relations according to their respective size, compare them with real flows through a χ^2 , and then group countries according to the intensity of these relations

- Germany also forms a third coherent area with central-eastern European countries. In the case of air and cooperation flows, this area is grouped together with former USSR.

All these geographical analyses drive to the following synthesis:

- The former USSR is the only part of the neighbourhoods which forms a cohesive area, with declining, though important, interrelations. As a result, Russian neighbours such as the Ukraine, Moldavia or Belarus are equally polarised by Russia and the European Union;
- The Western Balkans, though maintaining important internal relations, are nearly exclusively turned towards the EU, mainly central Europe but also, in relative terms, Nordic countries;

- The Maghreb remains highly polarised toward Europe, mainly south-western Europe. Unlike the former USSR, countries of the Maghreb have poor internal relations, each country being strongly polarised toward Europe;
- Turkey is strongly, though decreasingly, oriented toward Europe in its external relations but does not belong to any cohesive regional area;
- The Near East, including Egypt, is decreasingly oriented toward Europe and has seen the influence of the Gulf powers increase considerably in the last decade.

2.2 The Neighbourhoods: Opportunities and Challenges for Europe

In this section, we compare the greater European region to other world leading regions, namely East Asia and North America. Within the European region we distinguish between western Europe and the new member states (who became members in 2004 and 2007) because these former European neighbours constitute a useful comparison for the actual neighbours.

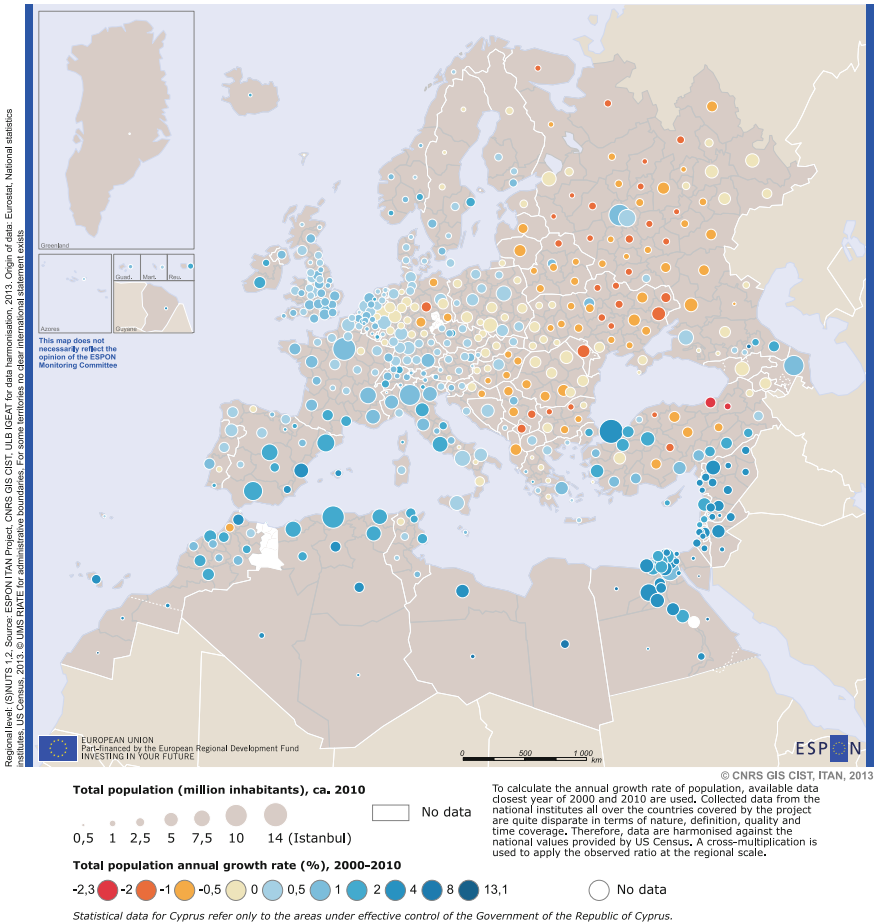
2.2.1 Opportunities: Labour Forces, Markets, Investment

For European actors, the neighbourhoods constitute opportunities because of their natural resources, but there are other reasons. Neighbourhoods are opportunities thanks to their demographic and economic size, which is increasing, in particular in the Mediterranean neighbourhood, although the previous section showed that European investment there is low and declining. Here we seek to understand the statement from the previous section: that the neighbourhoods could represent more than 11 % of the global potential growth for Europe in the coming decade.

2.2.1.1 Population Dynamic and Rising Role of Diasporas

The 508 million population of the neighbour countries (2011) increases rapidly in the South, mostly in the eastern Mediterranean. Turkey is a transitional country in many senses. The demographic transition is largely advanced there, and the national territory is split into demographically rising territories and declining territories. For a small part of their national territories, this is also beginning to happen in Tunisia and in Morocco, with an overall strong demographic growth. Conversely, the demographic decline of almost all the Balkans and Eastern neighbour territories is striking (Map 2.11).

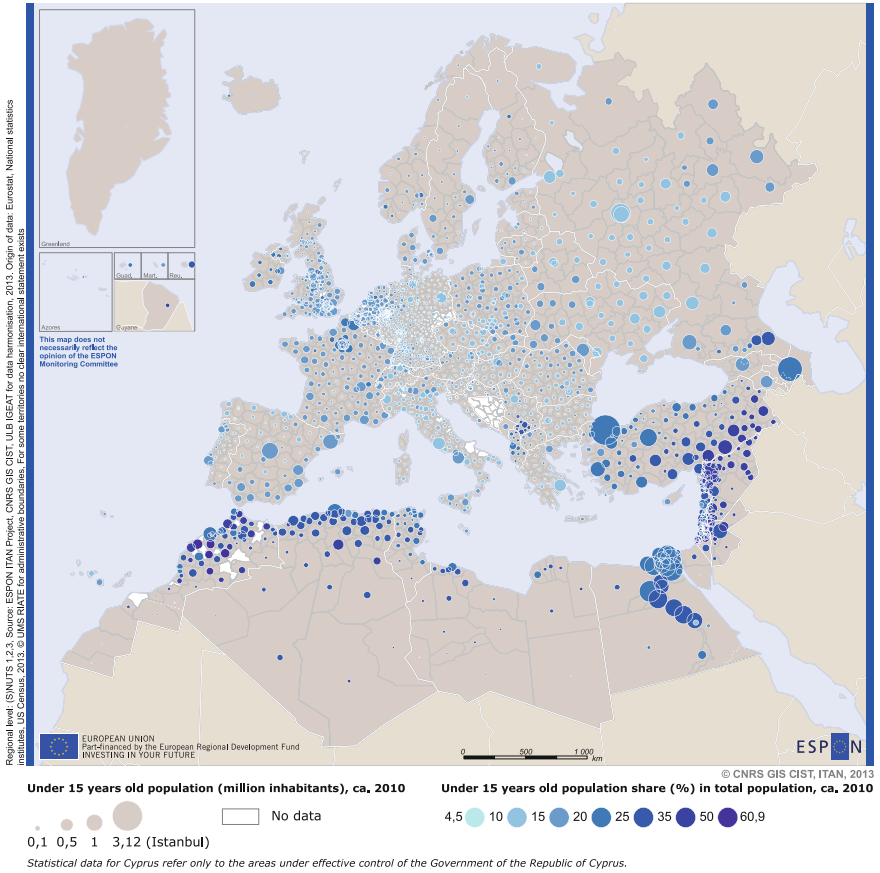
Map 2.12 shows that the young people of the region are concentrated in the Near East and in some southern parts of North Africa. The older population—considered



Map 2.11 The demographic growth in the greater European region, 2000–2010

as an asset when it comes to know-how or as a burden when it comes to pension funding issues—is concentrated in Europe, the Eastern neighbourhood included.

Another demographic asset has to be emphasised: Europe benefits from an important diaspora coming from its neighbourhoods (Fig. 2.1). Given the growing role of diasporas in economic and cultural development, it is important for European public opinion to consider migrants in a new way: they used to be all too often regarded as a social problem (integration, education...), they should be regarded as a solution, even more so given that their level of education is rising. It is of utmost relevance to think in terms of “mobility” rather than of “migration”, because the actual economy is based on the former much more than on the latter. People who live in western Europe as foreigners increasingly come from the neighbourhoods, namely the Mediterranean, and from Sub-Saharan Africa which is an extension of the European area of influence. This is an asset to rely on, given the



Map 2.12 Today’s and tomorrow’s demographic growth, children under 15 in the greater region, 2010

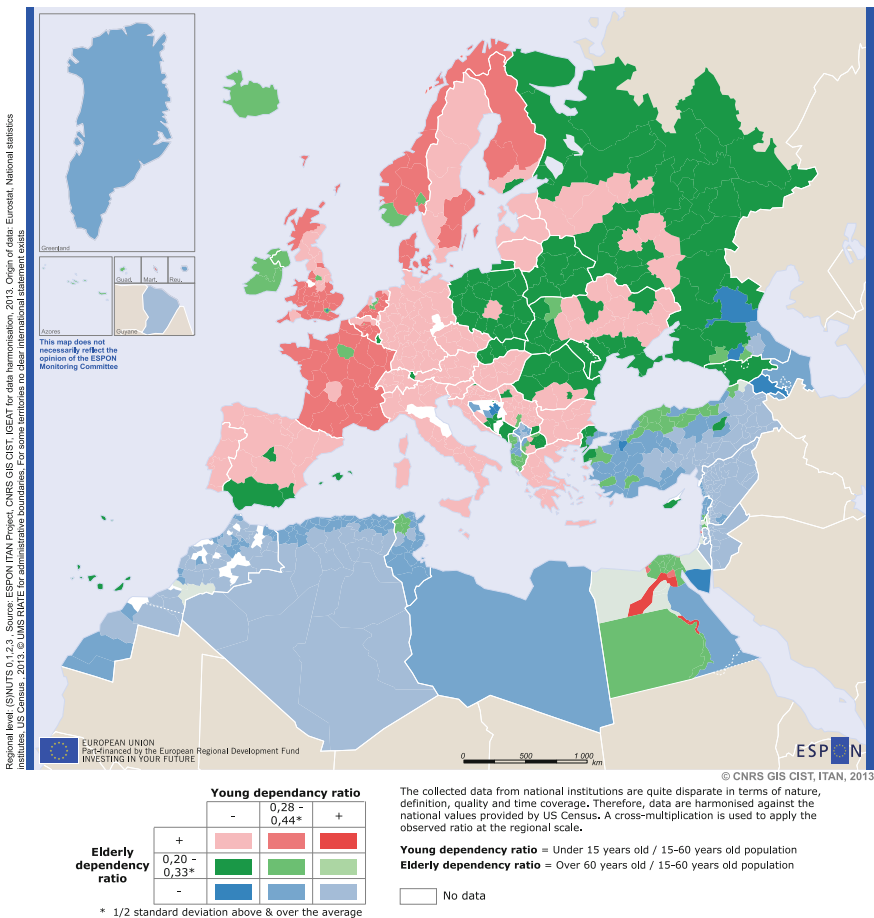
Fig. 2.1 Europe benefits from an important diaspora from its neighbours

foreseen development of Africa in the coming century—which, for the moment, mostly benefits world players other than Europe (Map 2.13).

2.2.1.2 Markets

Figure 2.2 on world markets shows several meanings of the “European region”: EU (plus Iceland, Liechtenstein, Norway, Switzerland) plus Western Balkans, plus the Eastern neighbours, plus the Mediterranean neighbours, plus sub-Saharan Africa. In all cases, the contrast of its declining share of the world’s GDP is striking vis-à-vis the huge rise of the East Asian share. But indeed, the larger the European region, the higher its place in the world economy.

Figure 2.3 compares the GDP growth since 1980 in the various neighbourhoods of Europe. Almost all of these neighbourhoods have impressive economic growth,



Map 2.13 Dependency ratio in the greater European region, a typology

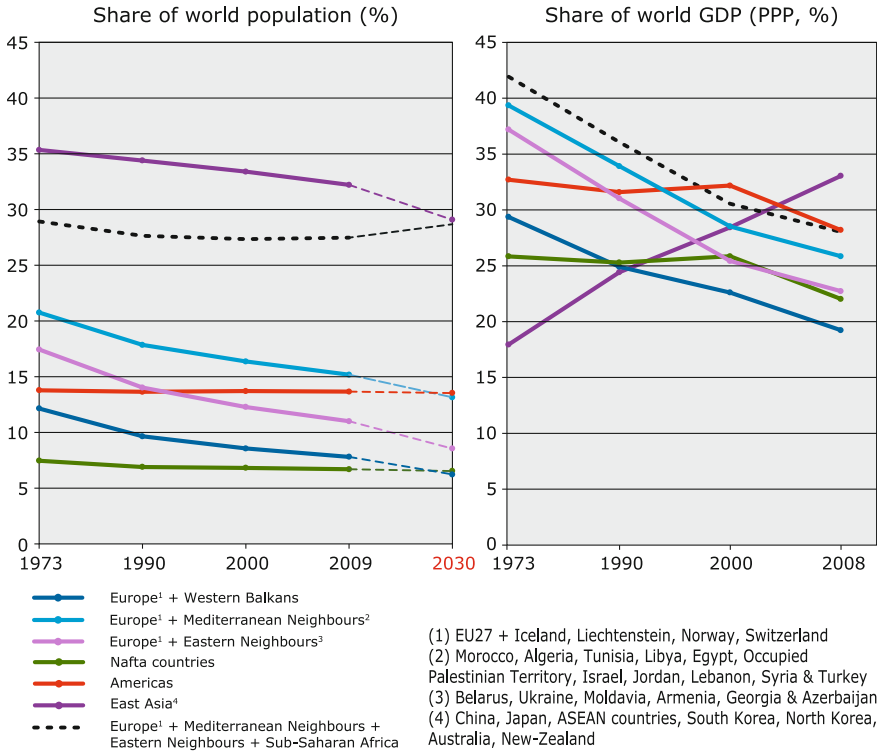


Fig. 2.2 World markets: can we cope with the rise of the East Asian region?

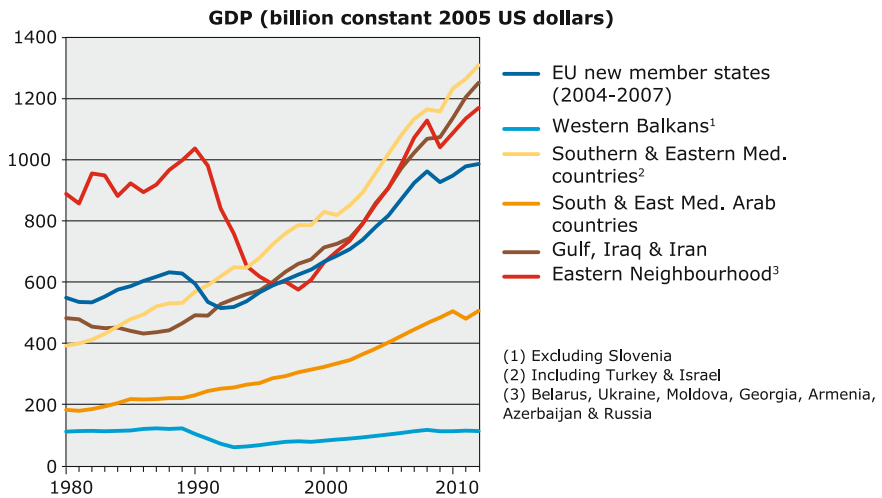


Fig. 2.3 The neighbourhoods, a driver for European economic growth

expressed in constant currency; this is undeniably an asset for Europe. Second, the economic hierarchy has dramatically changed: previously, the Eastern neighbourhood was first and the new member states second, they are now in third and fourth position, whilst the Mediterranean and Middle-East neighbourhoods have become first and second; the Western Balkans are now lagging behind.

This analysis has to be tempered by several facts: (i) the huge transition experienced by the former Socialist countries, with much better growth rates in the 2000s of course; (ii) the driving role of Israel and Turkey among the Mediterranean neighbours, whose performance is much lower if one takes into account the sole Arab countries; (iii) the Arab countries performance is dampened by on-going unrest and wars. Before the beginning of the Arab Spring, the World Bank was forecasting growth rates in 2011 of 4 % in Morocco, Jordan and Algeria, 5 % in Tunisia and Syria, 6 % in Egypt, 7 % in Lebanon; the real rates have been much lower, and nobody knows how long this difficult political transition will last. Still, it has to be highlighted that the European neighbourhoods' growth is experiencing a long term shift from East to South, which is due to continue given the demographic figures presented in the previous section.

The previous section has shown the declining economic integration between Europe and its neighbours. Beyond the European case, the general trend throughout the world is that of a slowing down of economic integration within the major regions over the 2000s, due to the booming importance of a new global player: China, which has become a major trade partner of the countries of the world whichever region they belong to. Should we conclude that the regional integration era is over? Certainly not, because the long run remains in favour of the regionalisation thesis. In the 1960s, only one third of the trade of European countries occurred between themselves and trading links were lower still between the United States, Canada and Mexico. The respective regions are far more integrated today. The major difference between Japan or the US and Europe is that the latter trades very much within the EU and very little with the emerging countries of its neighbourhood (Fig. 2.4).

Over the three last decades, the new European member states have drastically reoriented their trade towards western Europe, instead of the former Soviet bloc. But the reverse is true for the neighbourhoods, which confirms that *EU membership is a driver to regional trade integration whereas a neighbour's status leads to declining integration with Europe*. All neighbourhoods of Europe, in the widest sense, including sub-Saharan Africa and Gulf states, send a decreasing share of their exports to Europe and European products represent a decreasing share of their imports. This can be considered good news if it means a wider insertion of these countries in the global economy. This can also be regarded as bad news for Europe's influence which remains high in its neighbourhoods though undoubtedly declining. The rising markets of the neighbourhoods are an opportunity for Europe to regain its economic influence over them.

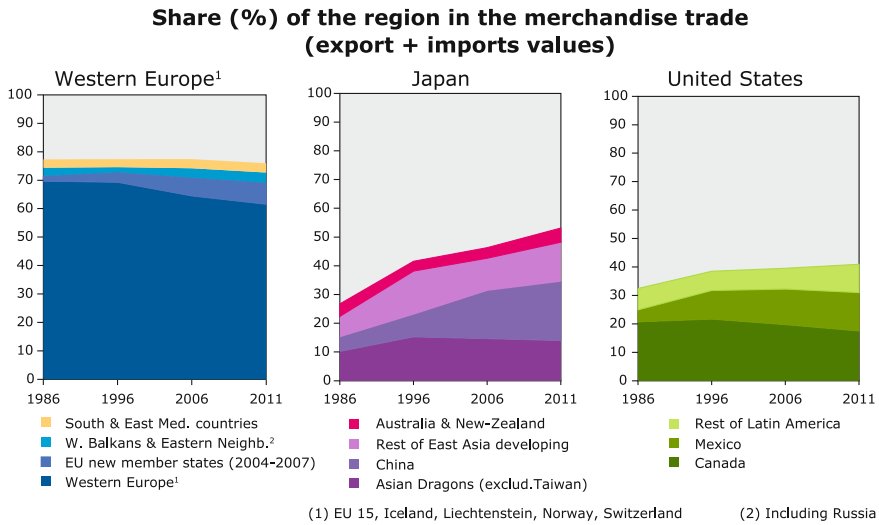


Fig. 2.4 The role of the developing neighbours is high in East Asian and American regions

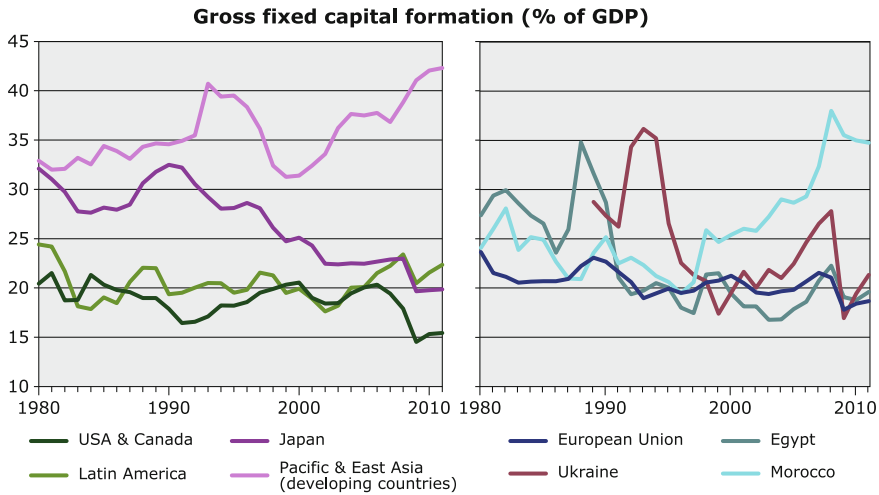


Fig. 2.5 Investments in the peripheries of the Triad, slowdown in the centres

2.2.1.3 Investment

The East Asian region’s boom is based on the complementarity between its national economies: highly developed (Japan), developed (Dragons), and emerging (China...). The developed countries have found growth drivers in their emerging neighbourhood. Figure 2.5 shows this clearly for the investment rate in the Asian

region. The complementarities are less obvious between the US and Latin America but nevertheless do exist. In the European region this is the case for Morocco, for instance, but not for Egypt, whilst Ukraine shows a chaotic path. Moreover, since the Arab spring, investment in the Mediterranean neighbourhood has diminished.

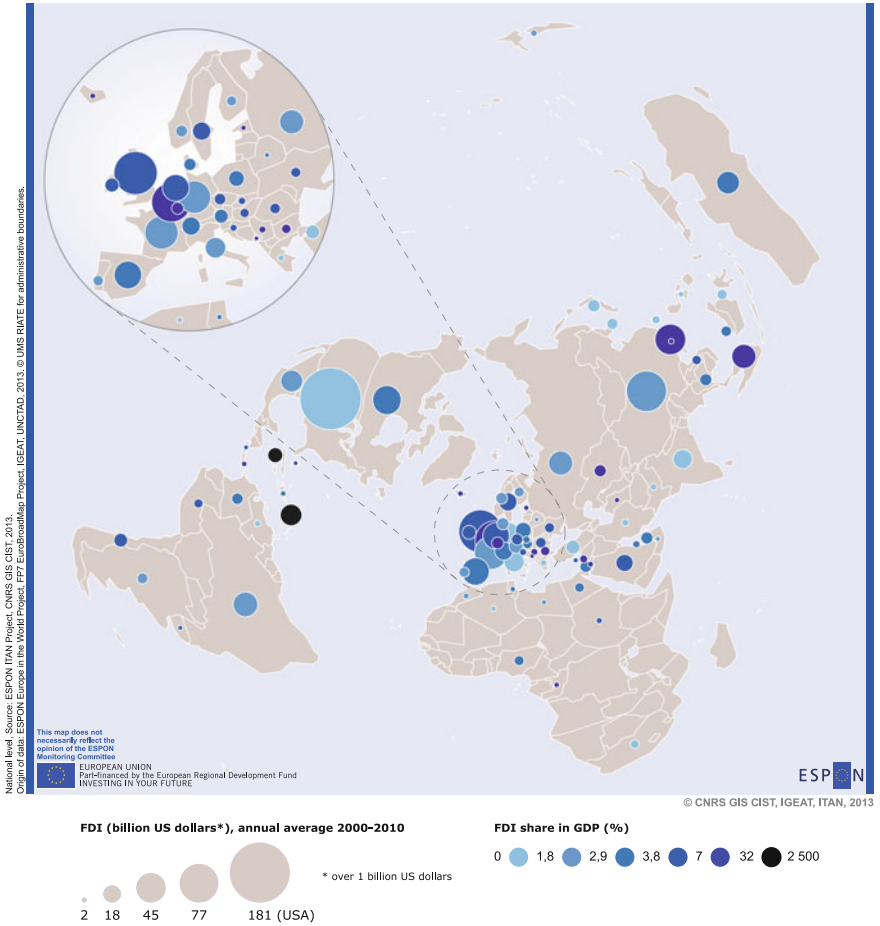
The Mediterranean neighbours remain marginal players in the world's FDI flows. North Africa attracts less than 1 % of the world's FDI inflows, the Arab Near East (i.e. Near-East excluding Israel and Turkey) less than 0.5 %. Turkey is rising but attracts less than 0.8 %. Altogether the Western Balkans and the Eastern neighbourhood attracted 1.1 % of the world's FDI inflows in the 1990s and 4.3 % in the 2000s. But these figures remain far removed from Asian records. Under the impetus of Japanese enterprises, emerging East Asia attracted 7 % of the world's FDI inflows in the 1970s, 9 % in the 1990s and 15.5 % (China's boom) in the 2000s. The post-crisis period confirms this mega trend: in 2007 China attracted US \$85 bn, in 2011 the figure reached US\$125 bn; the other emerging countries of East Asia US\$150 bn and US\$210 bn. As a whole, in 2011, the emerging East Asian countries attracted 22 % of the world's FDI inflows—far ahead of Latin America (10 %), not to speak of the European neighbour countries. In 2014 the figure for emerging East Asian countries reached... 34 % of the world FDI inflows, and was under 7 % for the European neighbourhoods (Map 2.14).

The low attention paid by the European investors to their neighbourhoods is at stake (Fig. 2.6). At the end of the 2000s, the emerging countries of the region attracted 21 % of Japan FDI outflows, 10 % of US FDI outflows, but only 4 % of European FDI outflows—much less in the Mediterranean neighbourhood despite the fact that many of its territories are experiencing rapid growth.

Seen from the emerging countries' standpoint, the geography of FDI flows is different, because they rely heavily on investments originating from their developed neighbours. For example Morocco, Tunisia or even Turkey FDI inflows come principally from Europe: 85 % for Morocco, 57 % for Tunisia and 77 % for Turkey at the end of the 2000s. What is the evolution? Again, the role of Europe as FDI provider for the Mediterranean neighbours is declining: from more than 50 % at the beginning of the 2000s to 30 % in 2010 (whilst the figure is 20 % for the Gulf as the origin of FDI invested in the Mediterranean neighbourhood).

In the other regions the figures are similar: half of FDI flows in Mexico come from the US; the bulk of FDI flows in China or Thailand comes from Japan and the Dragons (along with Caribbean tax havens) (Maps 2.15 and 2.16).

Map 2.17 displays the FDI inflows in the European neighbourhoods at local scale. Russia, Israel and Turkey are the main targets, despite the latter showing a per capita record lower than expected; Maghreb is less targeted than the Near East, which highlights the potential in the Maghreb countries. Some peculiar territories appear here and there, for instance Ukrainian Ivano-Frankivskiy oblast at the border of Slovakia, with rising FDI since 2008 in the fields of chemistry and food business, mostly from western European countries (60 %) and from the Russian economic area of influence (Russia, Serbia, Cyprus and... Virgin Islands: 40 %)—a symbol of the contest between the European Union and Russia upon Ukraine.



Map 2.14 FDI inflows and share in GDP in the 2000s

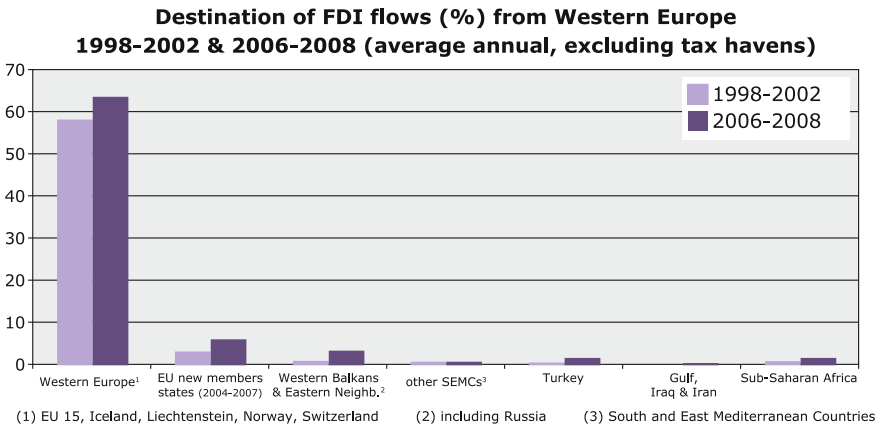
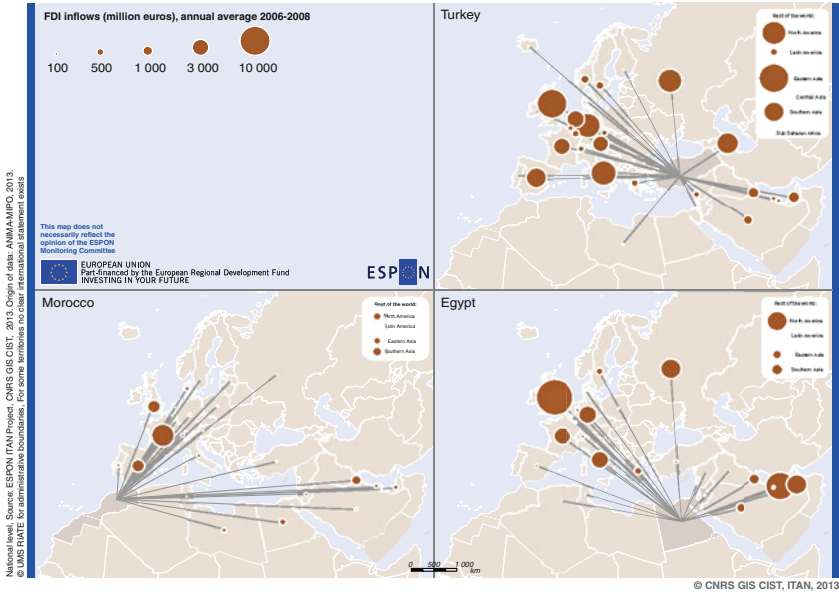
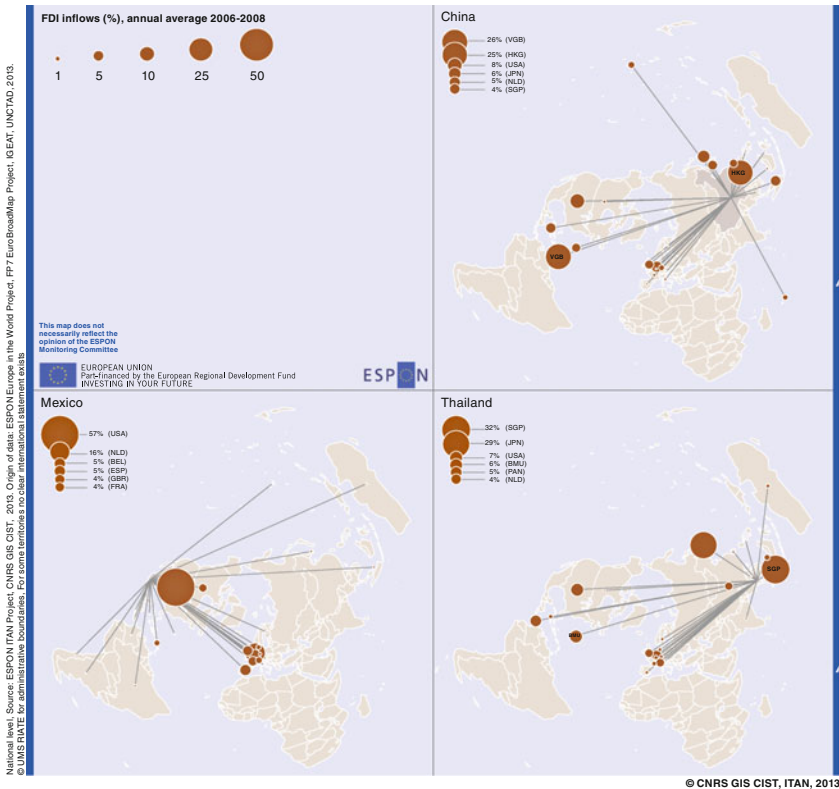


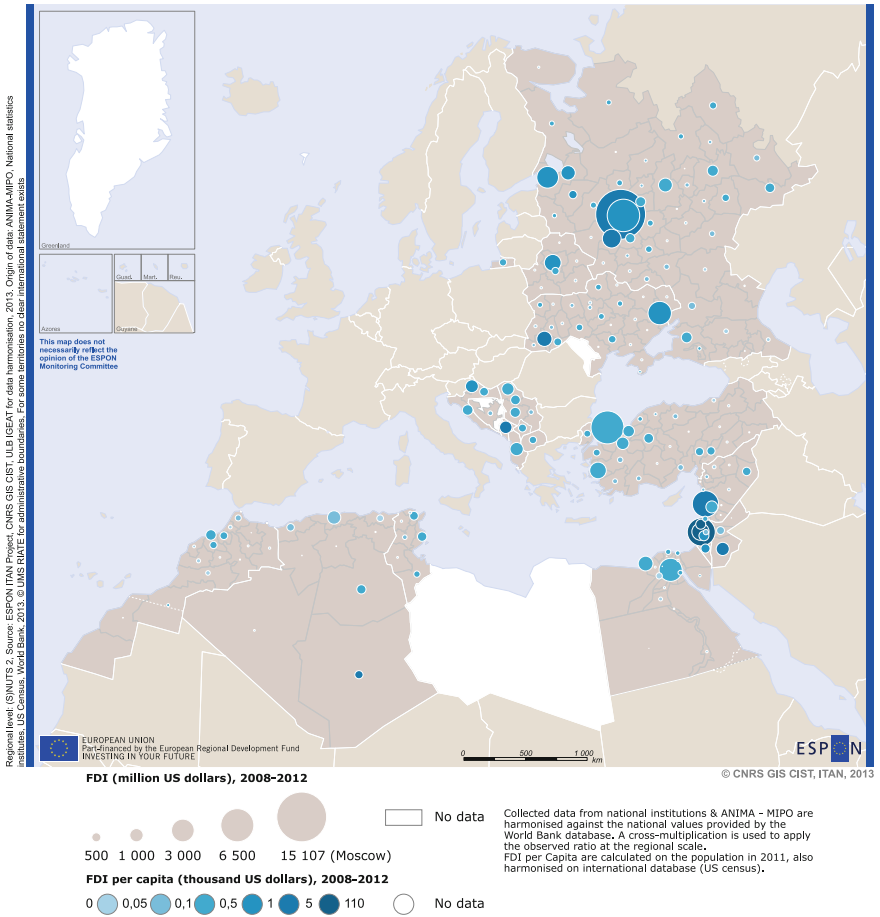
Fig. 2.6 Europeans do not invest in their neighbourhoods



Map 2.15 Where do FDI in-flows come from? The case of Turkey, Egypt and Morocco, 2006–2008



Map 2.16 Where do FDI in-flows come from? The case of Mexico, Thailand and China 2006–2008

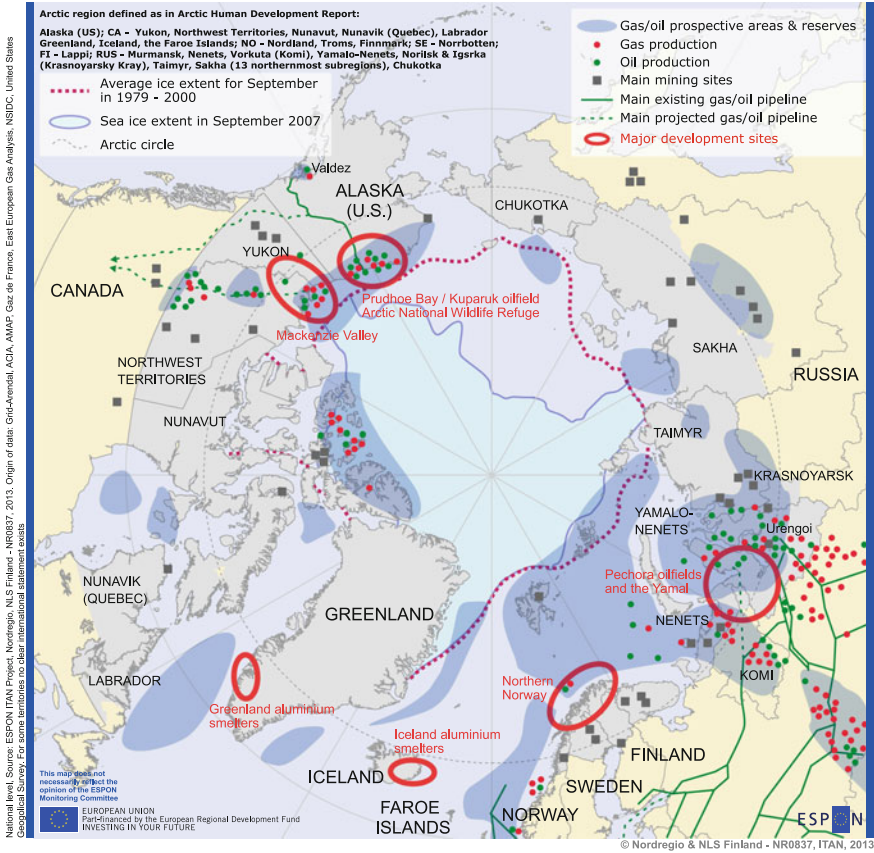


Map 2.17 The FDI inflows in the neighbourhoods, SNUTS 2

2.2.2 Energy: Threat or Opportunity?

2.2.2.1 Strategic Complementarities

The EU's energy dependency will reach 65 % by 2025; for gas it will reach 80 %. Unlike the EU, the European neighbour countries possess a large amount of the world's resources:



Map 2.18 Main natural resources and sea ice extent in the Arctic

- notwithstanding the Arctic potential resources (see Map 2.18), the Eastern neighbourhood possesses an impressive part of the world’s energy; Russia alone holds 32 % of world proven natural gas reserves, 12 % of the proven oil reserves and 10 % of the explored coal reserves. It procures a third of the hydrocarbons imported by Europe and a quarter of its coal imports. Other countries of the area such as Azerbaijan and Turkmenistan also hold some hydrocarbons reserves.
- Mediterranean neighbours possess 5 % of the world’s oil resources and 3 % of its gas; they supply one third of the gas and one quarter of the oil consumed in Europe, as well as transit (Turkey, from both Russian and Gulf production). Production and transit countries are similarly dependent on European consumer markets: 70 % of North Africa’s oil exports and 90 % of its gas exports are sent

to Europe, despite the aforementioned rising share of the US in Algerian sales. The potential for energy collaboration in the Mediterranean is therefore strategic. It could be the basis of an ambitious social (employment), industrial, technological and environmental partnership.

2.2.2.2 How the EU Tries to Reduce Its Dependence upon Russia and How It Barely Manages

Here we focus on the gas issue, for two reasons. One is the rising share of gas in the energy mix of Europe and its neighbours (lower greenhouse gas emission than oil). Two is the strong geographical dimension of gas delivery since oil is mostly delivered on the spot market (by boat) whereas gas is mostly delivered by pipes which can hardly be longer than 3–4000 km for cost and safety reasons.

The security of energy supplies is a particular concern in the EU because most of the EU member states rely on energy imports from Russia. Moreover, Russian interests rise in European gas distribution and production. For instance Russian firms own one third of Estonia's and Latvia's and 37 % of Lithuania's energy firms. The high dependency on Russian procurement sometimes crosses the line for autonomy, especially in central Europe like in the Baltic States where 100 % of natural gas and almost of oil imports come from Russia.

The EU has been seeking to limit Russia's influence on the European energy market, in connection with the gas supply disruptions of 2006 and 2009 by the Russian export monopoly Gazprom. Although the situation has now stabilized somewhat, the uneasy relations of the transit countries, Ukraine and Belarus, with Russia are a serious factor in the instability of energy supply in the region. In the light of these events, Russia is developing new pipelines to the EU by-passing Ukraine and Belarus, which would secure stability of energy exports to the EU and avoid dependency on transit countries.

The Nord Stream pipeline transports gas from Russia through the Baltic Sea directly to Germany, by-passing the Baltic States. The pipeline runs through the waters of five countries in the Baltic Sea region: Finland, Sweden, Denmark, Germany and Russia. It started operations in 2011 after fierce criticism from Estonia for environmental and safety reasons, claiming that hosting a strategic Russian asset could create a security threat for the Baltic countries.

Some analysts argue that with new pipelines and seaports projects, Russia is attempting to re-establish its geopolitical influence in the former Soviet countries and in Europe at large. Others argue that the Atlanticist powers (mainly US and UK) are seeking to promote Russophobia in Europe in order to *“prevent the rise of the European Union as a powerful competitor, partly with the strategic aim of preventing the integration of a Great Eurasian space extending from Vladivostok to*

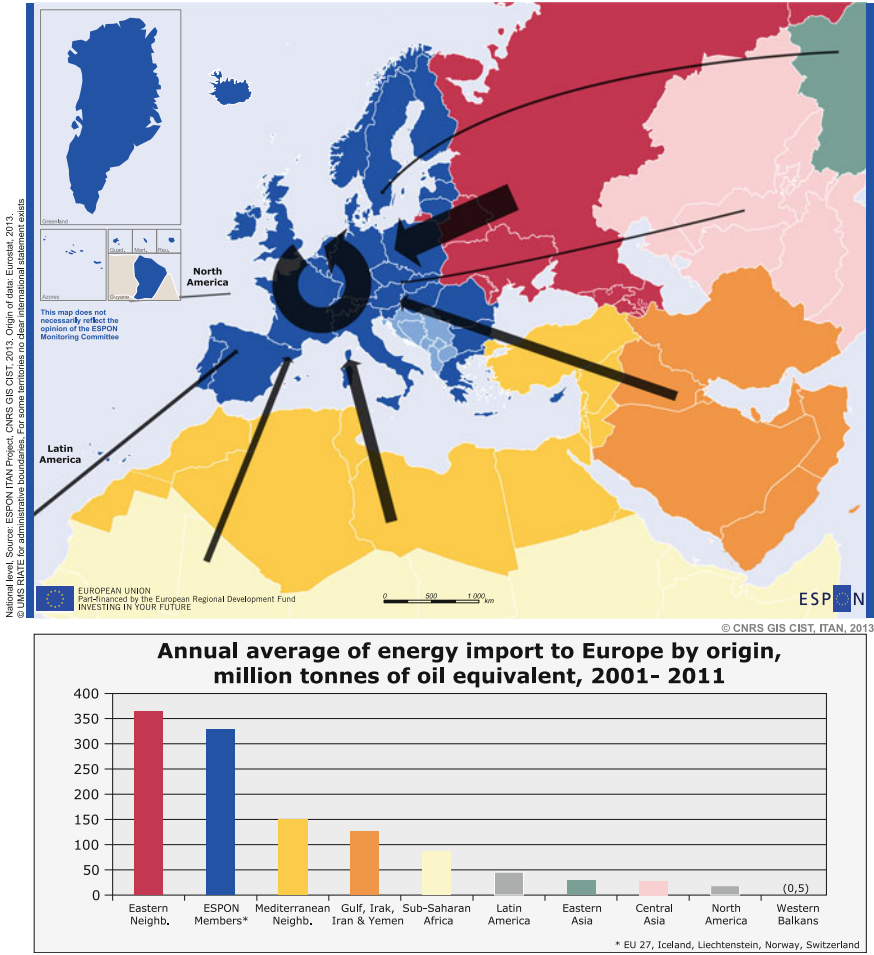
Lisbon” (Eskelinen et al. 2013, p. 119). According to this interpretation, the new pipelines are seen as means to unite Europe. Active lobbying of the US against the new pipelines, as well as American support for the colour revolutions in Ukraine and Georgia are among the arguments supporting this view. There is also a third opinion, according to which Russia is more likely to be driven by solely economic interests.

A new energy strategy for Europe 2011–2020 contributes to limiting EU dependence on Russian energy sources. The strategy seeks to promote a more widespread use of renewable energy and reduce oil and natural gas consumption in the long run. Secondly, it seeks to diversify the EU’s energy imports in order to avoid dependency on a single supplier. For this reason the EU has supported several projects by-passing Russian territory, such as Baku-Tbilisi-Ceyhan oil pipeline and the planned Nabucco gas pipeline. The Nabucco project was initially intended to secure gas from Iraq and Iran, but given the current political and economic instabilities in the two countries it adjusted, with main potential suppliers being Azerbaijan and Turkmenistan, and Romania since the discovery in 2012 of a large gas field in the Black Sea. The Nabucco project was originally backed by several European Union member states and by the United States, and was seen as a rival to the Russian South Stream pipeline project (Russian pipeline under the Black Sea to south-eastern Europe, construction started in December 2012). Since then, Azerbaijan has stated that the gas will be transported only through those routes which would be commercially most attractive, which means not necessarily by Nabucco; also the opening of the Central Asia-China gas pipeline and the agreements to build the Russian South Stream pipeline have provoked the abandoning of the Nabucco project in 2014.

2.2.2.3 The Two Drivers of a Common Energy Policy Between Europe and the Neighbour Countries

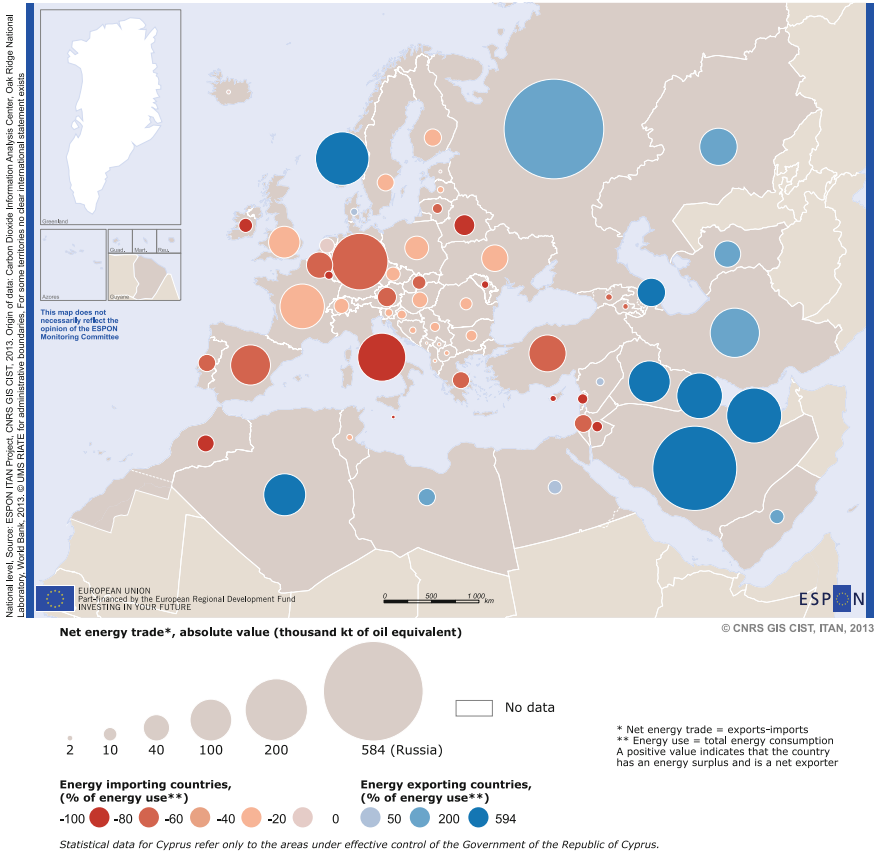
The maps below synthesise the main energy issue in the region. Map 2.19 shows the importance of Eastern neighbourhood—read Russia—in the primary energy consumed in Europe. Russia is the main provider of crude oil and natural gas with more than a third of the EU imports. Europe itself stands second (Norway provide 14 % of the crude oil and 28 % of the natural gas imported by the EU) but as said, this ratio decreases rapidly. The Mediterranean neighbourhood stands in the third place (Libya with 10 % of the crude oil imports and Algeria with 14 % of the natural gas). Oil and gas fields in northern Africa have not yet been fully developed, and in the near future they might become the primary source of oil and gas for Europe; Algeria might also become a transit country for the gas coming from Nigeria if the Trans-Saharan pipeline were to be built.

Map 2.20 demonstrates the complementarities between Europe and its neighbours: trade deficits (except Norway) in Europe, trade surpluses in most in the neighbourhoods—even though some neighbours are confronted to deficits: Western Balkans, Morocco, Tunisia, Near East except Syria, Moldova and Ukraine.



Map 2.19 Energy consumed in the European Union: the key role of the neighbourhoods

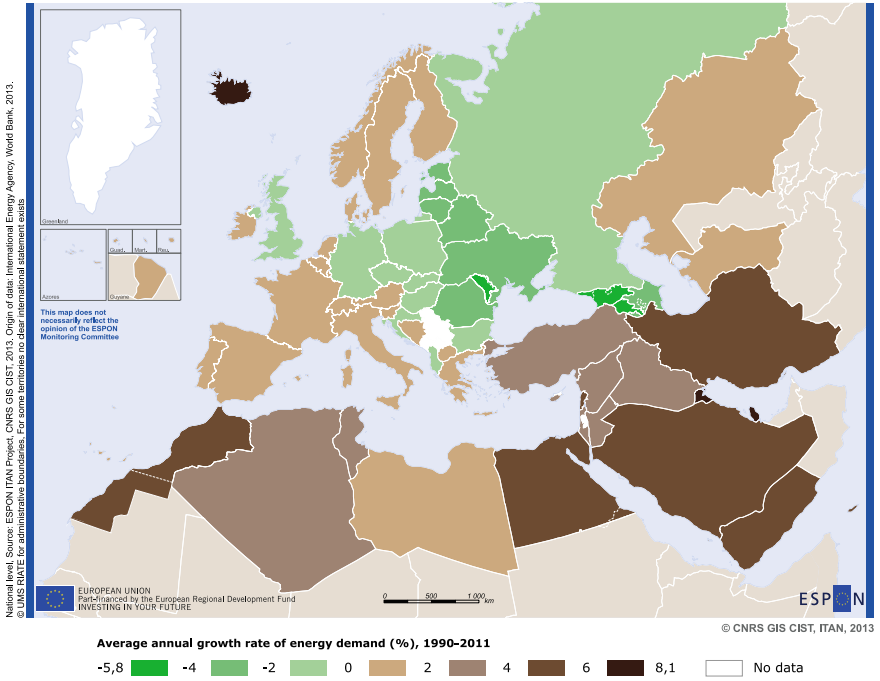
Map 2.21 shows the huge rise of energy demand in the southern neighbourhoods. This means at the same time, (i) huge potential markets for European energy enterprises which could find opportunities in these booming countries; in particular, in the coming decades no area in the world will experience a more rapid electricity demand growth than the South Mediterranean. And (ii) a threat if this boom is managed with low energy efficiency and high greenhouse gas emissions. Map 2.22 speaks about the threat: these booming southern neighbours depend very much on hydrocarbons. As this is also the case in the Eastern neighbourhood, the map



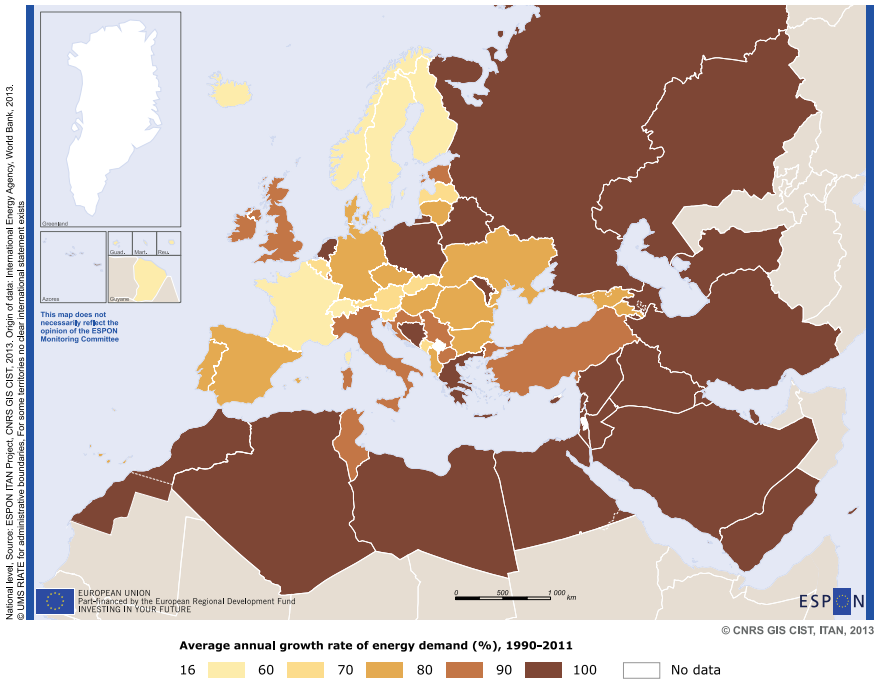
Map 2.20 Energy net trade: the complementary between Europe and its neighbours, 2011

displays a striking contrast between the EU where the energy transition has really begun, and the neighbourhoods. The consequence is given in Map 2.23: greenhouse gas emissions have been booming in the southern neighbours. Indeed they started with a low level of emission but they are clearly catching up.

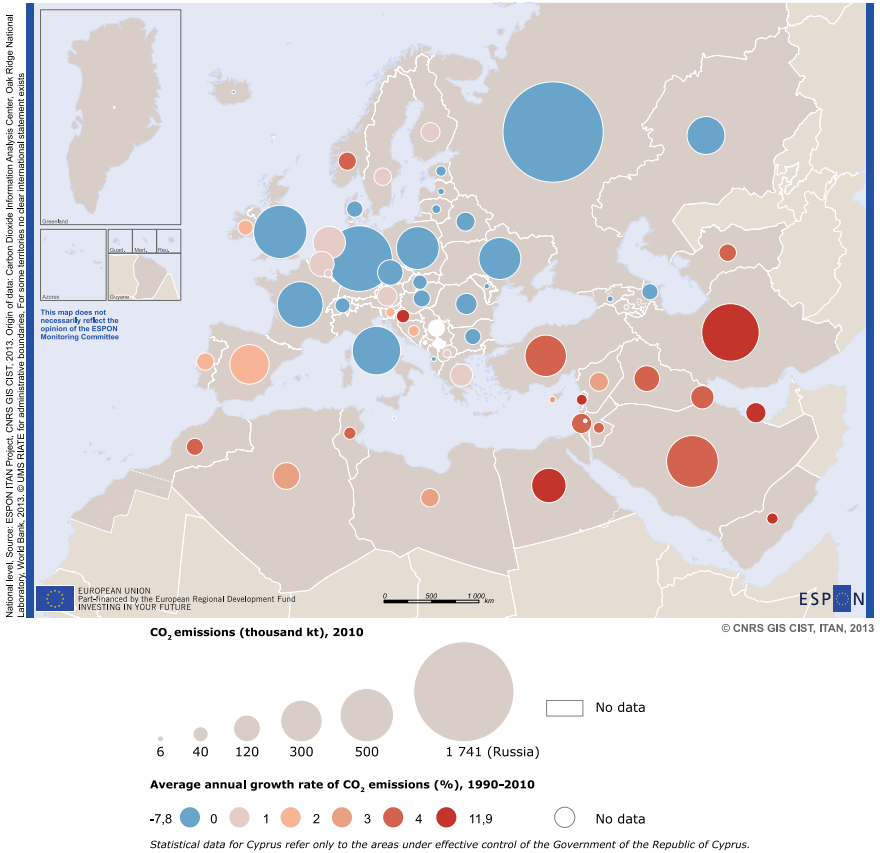
The conclusion is clear. An in-depth cooperation with the neighbourhoods in the field of energy would provide Europe with two key advantages: one is the security of procurements; two is a common policy in favour of energy transition and the fight against greenhouse gas.



Map 2.21 The huge rise in energy demand in the neighbourhoods, 1990–2011



Map 2.22 Share of fossil fuels in energy consumption, 2011



Map 2.23 Mediterranean neighbours are catching up: greenhouse gas emission, 1990–2010

2.2.3 Challenges: Environmental Risks, Water Scarcity, Non-inclusive Growth, Political Unrest

2.2.3.1 Environmental Risks

It is impossible to give a comprehensive view of all the environmental challenges of all the neighbourhoods. Here we briefly highlight some examples, taken in two neighbourhoods and in the fields of earthquakes, climate change and water—which have direct impacts on the EU territory.

In the Eastern neighbourhood several environmental issues have direct impacts on the EU territory: the consequences of the Chernobyl nuclear tragedy in 1986, environmental problems linked to industrial processes, military heritage, radioactive and toxic waste, poor status of the water environment, and the pollution of the Black and Baltic seas.

The Western Balkans have to deal with the legacy of pollution inherited from the socialist period: concentration of highly polluted zones in industrial centres or exploitation of mineral raw materials now closed are the major sources of unsolved solid waste and other environmental problems. Even if in the 1990s conflict and the economic crisis reduced the pollution from agriculture and industry, the rehabilitation of all polluted industrial and mining-energy sites remains one of the main issues. In contrast, the Balkan countries benefit from exceptional landscape diversity and biodiversity; for example, Albania has a concentration of 30 % of European plant species. This potential needs to be protected, but in 2007 only 6.5 % of the overall Balkans territory was placed under protected areas, ranging from 0.8 % of the territory in Bosnia and Herzegovina to 10.4 % in Albania (EEA 2010).

In the last two decades, the Western Balkans were confronted with two rising issues:

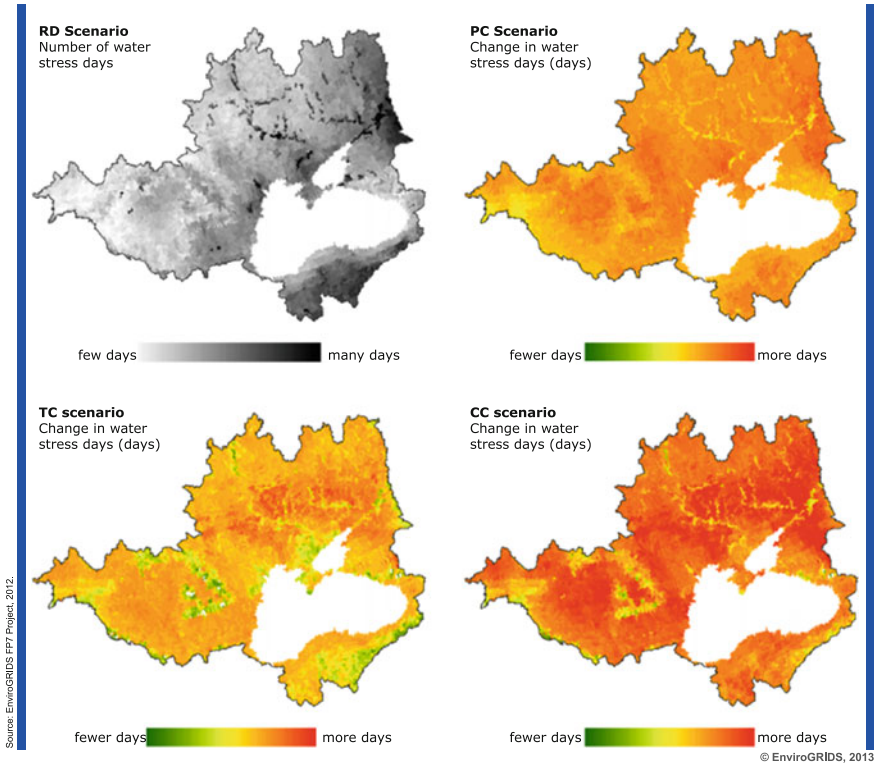
- (i) Waste management of both industrial activities and municipalities, which threatens the quality of soils and water. The generation of municipal waste has risen steadily, and it is more and more convergent with EU levels.
- (ii) The risk management of floods and droughts, which requires international cooperation. The area seems to be one of the most vulnerable to climate change with significant floods in the northern part (Danube river basin) and severe droughts in the southern part. The international cooperation is enhanced by the International Commission for the Protection of the River Danube.

Other projects have stressed the coming impact of climate change on the Black Sea area and in particular on Ukraine. The different scenarios of the Envirogrid project are not convergent with the impact on agriculture, but they are convergent with the rising scarcity of water (Map 2.24).

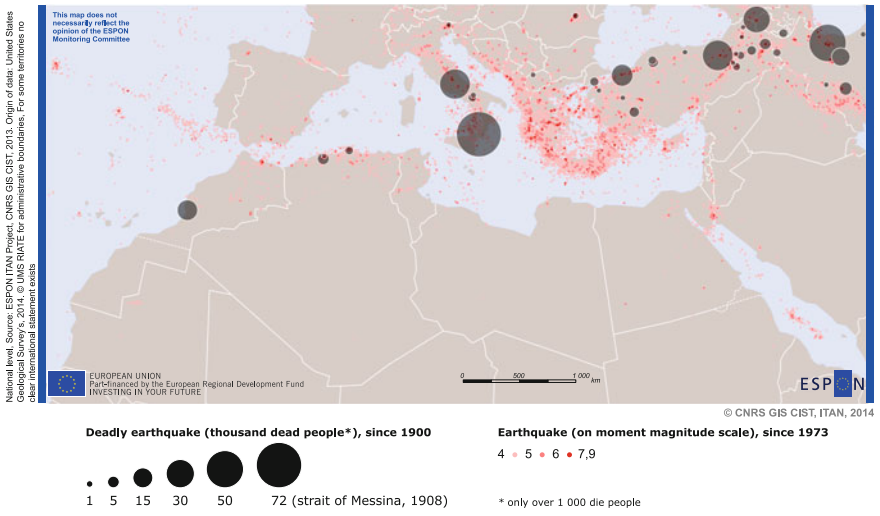
Concerning the Mediterranean neighbourhood, we illustrate the environmental stakes through the earthquakes issue and the water issue. The numerous earthquakes in the Mediterranean and historic tsunamis prove that the threat remains high. This calls for a cooperation between Europe and its neighbours (which has largely begun e.g. between Greece and Turkey) in the three domains of (i) common alert system, training and exchanges of experiences in the field of crisis management or insurance issues; (ii) concerted actual crisis management; (iii) post-crisis reconstruction (Map 2.25).

Along with north-western India, the Mediterranean is the region of the world for which climate change scenarios converge the most seriously. The water shortage will particularly impact Egypt (Fig. 2.7). The water exploitation index is high in the water basins of the Mediterranean, and not only on the southern side: compared to available water resources, withdrawals have been historically high in previous decades, especially in the Near East, in Libya and Tunisia but also in Greece and Spain: the water issue is not only a neighbour concern (Map 2.26). The available water resources are not sustainable in the South, because of their considerable reliance on groundwater.

As an example, in Tunisia, which is one of the most efficient of the Arab countries in the field of water and sanitation, improvement in drinkable water (Map 2.27) and sewage (Map 2.28) raises various problems: (i) ecological, since the water resources



Map 2.24 Black Sea catchment: water stress days and their changes in the 21st century



Map 2.25 Earthquakes in the Euro-Mediterranean area since the beginning of the 20th century

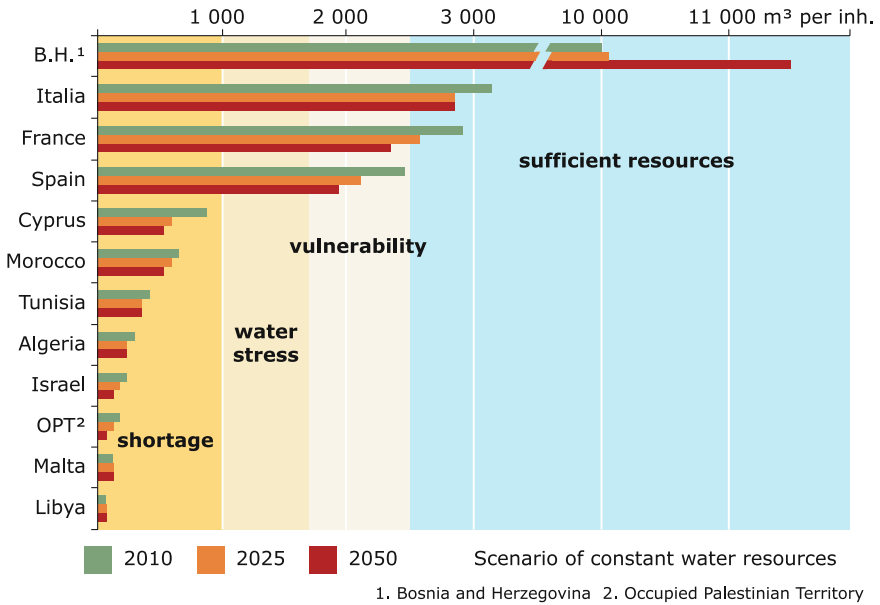
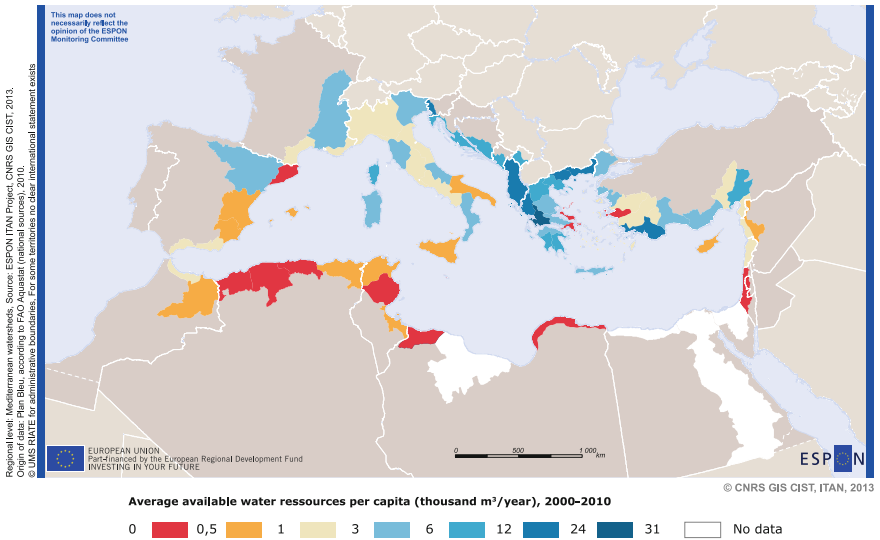
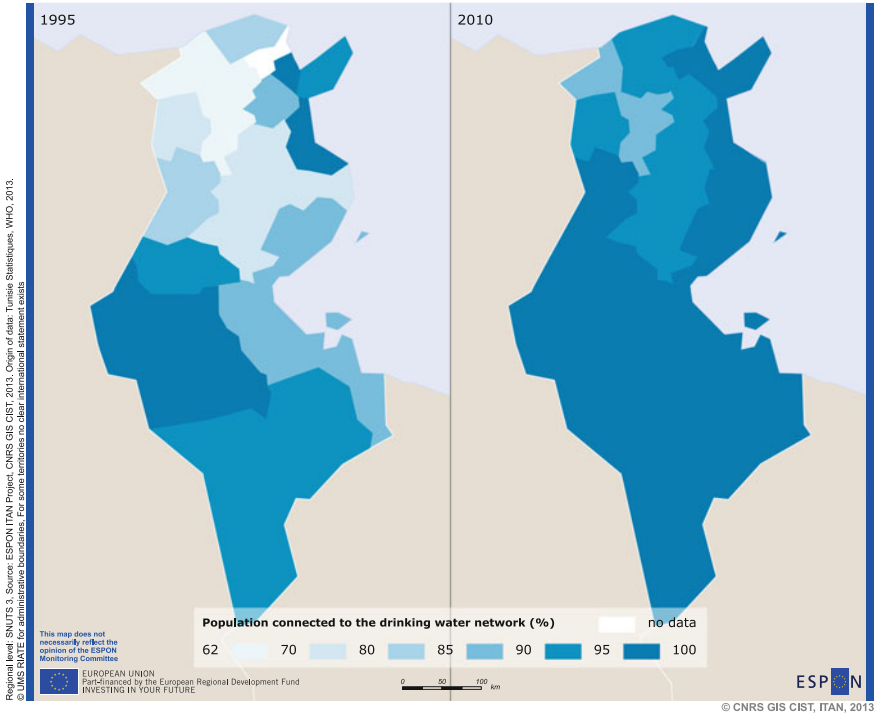


Fig. 2.7 Mediterranean neighbourhood: water deficit at horizon 2050



Map 2.26 Water resource per inhabitant, 2000s



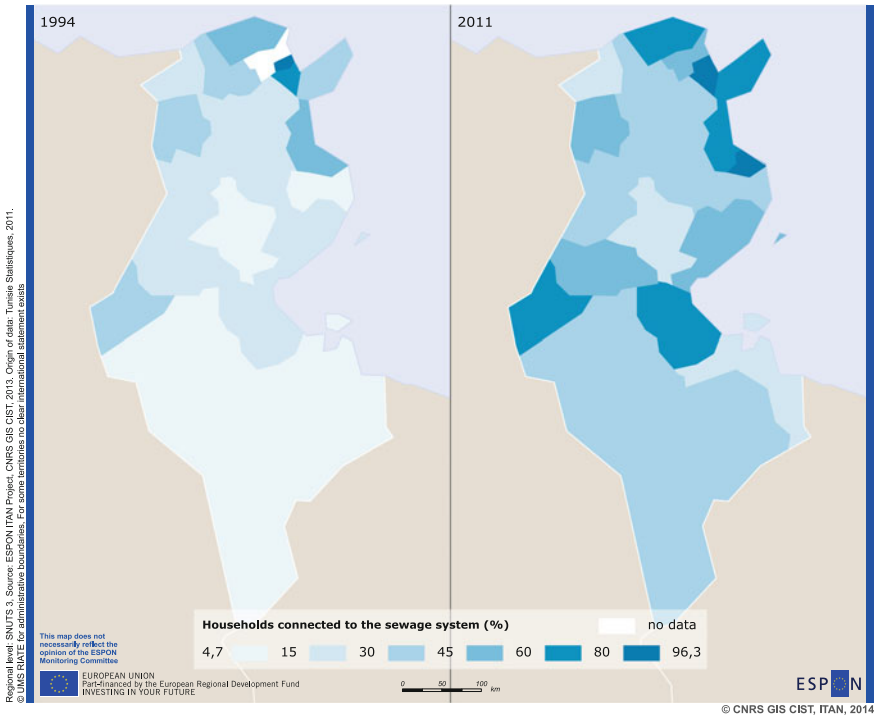
Map 2.27 Is the progress in access to drinkable water sustainable? The case of Tunisia

are taken from non-renewed groundwater. (ii) managerial, since the know-how is lacking in both the governance and technical aspects. (iii) political, since the modernisation of the water service would need an increase of the water tariffs that the government cannot undertake. (iv) financial, since the needs for modernisation of the water and, above all, the sanitation infrastructure remain huge. (v) territorial, since the North-West of the country (water and sewage) and the South (sanitation) are lagging behind the North-East. The water issue is one of the most important corner stones for an enhanced cooperation between Europe and its neighbours.

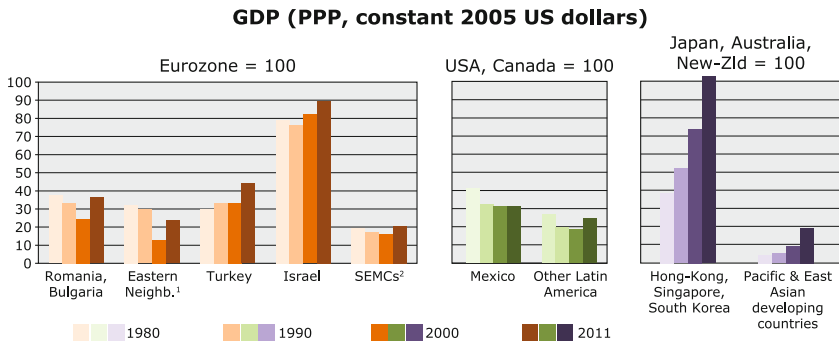
2.2.3.2 Non-inclusive Growth

The issue of inclusive growth is at stake at many scales:

- locally because of the poor quality of development, access to universal services such as water, and people participation in the neighbour territories’ governance;
- at national scale because the regional disparities are rising in particular in countries such as Tunisia or Turkey;
- at the scale of the greater European region, where the discontinuities are not sustainable. Figure 2.8 compares the GDP per capita in purchasing power parity



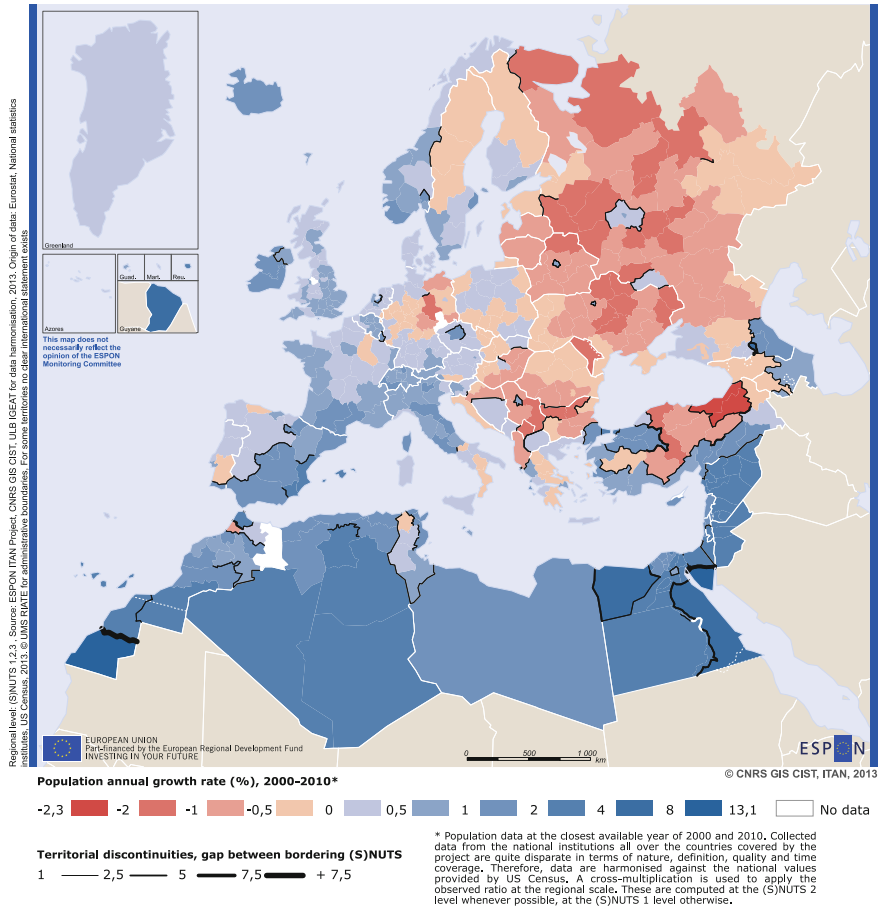
Map 2.28 Low progress in sewage. The case of Tunisia



(1) Caucasian countries, Belarus, Ukraine, Moldavia (2) South and East Mediterranean countries (excl. Israel, OPT, Turkey)

Fig. 2.8 The gap of development does not decrease between Europe and its neighbours

(PPP) in the three major world regions. In East Asia, the Dragons have clearly caught up with Japan, and the emerging countries (including China) are progressively bridging the gap. In the Americas, the emerging Latin America does not fill the gap vis-à-vis the USA, but (i) the US experienced a rapid growth of



Map 2.29 Demographic evolution in Europe and in the neighbourhoods

their GDP per capita, and (ii) Latin America is at level 25 (Mexico excluded, 100 = USA). In the European region, apart from Israel and Turkey, the gap remains huge: the Arab Mediterranean neighbour countries hardly reach a level of 20 (Eurozone = 100).

The ITAN composite indicators provide several key pieces of information to assess the insufficiently inclusive development of the neighbourhoods. To begin with, simple classic indicators such as demographic evolution, education and income shed light on sharp territorial disparities.

Map 2.29 on the demographic evolution in the 2000s displays the major discontinuities in the greater region. Except in south-eastern Europe vis-à-vis Turkey, major discontinuities are not that significant between Europe and its neighbours than within the neighbourhoods. Between Europe and the Eastern neighbourhood,

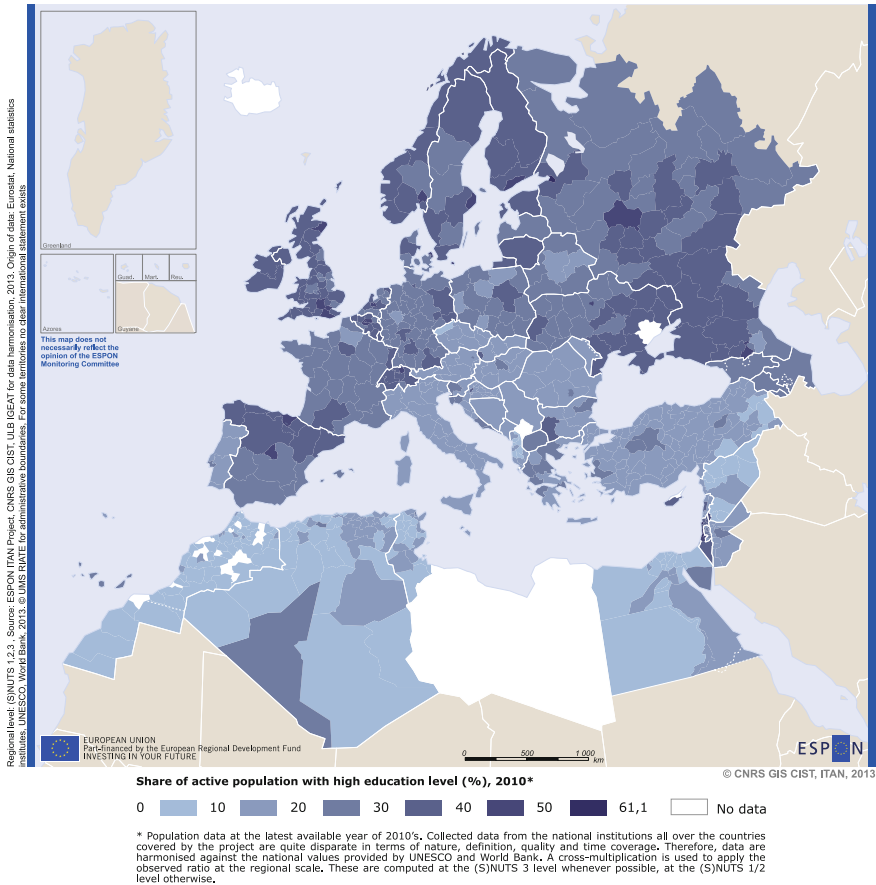
there is rather a progressive gradient from positive demographic growth in the westernmost Europe to a mixed situation in Germany and a negative growth when one crosses the external borders eastward and lastly a very clear decline in many Russian territories. Within Russia, a strong discontinuity appears between the Moscow urban area and its surrounding regions. In Ukraine, apart from Kyiv City, all territories are demographically declining.

Within the Western Balkans, globally in demographic decline, discontinuities appear in Serbia and between Kosovo and the Fyrom: the demographic issue is indubitably one of the stakes of the Western Balkans territories. Discontinuities also appear vis-à-vis the EU territories of northern Greece and western Bulgaria. In the Mediterranean neighbourhood, major discontinuities appear within Morocco, within Algeria, within Tunisia, within Egypt, within Israel, and, mainly, within Turkey, because these countries are experiencing a rapid urbanisation process as well as an economic transition with severe contrasts between developing areas and left behind territories. Here, the stake would rather be to transfer European know-how in the fields of territorial planning and regional policy, to the neighbourhoods. It seems to be particularly important in the case of Turkey.

Another stake of the greater region is education. The Mediterranean neighbours have managed rapid progress in school enrolment. Yet, many difficulties remain, in particular in rural areas, in particular for women, in particular for those over 30 years. But an unexpected concern appears also for young girls: in secondary school, many more of them are enrolled than their elders and their male counterparts, because at this stage boys all too often drop out. The contrast is incredibly high between over-representation of girls in secondary school and under-representation of women on the labour market, in particular outside of metropolitan areas. This suggests a future rising concern for South Mediterranean women, namely in the non-metropolitan areas, when these now very numerous educated girls will have become young women looking for—lacking—jobs. In the field of education, the contrast between Europe and the Mediterranean neighbourhood is one of the highest among all the indicators (Map 2.30), which also means that potential cooperation in that field seems boundless between Europe and its neighbours.

Very much related to the previous indicator is the income issue. Map 2.31 shows the gap between the Russian, Israeli and western Turkish territories on the one hand, and almost all the other neighbour countries on the other. Again, the issue of internal inequality proves relevant, particularly in Turkey, Egypt, Algeria and Tunisia where the contrast between the littoral or the capital city area and the inner country is impressive. In the Near East, the contrast between Israel and the rest of the area is a part of the geopolitical mix (see below Sect. 6.1.3). In the Western Balkans, Bosnia and Herzegovina and Albania appear as the most unequal countries (we do not have regional income data for Serbia). In Ukraine the contrast is strong between the capital city and the rest of the country where income seems evenly low. Section 4.4 below explains that these rising inter-regional disparities within Ukraine are a key factor of the on-going civil war there.

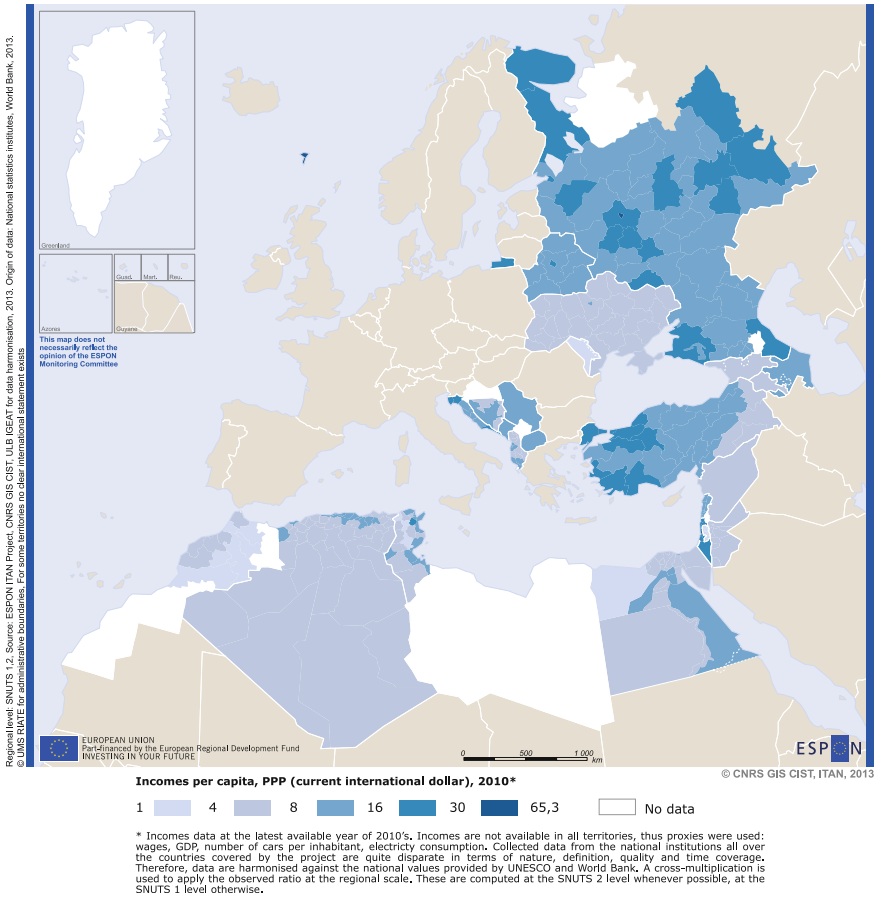
The evolution of Human development sums up the previous analyses and provides further information. The ITAN project carried out an analysis at



Map 2.30 High education level in the European region, 2000s

macro-regional scale, at national scale and at local scale thanks to the local Human Development Index (HDI) defined in Sect. 1.3.2. The Eastern neighbourhood is recovering after its harsh 1990s decade, and the Mediterranean neighbours keep on improving (Map 2.32). As a whole, the divide between Europe and its neighbours has rather decreased in the 2000s. The Mediterranean neighbours seem to benefit from their long run effort in education, even though many shortcomings remain. Life expectancy is improving in the Eastern neighbourhoods but for Russia only and at a low level, in particular for men.

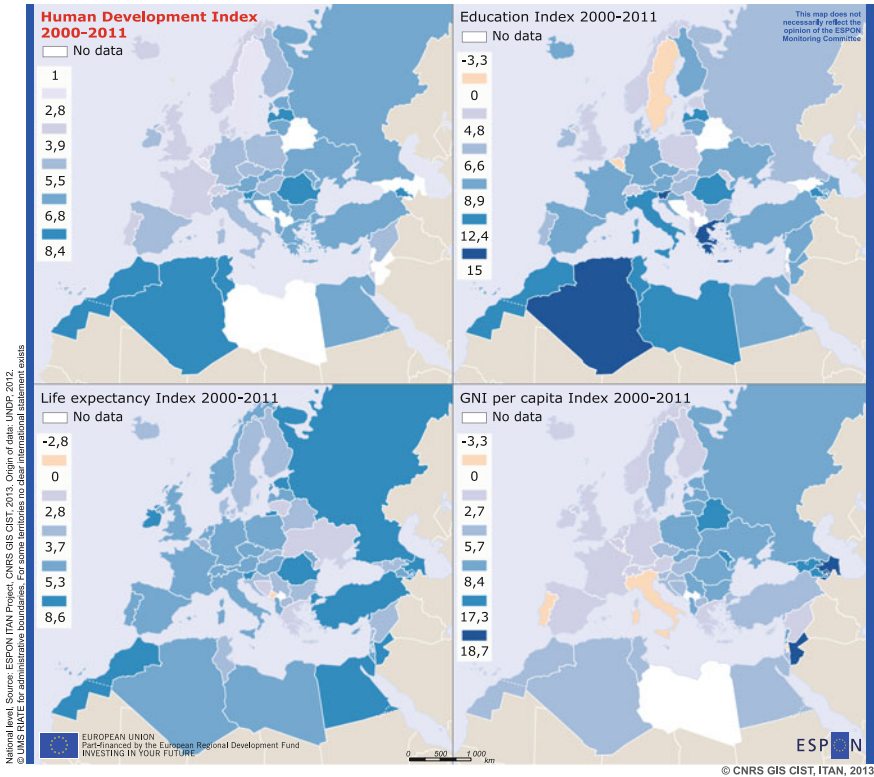
Map 2.33 gives an idea of the added value of ITAN thanks to the calculation of local HDI. Its first output is to confirm that local realities rely very much on national structures, especially in human development where national public policies are



Map 2.31 Income per capita in the neighbourhoods, ca 2010

determinant for health and education. In Russia, Ukraine and Egypt, local records more or less equal the national values, despite some peculiarities such as the Belgorod Russian oblast at the immediate north-eastern periphery of Ukraine (this territory hosts energy and in particular nuclear activities, with high salaries and educated people). But in other countries, internal disparities are confirmed, especially in Tunisia and Turkey. Map 2.34 uses a simpler way to express the indicator, and stresses the discontinuities.

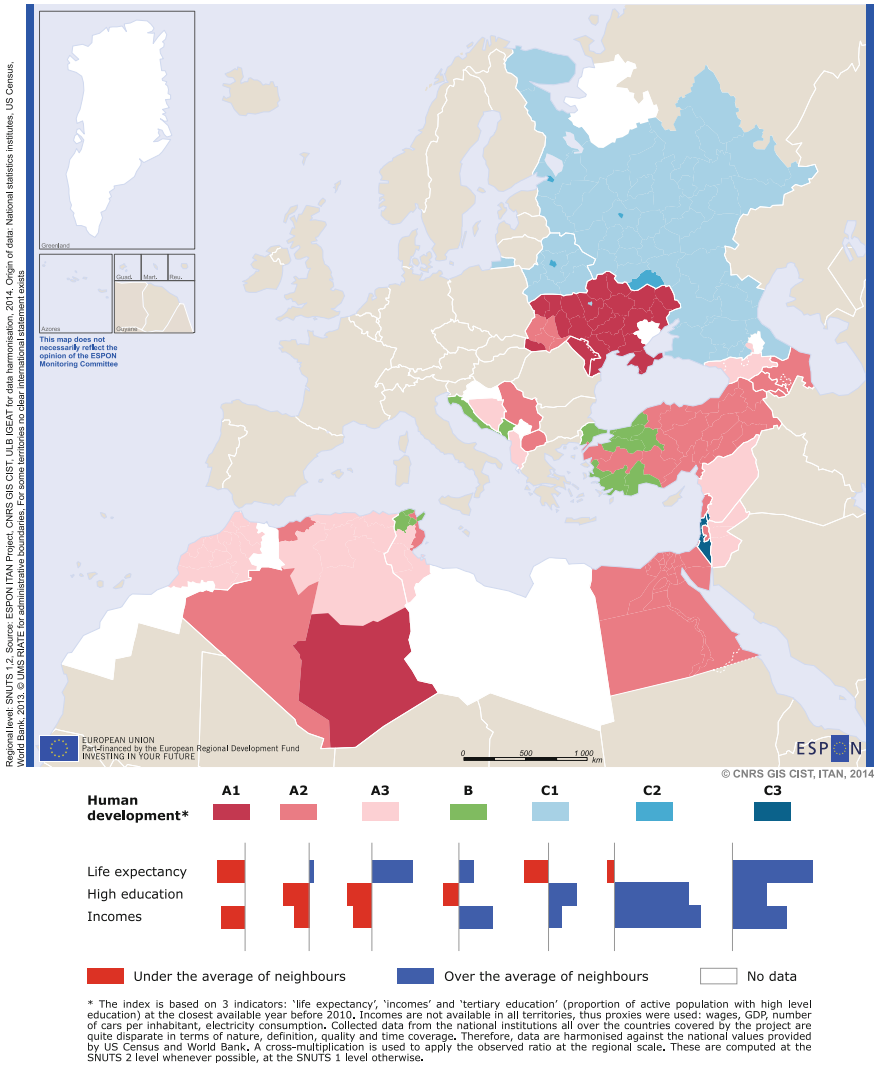
Map 2.35 gives the cartographic output of another ITAN composite indicator: territorial dynamics. The typology set up here keeps the distinction between demographic evolution (very much in favour of the Mediterranean territories and



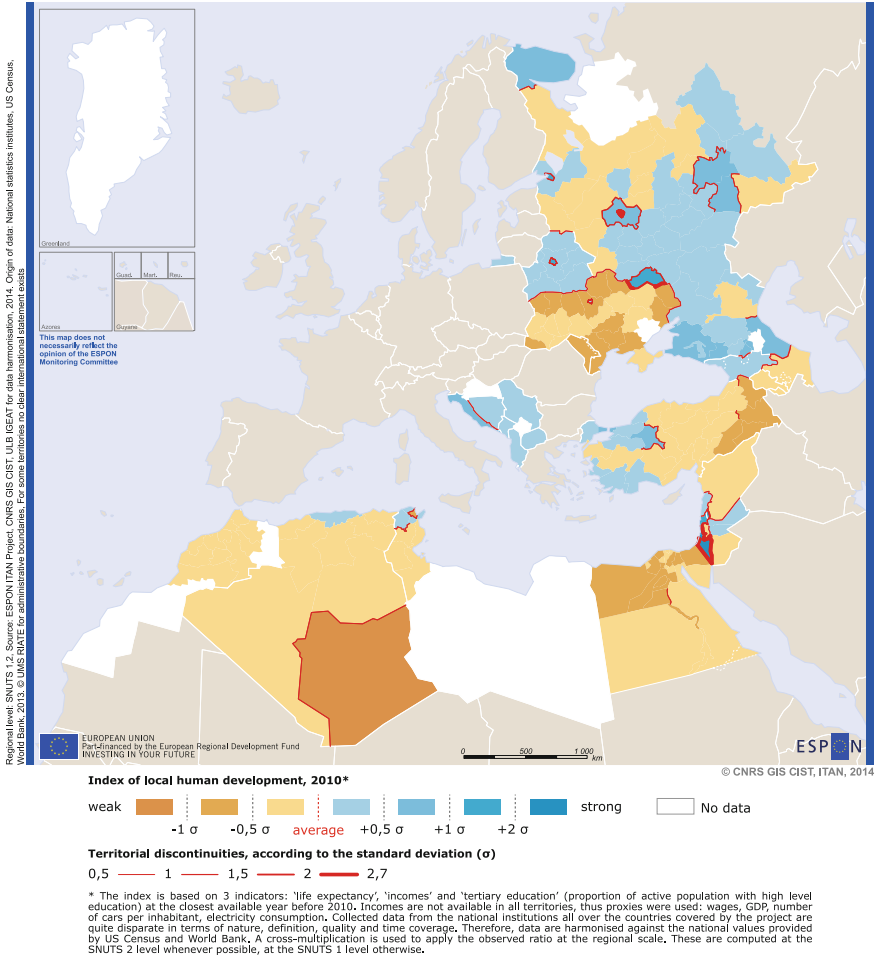
Map 2.32 Evolution of the human development index, national scale, 2000–2011

not at all of Eastern) and economic evolution. As a whole, the dynamic is confirmed to be rather in the South than in the East, despite some Mediterranean neighbour countries are very worrisome because their strong dynamic is demographically driven and not economically sustained (see southern Algeria for instance). The situation of greater Cairo in Egypt is not easily readable given the delineation of the Egyptian governorates.

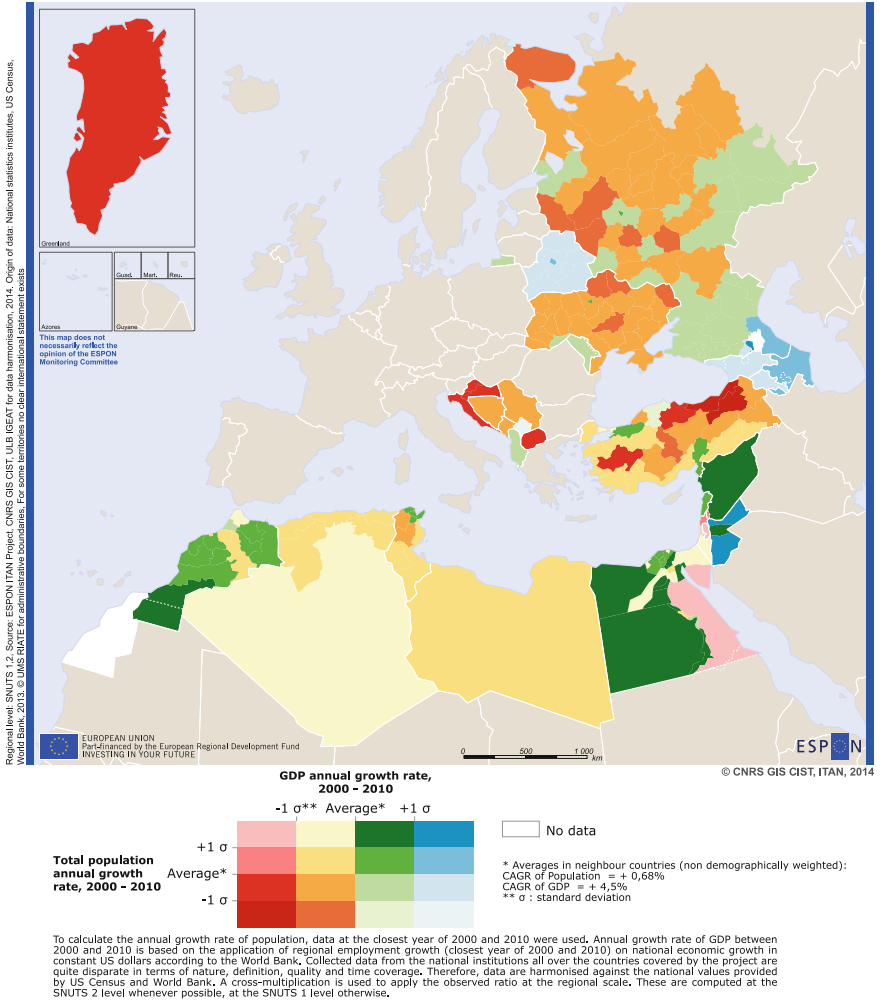
But when it comes to territorial potential, the last composite indicator of the ITAN project, the advantages seem to be clearly in the East—read Russia and not Ukraine—rather than in the South, with Turkey in an intermediate position and with, again, great internal heterogeneity. Here, the Moscow and Israeli territories are far ahead, but several territories in upper Nile Egypt show up. Maghreb, meanwhile, is lagging behind (Map 2.36). The Map also shows that at the beginning of the 2010s, Syria's record was not so bad; one can imagine its collapse after four years of civil war.



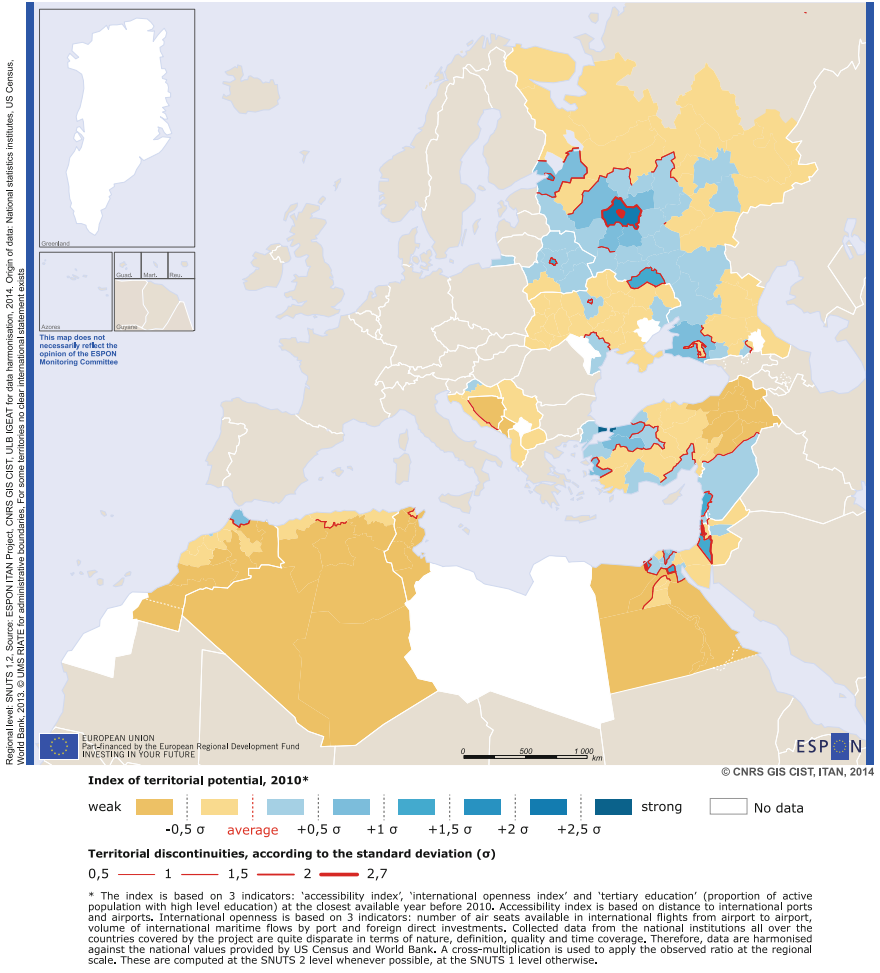
Map 2.33 Local human development typology, 2010



Map 2.34 Local human development, index and discontinuities in the neighbourhoods, 2010



Map 2.35 Territorial dynamics, 2000–2010



Map 2.36 Territorial potential, 2010

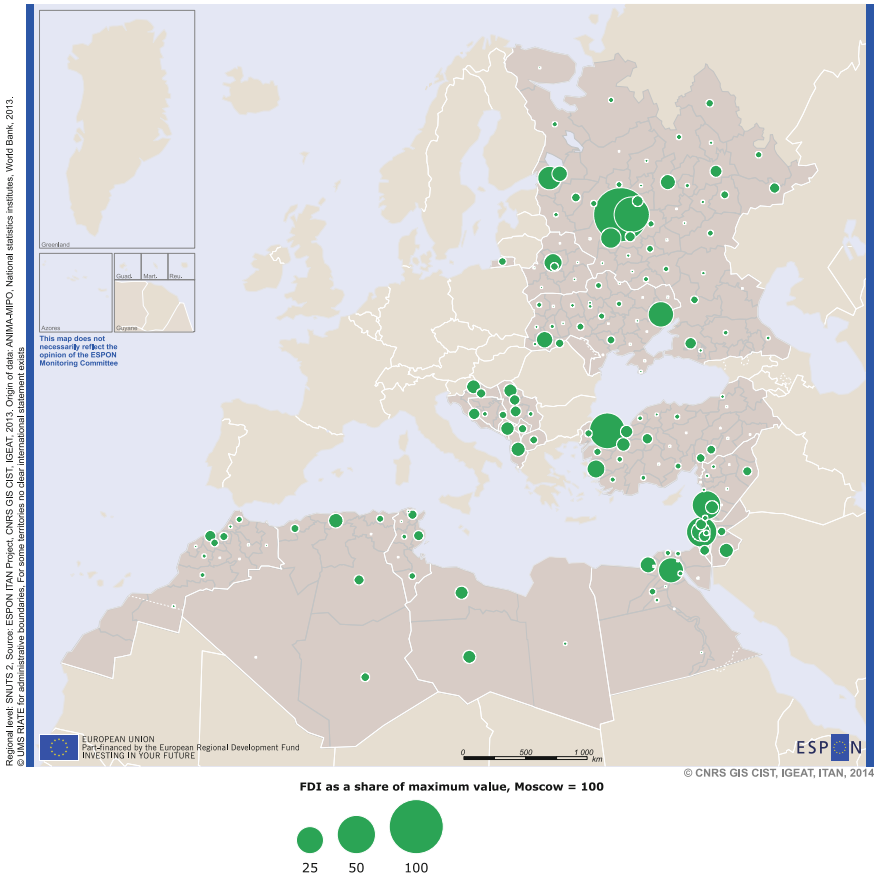
2.2.3.3 Political Challenges

They are many. They sometimes have direct territorial impacts or origin. Table A in annex gives an overview of the contested territories in the neighbourhoods. One of these challenges is related to the minority issue—long a cultural treasure of the greater region, of course, but undoubtedly it is a component of many of the contested territories. Due to the lack of reliable information, it would require a whole research project per se to gather the minority needed data. And such a project would prove hard: Arab states' censuses increasingly delete questions about religion or "ethnicity", because these issues are increasingly sensitive—not to mention the Lebanese case where the census is postponed for decades so as to avoid any question on Christians and Muslims' demography.

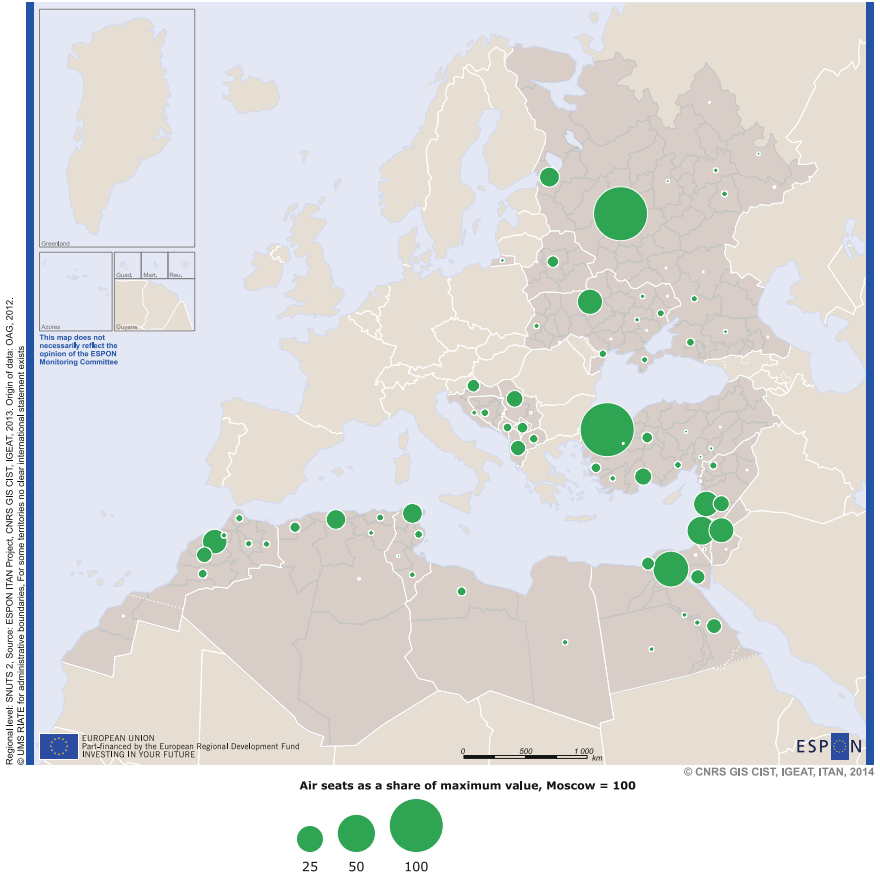
2.2.4 *The Neighbours' International Openness as a Major Stake for Interaction with Europe*

The methodology of the ITAN International openness index distinguishes two approaches, one weighted by time-distance to international transport facilities which highlights *accessibility*; and one non-weighted, which highlights the *agglomeration effects*.

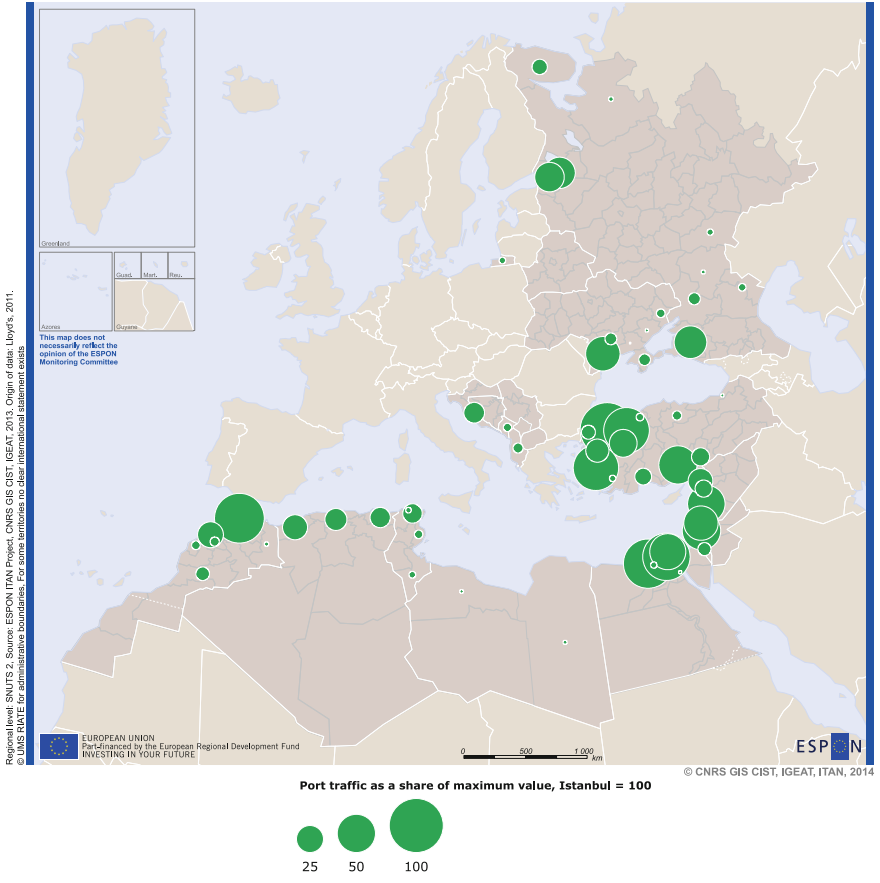
The maps below show the three components of (non-weighted) international openness and then their synthetic index (Maps 2.37, 2.38, 2.39 and 2.40). There are two keys of interpretation of this final synthetic indicator of international openness: country effect and metropolitan effect. First, bigger and/or more developed countries have, in general, higher internationalisation; this was an expected result. However, the strong concentration in the capital city of the country is tempered by the geography of the major ports, often located in another city, which is an important pattern of the neighbourhoods' geography.



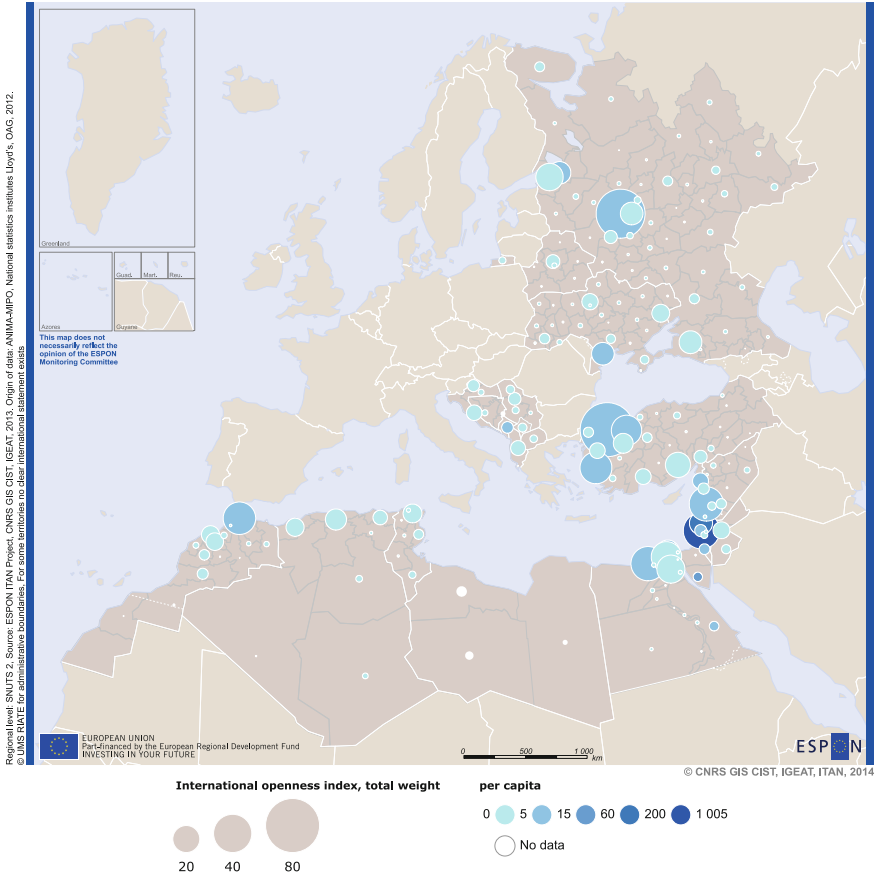
Map 2.37 Foreign direct investments, 2008–2012



Map 2.38 International air traffic, 2012



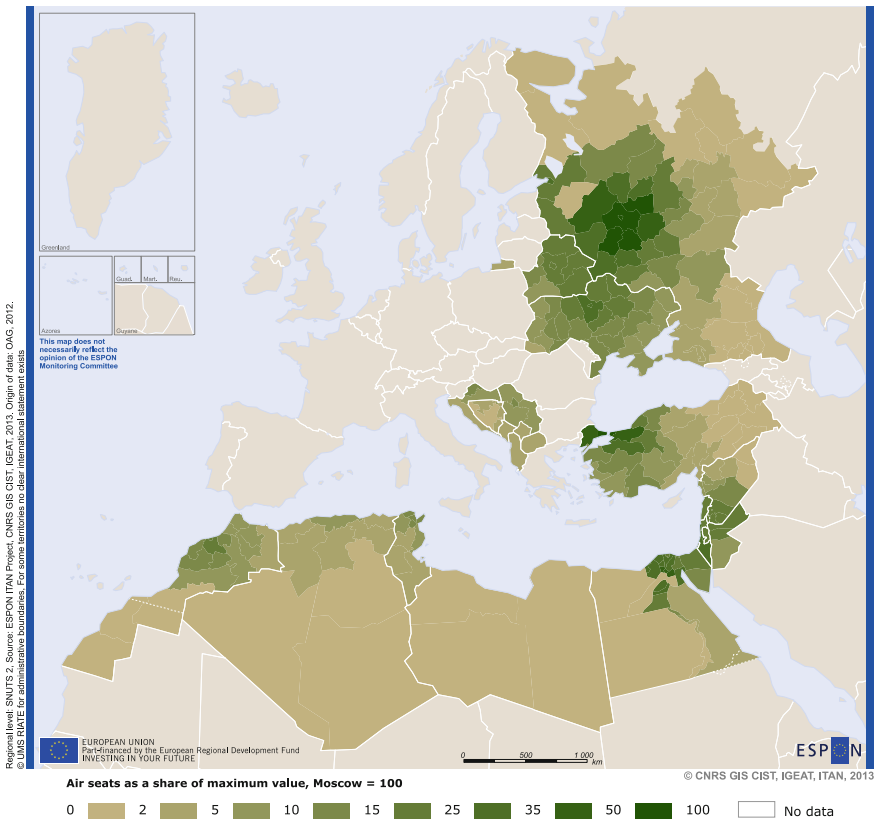
Map 2.39 International port traffic, 2011



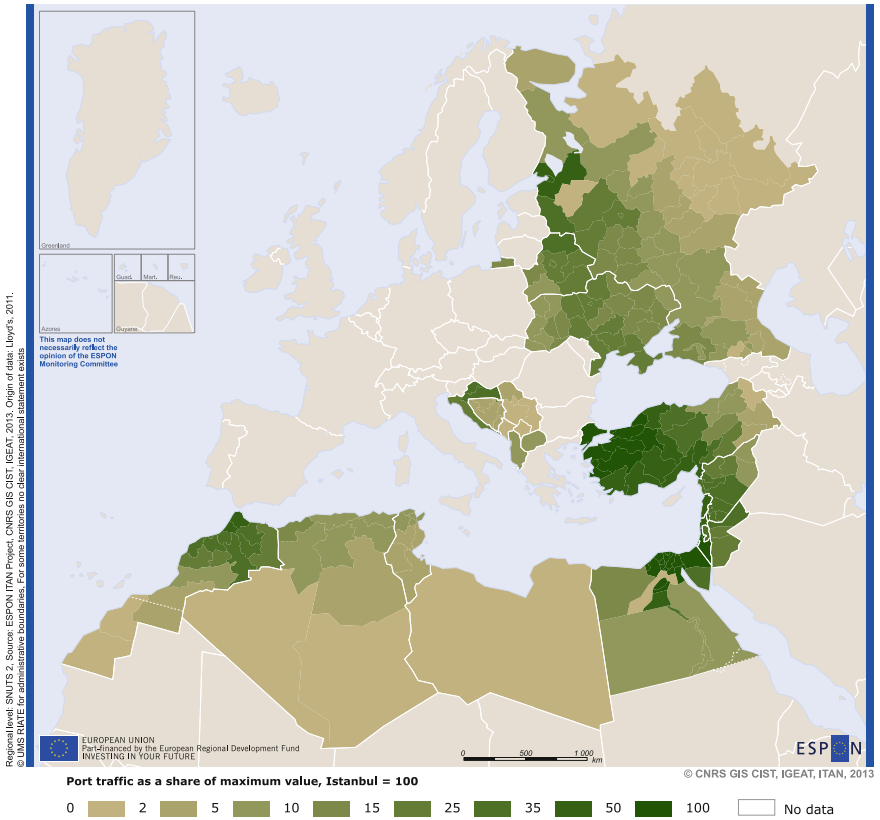
Map 2.40 Geography of local international openness index, around 2010

In the synthesis map, we also take into account the demographic size of the territorial units. This highlights the international openness of Israeli territories, and the low international openness of the North African territories although we saw that their potential accessibility to the European territory is very high. This suggests important avenues for territorial development there, to take better advantage of these North African territories' international situation. The strong position of the Istanbul area is all the more impressive as it is not only due to maritime flows but also to air flight and foreign investment. In Russia, the overarching dominance of Moscow appears clearly on the map.

Maps 2.41 and 2.42 show the two components of openness which have been weighted by time-distance to transport facilities: air and maritime connexions. What is striking is the low performance, again, of Maghreb territories except in northern Morocco, but also of the Western Balkans (except Croatia for maritime openness). This reveals important avenues for further transport development in these parts of the neighbourhoods.



Map 2.41 International air traffic, 2012. Values weighted by time-distance to the airports



Map 2.42 International port traffic, 2012. Values weighted by time-distance to the ports

2.3 Do Europeans Care About Their Neighbourhoods? An Analysis of Media Data

This section analyses the European representation about the neighbourhoods as seen by the European press. It gives a first overview of the tremendous advantage than researchers can take from the media databases and their geographical treatment. They can provide a robust picture of spatial representation and mental images—a tricky field, all too often analysed through a limited number of data or interviews. To start with, we explain our choice for a panel of five generalist newspapers and five business newspapers from different European countries within the Factiva database.

Table 2.3 Factiva corpus of part of the European press used by ITAN

Country	Generalist newspapers	Economic newspapers
France	Libération	La Tribune
Germany	Suddeutsche Zeitung	Financial Times Deutschland
Italy	Corriere della Sera	Italia Oggi
Great Britain	The Guardian	Financial Times UK
Spain	El Mundo	Cinco Dias
Czech Republic		Hospodarske Noviny

Notes

Periods 1998–2000 and 2010–2012

The Italian and German newspapers were only included for the period 2010–2012

2.3.1 The Choice of Our Corpus of European Newspapers

From Factiva we have constructed our own database translating the spatial vision of a part of the European press. We selected national flagship reference media in Europe which regularly and comprehensively reference their articles and have a wide audience. In order to compare them, we selected two types of press: general media, open to a wide cross-section of the public; and a more specialised press focused on business, for two reasons: (i) the economic potential of the neighbourhoods is widely under-estimated by European stakeholders beyond oil and gas procurements, and (ii) business newspapers make a quite homogenous corpus whereas generalist newspapers necessarily show a wider variety of thematic subjects from one media to another. We chose one generalist newspaper and one business newspaper in five major European countries (only economic for the Czech media, see Table 2.3), under the assumption that the French, Italian and Spanish media would rather report on Mediterranean neighbourhood's events, the German and Czech media rather on East neighbourhood's ones. Not least than 2.4 million international (i.e. excluding the articles on the newspaper's country) press articles were analysed, over two periods: 1998–2000 so as to cover, in particular, the on-going change in the Eastern neighbourhood in transition, and 2010–2012 so as to cover, in particular, the Arab spring.

2.3.2 Silence and Noise in the European Media Regarding Neighbourhoods

The first result is that European newspapers pay a small and declining attention to the neighbourhoods. Over the two periods, 1998–2000 and 2010–2012, 15 % of the 2.4 million analysed international articles focussed on at least one neighbour country. 17 % of the articles in general newspapers include a reference to these

Share (%) of ENCs in international articles published by ITAN newspapers' sample by type of newspaper

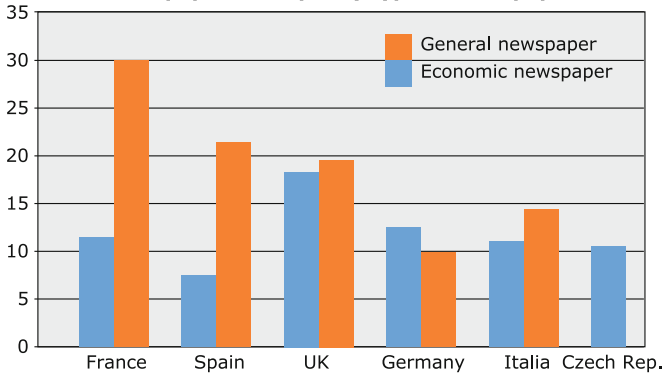


Fig. 2.9 Share of articles on neighbour countries in ITAN international articles' sample, 1998–00 and 2010–12

countries, whilst the percentage is only 13.5 % for economic newspapers. This confirms that the European business milieu pays rather scant attention to the neighbourhoods.

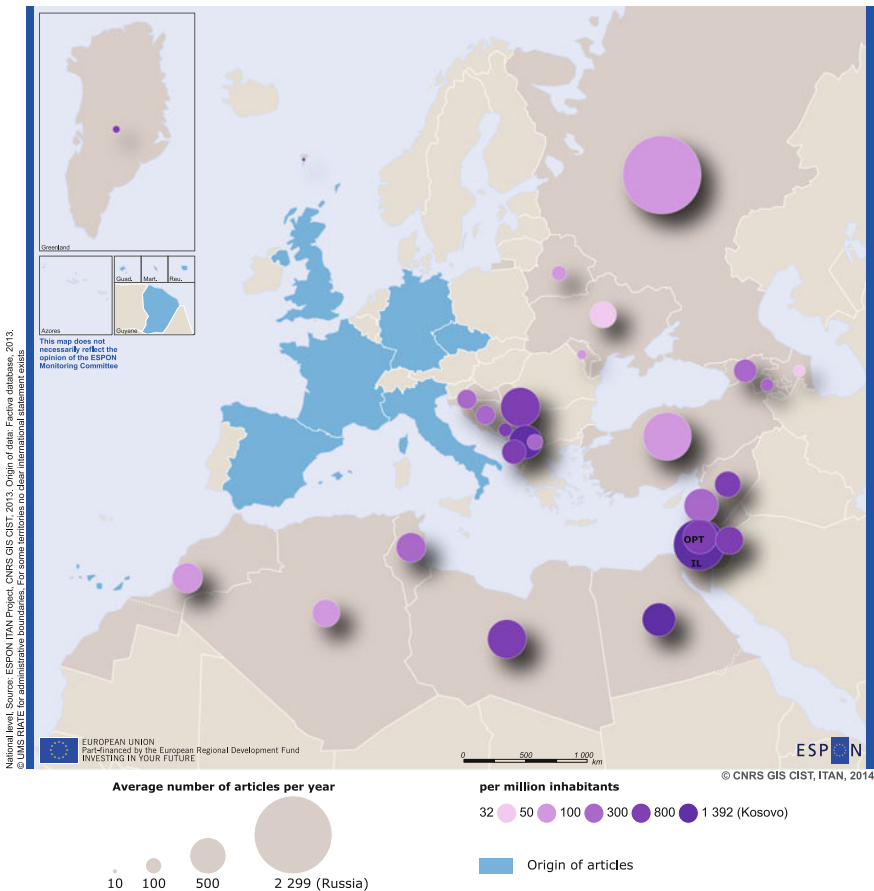
French newspapers make a relatively large effort to report information from there: on average, in our sample 21 % of French international articles addressed this area; then come British newspapers with 19 %. A striking difference is that the French generalist newspaper reports many events whereas the French business newspaper reports on the neighbourhoods in only 11 % of its articles. The British business newspaper shows much more interest in the neighbourhoods; even the German business newspaper reports more on the neighbourhoods than its French or Spanish counterparts (Fig. 2.9).

Another concern comes from the evolution, since media attention to neighbour countries has rather declined between the two periods: 18.4 % in 1998–2000 but 15.7 % in 2010–2012. Here the figures differ according to the type of newspaper: for general newspapers they went from 25 to 15 %, for economic newspapers from 13 to 14 %. This suggests a progressive awareness of the European business milieu. It also differs according to the reported countries. From the first period (1998–2000) to the second (2010–2012) the spatial breakdown shows the decline of media coverage of the Western Balkans, for the benefit of two Arab countries in transition: Tunisia and Libya. The map pictures a—relatively—growing interest of the Mediterranean.

By country, Russia achieves the highest coverage level with 3.5 % of our sample. A small group of countries receive a 1–1.5 % amount of media coverage due either to the magnitude of the events taking place (Egypt and Serbia) or to the business and political ties with the European Union (Turkey and Israel). All other neighbour countries are under 1 %.

Analysis by nationality of the considered newspaper brings further information:

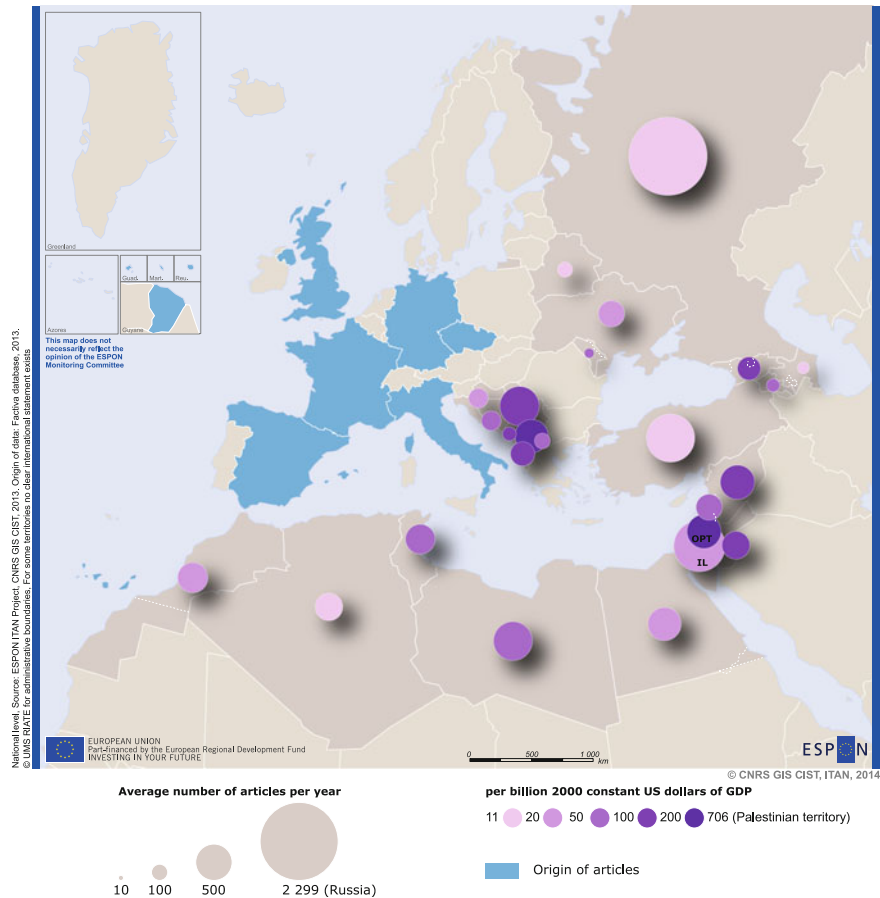
- As we expected the French press is more open to the Mediterranean than the other European media. The specificity of the French generalist newspaper is that it covers the whole neighbourhoods, with a focus on Russia and Turkey. The neighbourhoods geography of the business French newspaper is quite similar to that of its European counterparts.
- The coverage of the Italian media is concentrated on a small number of countries: Russia and Turkey, and Libya for the business newspaper. Conversely and surprisingly, Italy neglects some countries in close Western Balkans such as Kosovo and Serbia.
- Spain has a quite balanced coverage, with its business newspaper being focused on Russia, Turkey and Maghreb especially Morocco.



Map 2.43 Number (per capita) of articles on each neighbour country in ITAN international articles' sample, 1998–2000 and 2010–2012

- The British press, including business, holds little interest in the Maghreb events and more (along with Russia) in countries such as Turkey, Egypt, Libya and Serbia, but not that much, for the business newspaper, in the English speaking Near East.
- The general German newspaper concentrates on Russia and Turkey, the business one has a wider outlook including Tunisia—where the German enterprises have recently significantly invested, but not the Western Balkans.
- The press in the Czech Republic pays attention to a quite wide range of countries, and, compared with the other newspapers, less to the most important countries elsewhere: Turkey and...Russia—a surprising result.

The last result is that when we remove the demographic and economic effects, war areas and the Mediterranean show up. The following maps calculate a media



Map 2.44 Number (per GDP) of articles on each neighbour country in ITAN international articles' sample, 1998–2000 and 2010–2012

coverage factor that is independent of the neighbour countries' demographic (Map 2.43) and economic (Map 2.44) weight. Per capita, Near East becomes the major area under European press scrutiny along with Western Balkans and Libya, that is to say the area of recent or actual unrest. Two further smaller focus areas can be added: Georgia and Tunisia. We can conclude that the primary thing that interests European readers in the neighbourhoods is political threat.

When measured per GDP, the result changes. The poorest countries receive better media coverage: Kosovo and Montenegro, Georgia, Libya and even Jordan. Conversely, some countries with higher GDP like Russia or Israel receive fewer mentions in the newspapers. Only Turkey stands out. According to this per GDP indicator, Belarus, Algeria, Morocco, Serbia and even Croatia show very lowly interesting to European readers.

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Chapter 3

Northern Neighbourhood: Climate Change and Concern for International Common Goods

Lisa Van Well, Johanna Roto and Julien Grunfelder

Abstract Like the other chapters dedicated to one specific neighbourhood, this one begins by highlighting the demographic, economic and environmental stakes of the Northern neighbourhood. It raises the following questions: Whom does the Arctic region belong to? In other words, under what condition could the Arctic become an international common good, and what could the role of Europe be in this regard. Then it analyses the opportunities, risks and governance challenges connected to climate change. The chapter ends with strategic recommendations: as a difficulty emerges from the fact that the European part of the Northern neighbourhood belongs to various European territorial cooperation programmes, this calls for a more unified and ambitious EU strategy on this neighbourhood. Moreover, we emphasize that Russia is one of the key stakeholders in the Northern neighbourhood; in particular the Northern Dimension constitutes an important venue for a better dialogue with the Russian neighbour.

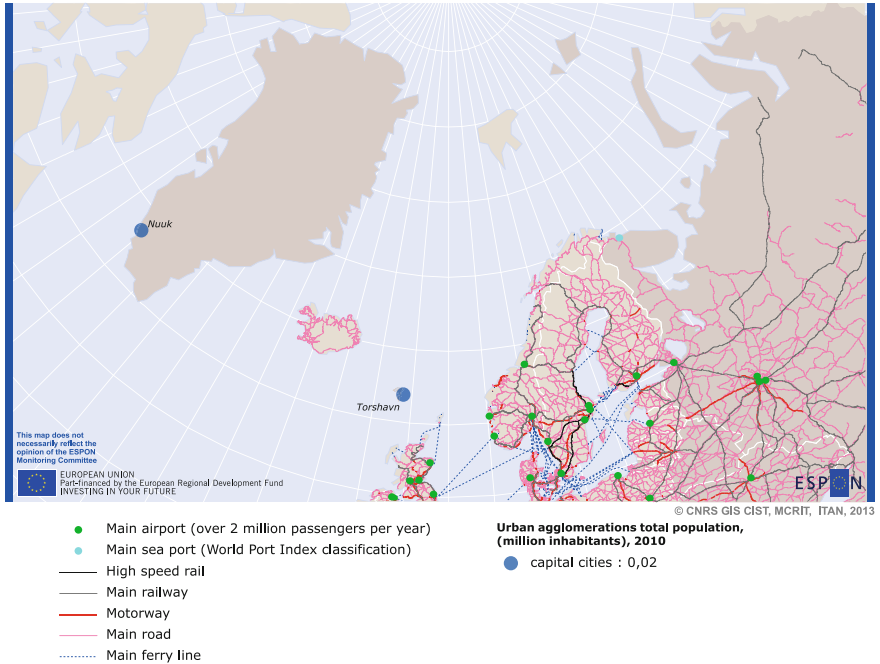
3.1 Stakes

In order to show the structures and dynamics of the Northern neighbourhood's space it is crucial to highlight its sparse settlement structure and long distances. Due to limited number of population in the Faroe Islands and Greenland (later referred to as “Westnorden”) we use those at national level (Map 3.1).

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Map 3.1 Transport networks in the Northern neighbourhood (situation in 2010)

3.1.1 Demographic

Due to the extreme climate this neighbourhood is sparsely populated and has a small population size. Greenland and Nenets autonomous okrug (AO) in Russia have the smallest population in the neighbourhood (56,000 and 43,000 respectively). Densities are extremely low ($0.026/\text{km}^2$ in Greenland and $0.24/\text{km}^2$ in Nenets AO). The most populated areas are Russian northern regions (Arkhangelskaya oblast). Several cities have more than 100,000 inhabitants in the Russian area. The largest cities with more than 200,000 inhabitants are Arkhangelsk, Murmansk, Petrozavodsk and Syktyvkar, which are the administrative centres and capital cities of oblast or Republic (Republic of Karelia and of Komi). More than 90 % of the population of Greenland and Murmansk oblast live in urban centres; the share of urban population is also very high in other northern regions of Russia. Due to difficult climatic conditions, low accessibility and a limited access to services (e.g. health care and education), urban centres are becoming more attractive to live in.

The majority of the area has experienced a population decline over the last decade. In 2010, negative net migration was observed in the whole Russian part of the neighbourhood, except for Nenets AO (enormous development potential of the oil and gas extraction industry and increased investments in infrastructure development). Against the background of an overall drop in population, a slight population increase of 0.7–1.2 % from 2002 to 2012 was observed in the Faroe Islands,

as well as in Yamalo-Nenets and Nenets AO in Russia. Population growth in the Russian regions can be attributed to increasing oil and gas exploration here. In Nenets AO, oil and gas now constitutes 99 % of all industrial activity; Yamalo-Nenets AO accounts for 90 % of Russia's natural gas production.

Mobility is high. People are moving towards the regional centres and larger urban nodes within the area but also abroad, to the more populated areas in the West, East and South of the neighbourhood. A remarkable share of the migration is related to the limited labour possibilities in the home regions and in the case of more rural and peripheral regions, in relation to education possibilities. The fly in-fly out phenomenon is common in some settlements, especially in those where the economic structure is heavily concentrated on natural resource exploitation: when settlements do not otherwise offer sufficient quality to attract families to live locally, employees are flown to the work site where they work, usually long shifts for a number of continuous days and are then flown back to their home town for a number of days of rest.

3.1.2 Socio-economic

As to the gender balance of the population in the far North, the male population of working age is slightly predominant, particularly in Greenland and Murmansk oblast. This can be explained by development of strongly male-dominant industries: oil and gas exploration fields, mining activities, military bases, construction and forestry. Employment possibilities for females are quite limited and available mainly in larger urban centres.

When it comes to the total gender balance including all age groups, the proportion of females is significantly higher, except for Greenland. Adult males have higher death rates than females; this is exacerbated in the Northern neighbourhood due to tough work environment, harsh climate, low quality of housing, inconsistent and poor quality of health care and excessive consumption of alcohol among the male population (Socpol 2013). In the case of Greenland, the dominance of male population can be explained by high emigration of female population from the country.

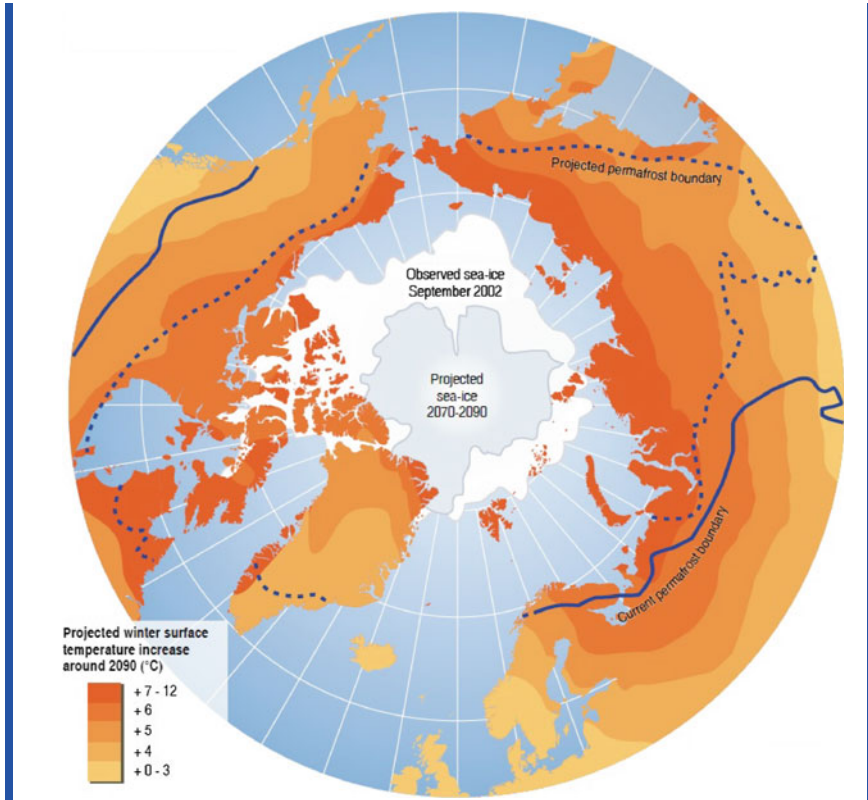
Thus, life expectancy is not that high, especially for indigenous peoples. Life expectancy for women is only 71–75 years in Yamalo-Nenets AO, to be compared to 75–80 in the Faroe Islands. The neighbourhood is characterized by a relatively high share of children, particularly in Greenland, Faroe Islands, and in Nenets AO (high birth rate among the indigenous population). As one might expect the share of elderly is low (6–12 % of the population) due to shorter life expectancy and out-migration of retired residents; for comparison, in the Eastern neighbourhood the respective indicator is above 12 % in all areas except in the Caucasus.

GDP is the highest in Yamalo-Nenets AO, due to gas extraction activities. In GDP per capita, Nenets AO is dominant (the highest among all Russian regions, about 7–8 times above the country average), followed by Yamalo-Nenets AO (also narrowly specialized and based on exploitation of raw resources), Greenland and Faroe Islands.

3.1.3 Environmental

The Arctic is under major environmental threat from a multitude of changes happening in the climate. Without major reductions in global carbon emissions, the Barents Sea will be completely ice free by 2050; this will have implications for the habitat and many other ice-associated organisms. The amount of annual average Arctic sea ice decreased over the period from 1979 to 2012 with a rate of more than 50 % for summer perennial sea ice. The spatial extent has decreased in every season, and in every successive decade since 1979 (high confidence) (IPCC 2013). Map 3.2 shows the projected changes in 2090 based on Arctic climate impact assessment data from 2004; it shows the surface temperatures over land, the size of the polar ice cap, and the outer limits of permafrost.

There is an extraordinary increase in the sea surface temperature over the last three decades. The regional effects of climate change have already been observed in the region as the most severe effects of global warming have already been occurring



Map 3.2 Projected change in the Arctic climate. *Source* Protecting Arctic biodiversity, limitations and strengths of environmental agreements, GRID Arendal-A centre collaborating with UNEP

faster in the Arctic than anywhere else on earth—almost twice the global average since 1980. IPCC predictions from 2013 indicate that the Arctic region will warm more rapidly than the global mean, and mean warming over land will be greater than over the ocean.

Early predicted models indicate that the Arctic will be ice-free during the summer by 2100; more recent studies predict that this will occur as early as 2035 (UNEP 2013). Hence, the region is extremely vulnerable to climate change. Arctic coastal communities and services are at risk of increasing threats of storms and shore erosion; almost all villages are already in search of relocation. Melting ground is putting transportation and the construction of infrastructure such as roads and buildings in danger. Thus far, melting of the Arctic ice cap has led to increased marine access and coastal wave action, changes in vegetation and fauna as well as changes in coastal ecology and biological diversity and production.

3.2 The Arctic: A Remote but Increasingly Compelling Neighbourhood for the EU

3.2.1 To Whom Does the Arctic Region Belong?

The Arctic region is one of the few places on earth that has not yet been nationally defined so there is no uniform definition of the region. Several definitions exist from natural science, cultural and political boundaries perspectives. For instance there is a cultural definition of the Arctic that includes the areas inhabited by indigenous Arctic peoples and their traditional hunting grounds, beyond the Arctic Circle. The region is made up of Arctic Ocean sovereign states: United States, Canada, Greenland, Russia, Iceland, Sweden, Norway, and Finland, even though Finland, Iceland and Sweden have no territorial borders on the Arctic Ocean. On the other hand two of the Nordic countries, Denmark (via Greenland and Faroe Islands) and Norway (via Svalbard) together with the United States, Russia and Canada are considered as the Arctic Five.

Arctic resources were not clearly divided between countries at the outset. The Arctic catchment zone is now claimed by at least this Arctic five. The Arctic is very complex in terms of its geological structure and mostly uncharted. The Spitsbergen Treaty in 1920 acknowledged Norwegian sovereignty over Svalbard, but gave mineral rights to various countries. For instance, Russia and Norway today continue to mine and export coal in the region. China, Japan, South Korea and India have funded scientific missions in the region.

The international catchment zone (the Arctic seabed) is beyond the national jurisdiction limits and supposedly rich in minerals. The waters beyond the territorial waters of the coastal states are considered as international waters. Activities in international waters are expected to be carried out in the collective interests of all states, and benefits are expected to be shared equitably.

The seabed beyond the exclusive economic zones and confirmed extended continental shelf claims are considered to be the “heritage of all mankind” (Declaration of

Principles Governing the Seabed—1970 and Law of the Sea treaty) and administered by the UN International Seabed Authority. The Arctic is governed by international customary maritime law through the United Nations Convention on the Law of the Sea (UNCLOS), and cooperation is led by the Arctic Council, in addition to bilateral agreements between states with competing claims (Ebinger and Zambetakis 2009).

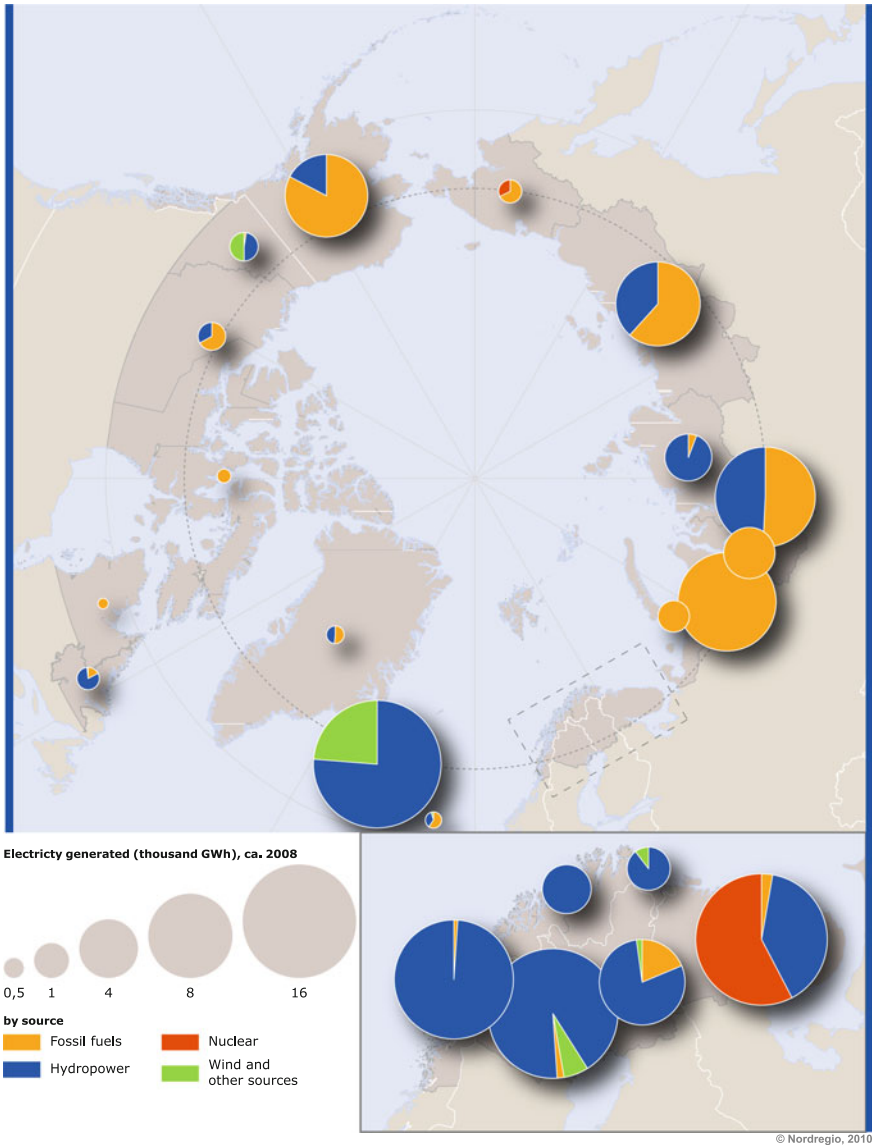
3.2.2 Organisation of Space: The Key Role of Air Transport

There are only a handful of big cities and towns where the majority of the Arctic population is concentrated. The settlements with a population above 50,000 inhabitants can be found in the Nordic countries, north-western Russia, Iceland and Alaska. In north-western Russia big urban centres emerged mainly due to development of resource extraction sector and to establishment of the North Sea Fleet in case of Murmansk (Megatrends 2011). About one third of the Arctic population lives in small and scattered settlements with a population of less than 5000 inhabitants; their livelihood is based on the utilisation of local natural resources (fisheries, forestry, hunting and gathering, herding). These communities are highly dispersed and comprise numerous cultural and ethnic groups (Rasmussen et al. 2013). Although the region has become more accessible due to development of modern transportation, infrastructure remains scattered across huge territories. Infrastructure development is, in many cases, linked to the distribution and access to natural resources and their value. The communities in the Arctic today are, to a large extent, dependent on air transport. Air routes mainly connect the peripheral areas with the largest urban centres, while accessibility to the small settlement remains extremely low. In this regard, smaller settlements have the worst access to necessary means and variety of services, including health care and education.

The region's economy is based on natural resources and their exploitation, which are not evenly spread across the region. In Nenets region, Labrador, Faroe Islands and Svalbard, the primary sectors account for about 20–40 % of employment. In terms of value, petroleum is the most important resource in the Arctic. Already in the beginning of the 2000s 16 % of the world's petroleum and 25 % of natural gas originated from the Arctic; 10 % of world's wild fish was caught in the Arctic. Moreover, 10 % of world's supply of nickel, cobalt, palladium, apatite and platinum comes from the Arctic. Among other resources in the region valuable for the worldwide markets are diamonds, gold and zinc. Besides minerals, oil and gas, the forestry sector provides a steady income and offers employment in these regions (Map 3.3).

The traditional economic activities, such as hunting, fisheries and herding still play important role for the northern communities in Iceland, Faroe Islands, Norway and Greenland. These renewable resources are mainly locally consumed (Rasmussen et al. 2013).

It is expected that most categories of tourism will flourish, particularly land-based tourism and large cruise shipping. An important favouring factor for the expansion of any economic activities is related to projected extension of the navigation season.



Map 3.3 Generation of electricity by main sources in the Arctic region

3.2.3 *The Impact of the Climate Change: Opportunities, Risks and Governance Challenges*

The impacts of climate change, thinning sea ice and melting permafrost have started to unsettle the geographies of Arctic governance and created a new agenda. These

include management of the “new” environment, oil and gas exploration, trade, economic development, discussion of a legal framework, most importantly; governance and security. As the region undergoes a vast transformation, new states and political entities wish to become involved in the governance.

Due to increased accessibility of vast mineral, hydrocarbon and fishing resources, national security interests will be focusing on the future development of the region. The melting of the ice cap tends to initiate a number of scenarios all related to a potential conflict between the Arctic coastal states concerning maritime border disputes (Hong 2012). Furthermore, there is an emerging interest of non-Arctic states in shipping and polar research which is adding indefinite elements to the geopolitical development of the Arctic.

The potential hydrocarbon mine of the region holds a great potential for local communities in terms of economic benefit. While detailed information on Arctic petroleum resources still remains limited, the proportion of natural gas to oil in the region’s hydrocarbon resources is three times more (US Geological Survey 2008). Besides hydrocarbon resources, when Arctic ice disappears, new shipping will reduce the maritime distances between the continents of Europe and Asia, providing strategic alternatives to other countries such as Japan, which would have an interest in Arctic access owing to its current dependence on shipping through the Strait of Malacca for most of its energy supplies.

Regarding security questions, the presence and role of the military will have to adapt to the new conditions; as the region becomes more accessible there will be more capacity for operations such as border patrolling, submarine activities, search and rescue. This will also require adaptation in terms of management of resources as monitoring of the waters will be of interest to the Arctic states. Since May 2011, all the member states of the Arctic Council have comprehensive Arctic strategies where they share some overall objectives. Different organisations and forums show consensus on the general need for international cooperation on Arctic affairs and for international governance of the Arctic. Nordic countries might have different views: while Norway has emphasized NATO’s role, Finland, Denmark and Sweden consider the role of the EU as important. But they all place strong emphasis on the central role of the Arctic Council; with a wider mandate to new observers, the Council would be the natural place for such efforts.

Is the Council resistant enough to accommodate the on-going changes? In order to attract international investment for energy and mining projects, a clear legal framework will be needed as it would be central to the management of fisheries, oil and gas exploration as well as to national and energy security issues. It would also be central to the operation of commercial shipping and the management of possible accidents that may occur beyond national boundaries, along with any other potential activities that may arise. But the governance pattern is not easy to figure out; Asian powers, including China and Southern Korea, express a strong interest in being involved in Arctic governance. China gained observer state status at the Council meeting in Kiruna in 2013 and also has a station on Svalbard. Iceland is the first European country with whom China has a free trade agreement.

3.2.4 What Role for the EU?

The region has the potential to strengthen international relations between America, Russia, Asia and the EU. The European Union has recently developed focus on an Arctic policy. Although the EU's territorial presence is limited and it does not have a shoreline on the Arctic Ocean, there are growing interactions between the Arctic region and the European territory. Three of the EU member states, Denmark (through Greenland), Finland and Sweden, have territories lying in the Arctic circle. Iceland and Norway are not members of the EU but they are members of the European Economic Area. In many international policy areas that are relevant for the Arctic, the EU holds shared competence with the member states and coordinates the positions of the member states in international negotiations. Therefore, the EU has influence on the socio-economic and environmental issues of the region, and has been engaged in the European Arctic cooperation since mid-1990s

The European Parliament has called for specific EU Arctic policies in order to increase the role that the EU can play in the region. Changing climate and economic forces are recognized as relevant factors behind the development of EU's policy interest (Koivurova et al. 2011). Greenland, a strategic area for future development, is of special importance for the EU. And Russia plays a key role for various initiatives especially in energy security matters in Europe. The EU recognizes the cooperation work carried out by the Arctic Council and it is committed to UNCLOS. In 2009, an application was submitted by the European Commission to become a permanent observer to the Arctic Council. However, the Council showed reluctance to the application questioning whether the EU has or should have any role.

3.3 Strategic Synthesis: Importance of the Arctic, Common Goods Governance, Role of Russia

It is crucial to support the socio-economic development of the Arctic communities in the phase of severe environmental changes, because, in the same time: (i) climate change should be dealt with immediately and on the long run, and (ii) it is important to pay special attention to the Northern communities as they face urgent development problems related to population decline, poor health status and migration. The guiding question is about retaining not only the economic, but also the social and environmental capital of the territory as nations compete for ownership of the natural resources. It is of utmost importance to ensure good governance under this high degree of uncertainty.

Since the large energy companies (with many being in state ownership), fishing interests, shipping companies as well as tourist business will grow, and with the opening of the Northwest Passage, commercial interests will increase dramatically. The complex interaction among all these actors will have a big impact on the

geopolitics of the neighbourhood. Thus it is integral that all the actors consider the benefits for the entire Northern neighbourhood in a cooperative environment and not only their self-interest. It is of utmost importance that the notion of “common goods” be largely applied to this neighbourhood’s resources, and paves the way for modern post-national governance.

In this more and more strategic neighbourhood, the notion of regionalisation (increasing flows and common stakes) might be an excellent driver for improved regionalism. As countries outside of the region are competing for access to a type of territorial capital that has traditionally been a common good rather than a strict jurisdictional territory, a neighbourhood’s common legal framework will be needed, for instance, so as to attract international investment in a sustainable way and turn regional challenges into opportunities.

There are platforms on which cooperation on the Northern neighbourhood can develop, ranging from the interregional (e.g. the Barents cooperation) to the global (e.g. Arctic work in the International Maritime Organisation, IMO). The Arctic Council is so far the most important pan-Arctic forum. This is proven by the interests shown by the EU and China gain permanent observer status. However, since the decisions taken at the Council are not binding, it is up to discussion if the Council can play a direct role in Arctic governance in the future. On the other hand, the Council is well equipped to provide and build the knowledge that is important for facilitating multi-level cooperation on certain areas, especially security and rescue.

A difficulty emerges from the fact that the European part of the Northern neighbourhood belongs to various European territorial cooperation programmes: the Cross Border Cooperation (ENPI CBC) programme Kolarctic-Russia, the Northern Periphery and Arctic Programme 2014–2020 for the Westnorden, the Northern Dimension (a joint policy between the European Union, Russia, Norway and Iceland). Also the new self-government agreement in Greenland from 2009 may have some effects as Greenland took over i.e. responsibility for the mineral resource and in the existing EU-Greenland partnership Agreement the focus was changed from a fishery agreement to a partnership agreement with special focus on education. Lastly, countries of the region, including the EU countries, have either published their Arctic strategies during the last years or have a strategy that is under construction. This calls for a more unified and ambitious EU strategy on this neighbourhood.

It has to be emphasized that Russia is one of the key stakeholders in the Northern neighbourhood. Moreover, before the Ukrainian crisis there were negotiations on a New EU-Russia Agreement. The border agreement with Norway points to a direction that calls for stability and peaceful development in the region (e.g. the border delimitation agreement, dividing in fair terms, signed between Russia and Norway in the Barents and Polar Seas). This should be followed up as a good example for the future development of the region.

With regard to territorial institutional structures, the Northern Partnership is one of the primary initiatives in the area to address common challenges with regard to cross-border cooperation and external policies among the Nordic Countries, the

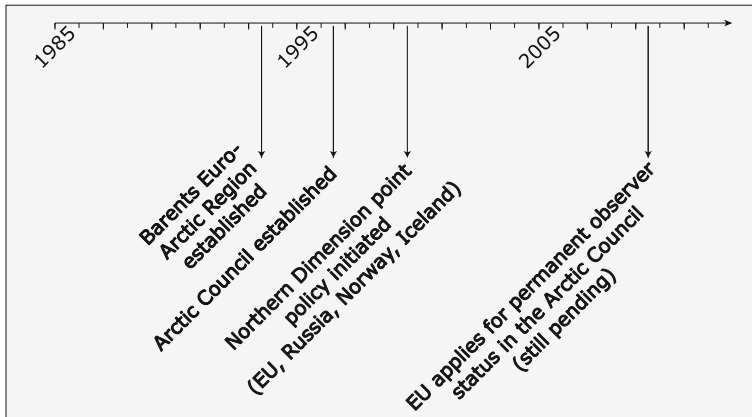


Fig. 3.1 Agreements with the EU—Northern neighbourhood

Baltic States and Russia—the Northern Dimension forms an important venue for dialogue with the Russian neighbour. The goal is to promote development and security in a number of areas—economic, social, environmental, judicial and regional development. Several different types of partnership agreements were created in the framework of the Northern Dimension: the NDEP (environmental issues), the NDPHS (public health and social wellbeing), the NDPC (culture) and the NDPTL (transport and logistics). The ND Institute (NDI) and ND Business Council (NDBC) were been created, along with an ‘Arctic Window’ to focus attention on the region (Fig. 3.1).

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Chapter 4

Eastern Neighbourhood: Territorial Cooperation Implies a Common Energy Strategy

Vladimir Kolossov and Lisa Van Well

Abstract The chapter outlines the major stakes of this neighbourhood. The Baltic Sea case study gives an on-the-ground insight of the EU-Russia partnership's reality. It shows that Kaliningrad could be a stumbling block to or a touchstone of cooperation with Russia; that cross-border cooperation is a means to foster ties with Russia; that people mobility is a key issue in the relationship between the EU and its neighbours—all neighbours. Last, it shows that intergovernmental institutions include Russia but not always as efficiently as it could. Another case-study focuses on the Black Sea. The chapter presents innovative research results on city twinning and diplomacy networks, so as to compare the relative influence of EU and Russia on this area. The third case study provides a territorial analysis of the Ukrainian crisis, and explains why the East of the country is taken in a jaws effect. In conclusion, the chapter insists on the role of territorial cooperation, and on the need for a genuine European energy policy because it is indispensable for a genuine partnership between the EU and Russia.

4.1 Stakes

The Eastern neighbourhood (Map 4.1) encompasses the territories from the Baltic area to the Black Sea, which are Russia, Belarus, Ukraine and Moldavia. Such a grouping is motivated by geographical reasons (various historical and cultural links between these countries, decisive issue of European energy supply security from Russia through Ukraine, etc.), by historical (USSR) and political reasons (the Eastern Partnership), and by practical reasons: the data system of these countries remains close due to their common Soviet past and in all countries two post-Soviet censuses have been already held which allows time comparisons. Russia is not a country of the ENP, but the EU-Russia Strategic Partnership is crucial for territorial integration of the Baltic area.

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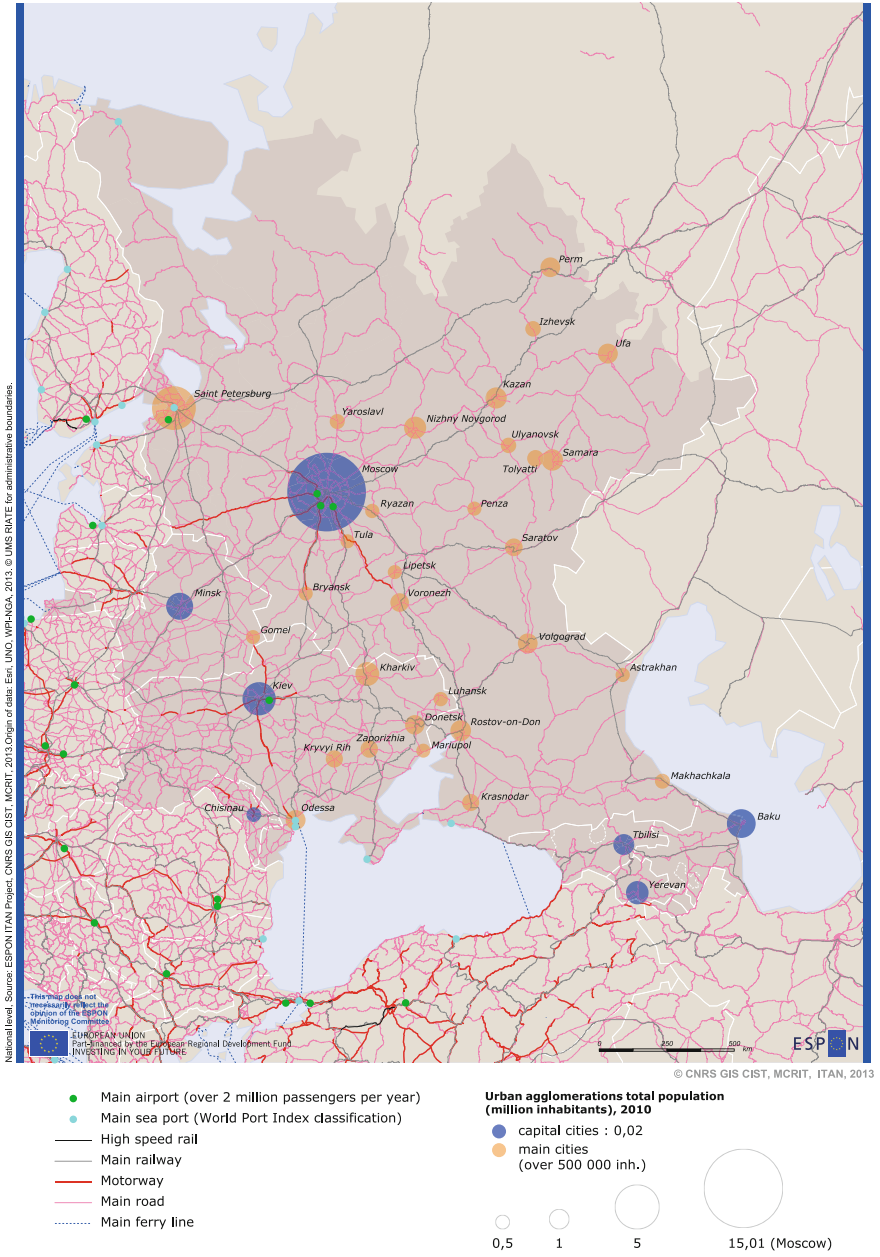
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Map 4.1 The Eastern neighbourhood

Russia is the EU’s biggest neighbour and the third biggest trading partner. It is an important supplier of oil and gas to the EU member states, in particular Central Europe countries. Deeper regional cooperation is essential for ensuring security and

improving environmental and economic stability of the neighbourhood thanks to a better EU/Russia partnership. Among the issues is environmental deterioration of the Baltic Sea, climate change, trafficking in human beings, smuggling of harmful goods, communicable diseases, illegal immigration and organized crime. Moreover, through diminishing socio-economic imbalances and inequalities between the EU countries and western Russia, some of these challenges could be overcome, which would contribute to the overall stability of the area.

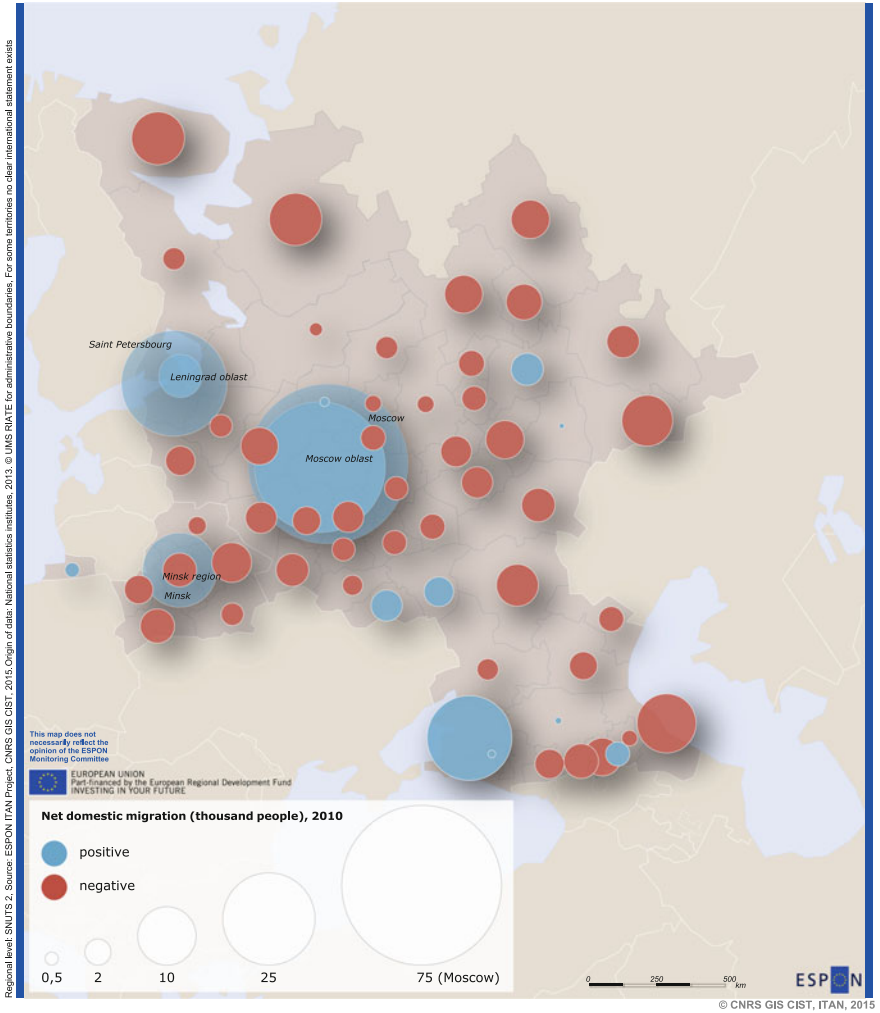
4.1.1 Demographic

The demographic decline is one of the major stakes of this neighbourhood. In January 2012 the population of Russia was 143 million, unevenly distributed across the country: 80 % live in the European part of the country while 75 % of its territory is located eastward of the Urals. Just after the collapse of the Soviet Union, in 1993, the population in Russia hit a historic peak at 149 million; then a 15 year long trend of population decline began. The main reasons were related to natural population decrease. In 1994–2009 the population in Russia decreased by 11.9 million due to natural change, but thanks to immigration surplus the total population decreased by “only” 6.7 million. Due to several major conflicts before 2002, in particular to the—often quite compelled—return of displaced people, Chechnya has a positive demographic trend during the last decade. But most of the regions do experience a loss in population. Population shrinkage mostly takes place in the most northern and eastern territories, as well as in the most rural regions. The regions located between St. Petersburg and Moscow suffer from the great attractiveness of these two metropolises. Russian regions along the border with Ukraine also experience a shrinking demographic trend.

In Ukraine and Belarus, nearly the entire country experiences negative demographic trends with the exception of the capital city. In Moldova, the entire country has declining population figures, mainly due to emigration to the EU, Russia and Turkey. Among the countries of the southern Caucasus, only Azerbaijan experiences a demographic growth despite strong out-migration.

Moscow dominates the neighbourhood with more than 11 million inhabitants, followed by St. Petersburg (5 million), Kiev (2.8 million) and Minsk (1.9 million).

The domestic migrants have their origins in the most rural and peripheral regions except when there is oil and/or gas. Domestic migrants in Belarus move from the provincial regions to Minsk. Internal migration is greater than external migration. In 2011 the annual migration turnover of those who moved permanently to another Russian region or city was 3.1 million, whereas the official (registered) international migration turnover was only 320,000. The most important destinations of migrants in Russia were Moscow, St. Petersburg and Krasnodar krai (by the Black sea), whereas the population of most subjects in the North, East Siberia and the Far East has decreased rapidly due to outmigration. After the collapse of the USSR, several shutdowns, degradations and relocations of industries and military activities took place. Also the fact that several support systems and privileges, such as the so-called



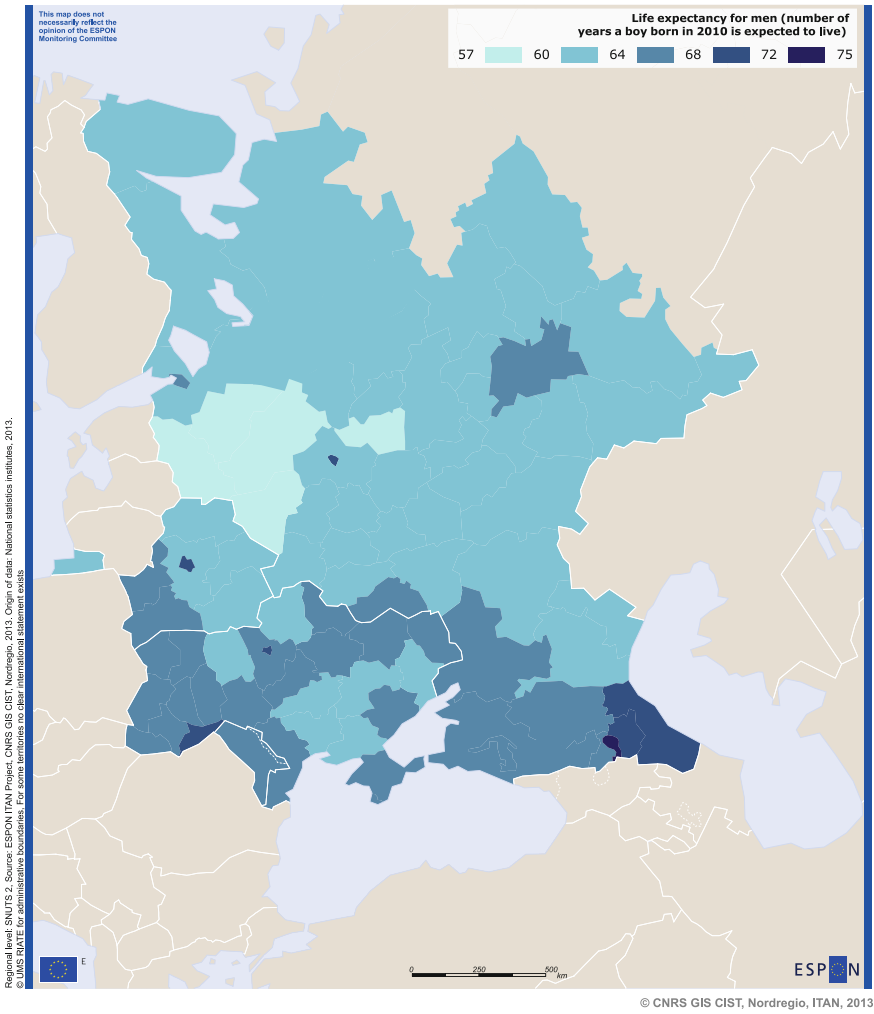
Map 4.2 Domestic migration in 2010

“northern wage increments”—extra money for working in remote regions with a harsh climate—were terminated had an impact as many people had taken advantage of these incentives to work in these regions temporarily for earning money (Map 4.2).

4.1.2 Socio-economic

In terms of gender balance, there is an urban-rural divide in Russia, Belarus and Ukraine with the capital regions (and St. Petersburg) having a more balanced

number of males to females of working age. This is especially significant in Belarus where the Minsk metropolitan region stands out as more balanced compared to the surrounding region which has a lower number of females, perhaps due to the greater number of females moving to Minsk from the surrounding regions for employment or education. There is also a North-South divide, whereby the northernmost oblasts—Murmansk and Arkhangelskaya oblast—have fewer than 90 females per 100 males in working age. In Ingushetia republic in the North Caucasus, the female population of working age strongly dominates; among the reasons could be the high mortality rate of men of working age as a consequence of war—but some experts refer to mistakes made in population census....



Map 4.3 Life expectancy for men, 2010

Looking at the gender balance of all age groups in 2010 in total, one can notice a numeral superiority of females over males in the central regions of Russia, with the exception of Moscovskaya oblast. This could be a sign of a premature mortality among males (Map 4.3). Despite instability in North Caucasus, life expectancy for both genders is here the highest, in Ingushetia in particular. In this region with predominantly rural population, low level of education, strong religious and socio-cultural traditions there is a higher uncertainty about the mortality rates (Kvasha and Harjkova 2010). But higher life expectancy could be also attributed to a lower consumption of alcohol by the Muslim population residing here, as well as in the Republic of Tatarstan which also stands out in terms of longevity of both genders.

Life expectancy is somewhat higher in the capital cities (Moscow, Minsk and Kiev) and the St. Petersburg urban area due to a high number of jobs in the tertiary sector, highest income of the population, economic stability and a better access to high quality medical service. In many regions of Ukraine, life expectancy is higher than in Russia, particularly for men. Life expectancy is also higher in the Belorussian and Ukrainian regions on the EU border, especially when it comes to women.

The North Caucasus region (Chechnya and Dagestan) is characterised by a high fertility rate which can be explained by strong cultural and religious traditions, and a low level of education. At the same time there is a lower proportion of the elderly in these regions and a fairly low share of active population. Besides the North Caucasus there are only two oblasts in North-East Russia (Republic of Udmurtia and Republic of Bashkortostan) with a slightly higher share of children and young. The same goes for Moldova—a high proportion of children and young people, with a low proportion elderly and active population.

The Murmansk Oblast of Russia has the highest rate of active population while Belarus (except in the greater Minsk region) and the Ukraine regions have a lower share. Chechnya and the Moldova are the areas with lowest working populations and active populations.

We have seen how tricky it is to address the employment issue, due to a high rate of informal activity (see Sect. 1.3.2). Yet we know that GDP in Russia is centred on the Moscow and St. Petersburg metropolitan regions. The regions bordering the Urals eastern edge also have slightly higher GDPs than the regions bordering the EU. When looking at GDP per capita, the Moscow and St. Petersburg region are still dominating, but along with Murmansk, Belorod oblast and Tatarstan (one of Russia's most economically developed regions). Ukraine as a country was hard hit by the economic crisis and thus performs worst in GDP per capita, along with Moldova.

4.1.3 Environmental

The Eastern neighbourhood's countries share a number of common environmental challenges. Most of them are related to water quality, waste management, hazardous nuclear namely military activities, industrial pollution, obsolete pesticides, land, forest and biodiversity management, non-rational and depleting use of natural

Table 4.1 Summary of major environmental challenges in the countries of the Eastern neighbourhood

<i>Belarus</i>	Land degradation (wetland areas of Polesie)
	Chernobyl disaster consequences
	Hazardous industrial sites and polluting facilities
	Stockpiles and disposal sites of toxic waste, incl. obsolete pesticides
	Defence facilities and activities
<i>European Russia</i>	Nuclear-waste and accidents
	Erosion and degradation of land and water
	Climate change
	Deforestation
<i>The Republic of Moldova</i>	Land and water body pollution with mineral fertilizers and pesticides
	Loss in biodiversity
	Excessive use of natural resources
	Excessive pollution
	Soil erosion
<i>Transnistria</i>	Degradation of water resources
	Air pollution
	Accumulation of solid household and industrial wastes
	Reduction of the forest area and illegal cutting of forests
	Degradation of land resources
	Soil pollution with agrochemicals and pesticides
<i>Ukraine</i>	Hazardous and military activities (industrial and mining facilities, radioactive contamination, hazardous waste)
	Nuclear power and waste (Chernobyl)
	Obsolete pesticides and industrial pollution
	Water management and water scarcity
	Land, forest and biodiversity management

resources, low energy efficiency, as well as pollution of the Sea of Azov, the Black Sea and the Caspian Sea (ENPI 2007) (Table 4.1).

The region's major environmental problem is related to the consequences of the Chernobyl nuclear accident in 1986, which continues to pose long-term environmental and health damages to Ukraine, the neighbouring Belarus and Moldova and Bryansk oblast in Russia.

Belarus and Ukraine were among the most industrialized countries in the former Soviet Union. Although, with the collapse of the Soviet Union, industrial production levels decreased significantly, the environmental problems linked to *industrial processes* remain. The deposits of industrial waste, obsolete pesticides and unsustainable mining practices from the past pose serious environmental risks today (i.e. the regions of Donbas in Ukraine and Soligorsk in Belarus) (ENVSEC 2010). In Belarus, one third of all pesticides are stored under unsuitable conditions (e.g. at farms or industrial facilities). Ukraine is home to about 16,800 tons of highly toxic

and hazardous rocket fuel component ‘melange’ since 1961; the storage facilities are no longer safe but the country does not possess the capacity, both financial and technical, to recycle or dispose of the compound in an ecologically sound manner. Overall, low technological capacity results in higher emission levels, higher waste volumes from production processes, while insufficient treatment of industrial wastewater affects the stability of ecosystems.

Military heritage also left its mark on the region—toxic and radioactive material can be found in all countries of the neighbourhood. The decommissioning of nuclear submarines and disposal of nuclear waste is an on-going process in Murmansk and Arkhangelsk oblasts, where many of the submarines are still docked. Moreover, even today pollution at defence sites and facilities, as well as disposal of obsolete armaments are important issues for Belarus and the Caucasus region.

When it comes to *radioactive and toxic waste*, the countries often do not have suitable infrastructure and available financial resources to handle it. In the Republic of Moldova, for instance, there were about 8000 tons of toxic waste products in 2004 and no available disposal sites to store them.

Poor status of the water environment is another environmental challenge. The leading causes are weakly developed sewerage systems, industrial discharges and non-existent or out-dated wastewater treatment plants, but also agricultural pollution and soil erosion. In the Republic of Moldova, most sources of underground water do not meet water quality standards due to a high content of chemically harmful substances, such as fluorine, sulphates and chlorides (ENVSEC 2006). The pollutants have accumulated in seas with limited water exchange, such as the Caspian Sea, the Black Sea and the Sea of Azov.

- Water quality problems are severe in the Volga Basin in Russia. Volga is Europe’s longest and among its most polluted rivers, as a result of the cumulative effects of overuse, untreated sewage and heavy industry. Volga’s water is far beyond the quality norms for drinking water and is unsuitable for fish farming or irrigation. The Caspian Sea which receives about 85 % of its freshwater from the Volga River is dramatically affected (Henry and Douhovnikoff 2008). The Caspian Sea is an example of excessive chemical pollution through running rivers (the Volga, Kura and Ural Rivers) and offshore and onshore oil and gas industry. Underwater oil pipelines which surround Absheron peninsula and some area of Mangyshlag are also among the sources of pollution of the Sea. During the Russia-Chechnya war, military waste was dumped into the sea. Today the Caspian Sea is also polluted by radioactive waste. The Sea is experiencing a decline in commercial fish stocks, such as Caspian sturgeon.
- The nutrients from agricultural, domestic and industrial sources and insufficiently treated sewage waters cause eutrophication and degradation of the ecosystems in these seas. Water quality of the Black Sea is affected by the polluted waters of the Dnipro and the Danube rivers which pass through Central

Europe and the territories of Russia and Belarus before emptying into the Black Sea. In recent years, chemical pollution by oil and toxic substances has become a serious trans-boundary problem affecting the Black Sea.

- Exhaustive nature management aimed at fostering economic growth and active utilisation of aquatic ecosystem services of the Sea of Azov has left irreversible damages to the ecosystem (Lagutov 2011).

In all countries of the Eastern neighbourhood and in the Caucasus in particular, *land degradation and desertification* is a serious environmental challenge. Fertile soils are being exposed to degradation as a result of human activity, reduced deforestation, unsustainable agricultural practices and mismanagement. The lower Volga River was degraded beyond repair during the Soviet period. Wind erosion has affected the more arid parts of the North Caucasus and lower Volga River basin. In the Republic of Moldova the area of eroded land grows by approximately 0.9 % each year which results in losses of 26 million tons of fertile soil.

The Eastern neighbourhood comprises about 30 % of the world forest reserves which act as major sinks of greenhouse gases and play an important role from climate change mitigation perspective. Yet, illegal logging and corruption represent a major threat for *forestry* in the region. Most likely pressure to increase extraction will grow as the domestic and international demand for lumber grows.

4.2 Baltic Sea Region: Case Study on the EU/Russian on-the-Ground Partnership

4.2.1 What Delineation?

There is no precise definition of the boundaries of the BSR. From the geographical point of view, the BSR comprises the countries which have coastlines on the Baltic Sea (Sweden, Finland, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Russia). Normally, only the northernmost coastal regions of Germany are included (Hansestadt Hamburg, Mecklenburg-Vorpommern, and Schleswig-Holstein), northern Poland (Pomorskie, Warminsko-Mazurskie, and Zachodnio-Pomorskie) and some parts of the north-western federal district of Russia (Kaliningrad oblast, Leningrad oblast and Republic of Karelia). Moreover, the BSR comprises the areas which are in a drainage basin of the Baltic Sea. So, besides nine coastal states, there are five countries in the basin—Belarus, with almost half of its area in the basin, and smaller parts of Ukraine, Czech Republic and Slovakia draining through Poland, and very small parts of Norway. The whole drainage area covers 1.7 million square kilometer, and is home for 85 million people.

Other factors matter when defining the region. Norway is included due to its strong economic ties with the countries surrounding the Baltic Sea and willingness to participate in regional cooperation. The definition of the Region varies across different institutions and intergovernmental organisations. For instance, if the

purpose of cooperation is environmental protection of the common water, then it makes sense to include the territories of Belarus which are in the drainage basin. The BSR is a highly heterogeneous area in economic, environmental, social and cultural terms, but at the same time the countries in the region share many common resources, have strong ties, common development trends and challenges (i.e. Baltic Sea environmental degradation) (EC 2013).

The Baltic Sea has brought people together for centuries by providing routes for trade and cultural exchange. In the Middle Ages until the 15th century, nearly a hundred cities in the BSR belonged to the Hanseatic League—a trading system which covered most of northern Europe. Economic ties with North-West Russia have traditionally been strong. Before the revolution in 1917, the St. Petersburg metropolitan area was a major export market for a number of eastern Finland's industries. Moreover, some areas of modern Russian Federation were previously foreign territories. Part of the Republic of Karelia belonged to Finland, while Kaliningrad was part of Prussia and, later, the German Reich before the World War II.

Integrative processes and cooperation in the BSR were hampered by historical events, including the Cold War. With the end of the Cold War, cooperation in the BSR resumed. Cooperation between the countries increased with further enlargement of the European Union, first Finland and Sweden in 1995 then the Baltic States and Poland in 2004. Today the BSR continues to benefit from exceptionally strong economic, social and trading ties in the region (State of the region report 2012). Development of the BSR identity would contribute to regional community viability and resilience, as well as improve overall understanding and conflict resolution.

4.2.2 Russia Versus Rest of the BSR

The Nordic countries have a long tradition of strong national and local governments. The local authorities carry out most of the planning activities sharing the responsibility with the national level, which is also referred to as the “Nordic approach”. Cooperation between the administrative levels is well-functioning, partly due to a good coherence and a high level of trust between all governance levels. Public participation is a strong element of the Nordic culture, all the more as these countries have a strong civil society. The situation is quite similar in Germany, where power is divided between the federal governments and Lander.

On the other hand, the post-communist countries (three Baltic States and Poland) are lagging behind the Nordic neighbours in the field of governance. As young democracies, the priority in the 1990s was given to more pressing political and economic reforms, such as establishing an effective representative democracy rather than fostering public participation. During the last decades these countries made

significant progress towards better governance, largely influenced by the EU accession process. Requirements for the distribution of EU structural funds have supported the regional level of governance. Despite the principle of subsidiarity applied in the Baltic States, the challenges for the local governance remain. The municipalities here have little decision-making authority, few administrative functions and are lacking financial independence (Böhme 2013).

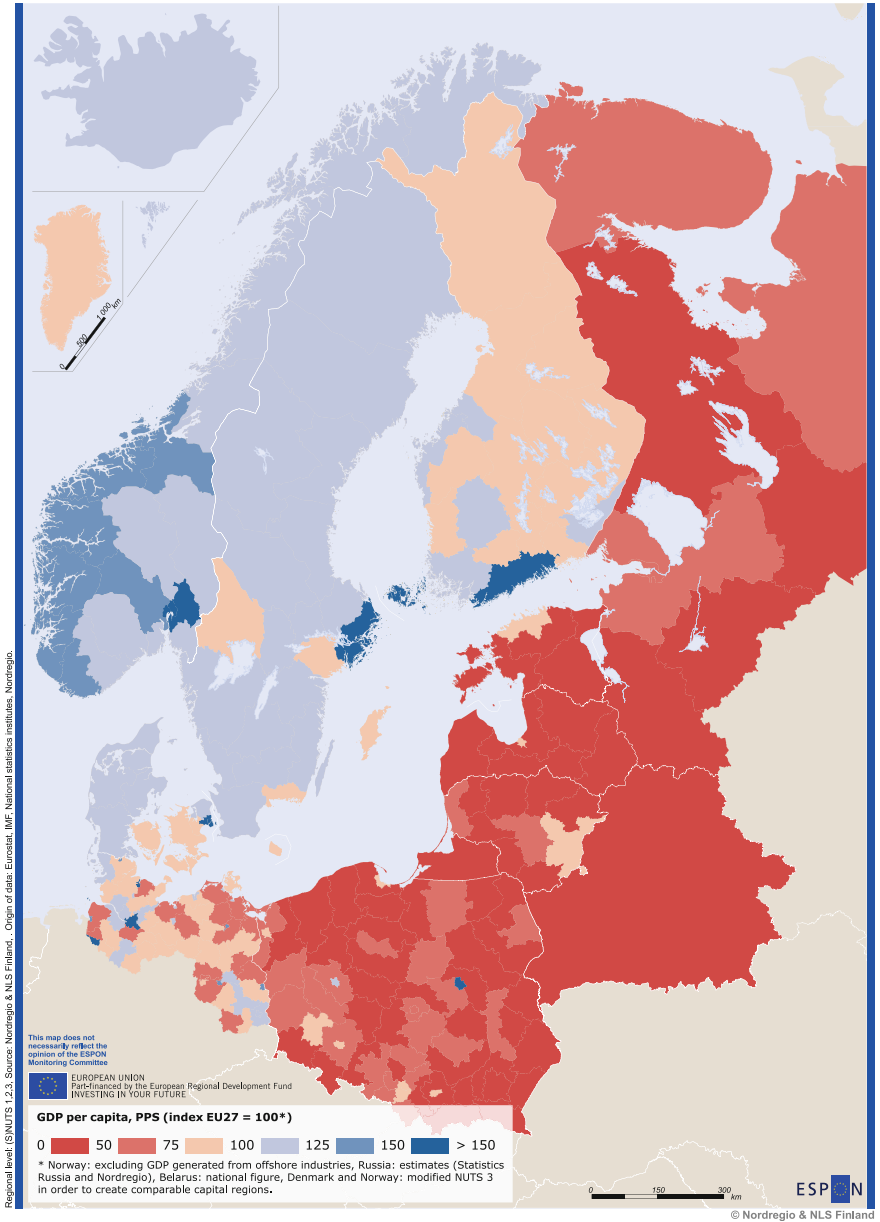
In Russia, local authorities historically have even less power. In the beginning of the 2000s, a policy of re-centralisation was taken, which diminished the newly found autonomy of regional actors. The majority of regions were subordinate to the central government, politically, economically and administratively, which limited opportunities for the regions to engage in international activities (Ross and Campbell 2008). In 2003, the Law on Local Governance implied decentralisation. However, the newly formed local self-governments remain weak and have limited financial independence, and have to focus on implementing activities delegated from the top. Corruption and the lack of transparency are additional challenges for the development of good governance.

When it comes to demographic dynamics, the North-South territorial divide is primarily influenced by diversified climatic conditions. The BSR consists of a densely populated southern part and largely uninhabited and sparsely populated northern part. Connecting the remote rural settlements in the North to the urban networks and providing sufficient transport infrastructure remains a major challenge for the development there. The population decline in the northernmost parts of the region is expected to continue, except in cities (Nordregio 2012).

But, as a whole, population dynamics rather display an East-West divide. The population in the Baltic States and North-West Russia is declining both in urban and rural areas due to low fertility and high outmigration. The North-West Russia is experiencing the sharpest population decline in the region by 0,5 % annually and has fertility rates below western European averages, except for Kaliningrad oblast where the demographic situation is fairly good (State of the Region Report 2012; Sebentsov and Zotova 2013). High emigration rates of the working-age population from the Baltic States, Poland and the North-West Russia places an even higher burden on the remaining workforce in these countries. On the contrary, the population in the Nordic countries continues to grow due to high birth rates and immigration (e.g. from the Baltic States).

When it comes to economic dynamics, the East-West disparities are still visible two decades since the fall of the iron curtain (Map 4.4). GDP per capita in the western part accounts for more than 120 % of the EU average, whereas it is less than 50 % in the eastern part. Despite the financial crisis of 2008, the Baltic States are doing better. Before 2000 the prosperity levels in Norway were more than five times higher than in Latvia; today the ratio dropped to three—even if Latvia still remains one of the poorest countries in the EU.

There are also considerable differences within the north-western Federal District in Russia itself. The District consists of 11 federal “subjects” including 2 republics,



Map 4.4 GDP (PPS) per capita. An East-West economic divide, 2009. Source Nordregio

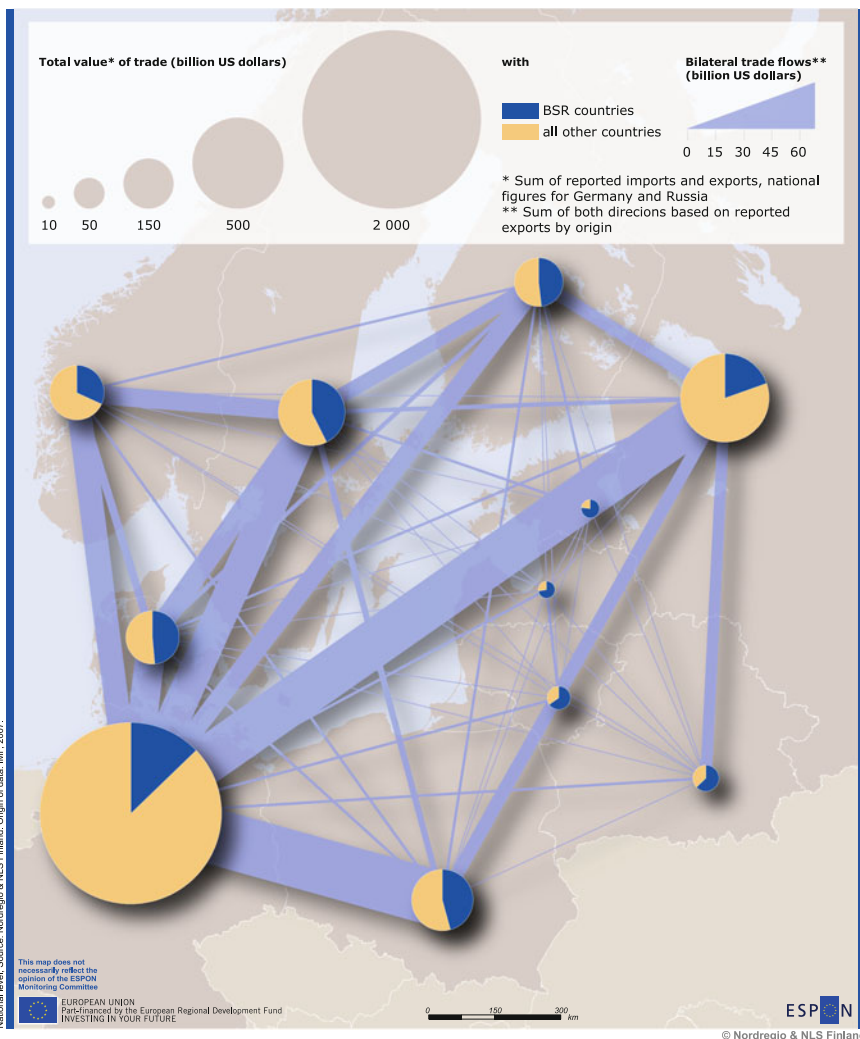
7 oblasts, 1 federal city and 1 autonomous oblast. It borders with Finland, Poland, Estonia, Latvia, Lithuania and Belarus, and has access to the Baltic, White, Barents and Kara Sea. The area covers 1.6 million square kilometer, which is almost as much as the catchment area of the Baltic Sea. Leningrad oblast and St. Petersburg are the fastest growing of all federal subjects in Russia, whereas the Komi Republic and Murmansk oblast are ranked at the bottom. The economy of the Kaliningrad oblast can be characterised as fragile and unstable. The economic crisis in 2008 had a worse impact on the exclave than other federal subjects of the north-western Federal District.

North-West Russia's economy is regarded as one of the most dynamic parts of Russia. Among the strongest industries in the Archangelsk and Karelia regions are forest, timber and pulp and paper; the fuel industry in Komi, ferrous metals in Vologda and Murmansk, and chemicals in Novgorod. Basically, EU/Russia trade shows a core-periphery pattern: the main imports from the EU to Russia are manufactured goods, services and food; Russia primarily exports raw materials to the EU.

Trade flows within the BSR are currently exceeding the trade flows outside the region. The Baltic States and Belarus have the highest shares of trade flows within the region, followed by the Nordic countries and Poland (Map 4.5). But despite (or because of) the communist past, the Baltic States and Poland have rapidly reduced economic ties with Russia. Estonia is increasingly oriented towards the Scandinavian trade blocks. Latvia and Lithuania are strategically turning to the western European countries. The unique location of the Baltic States on the crossroads between eastern and western markets is not fully used today.

Russian participation in the BSR economic integration is mainly limited to energy and transit projects, with Gazprom being the main investor. There are few Russian companies established in the EU part of the BSR. Although the volume of investment by the Swedish, Finnish and other transnational corporations in Russia is growing, the actual integration of Russian business into the BSR is still rather weak (Kuznetsov 2012).

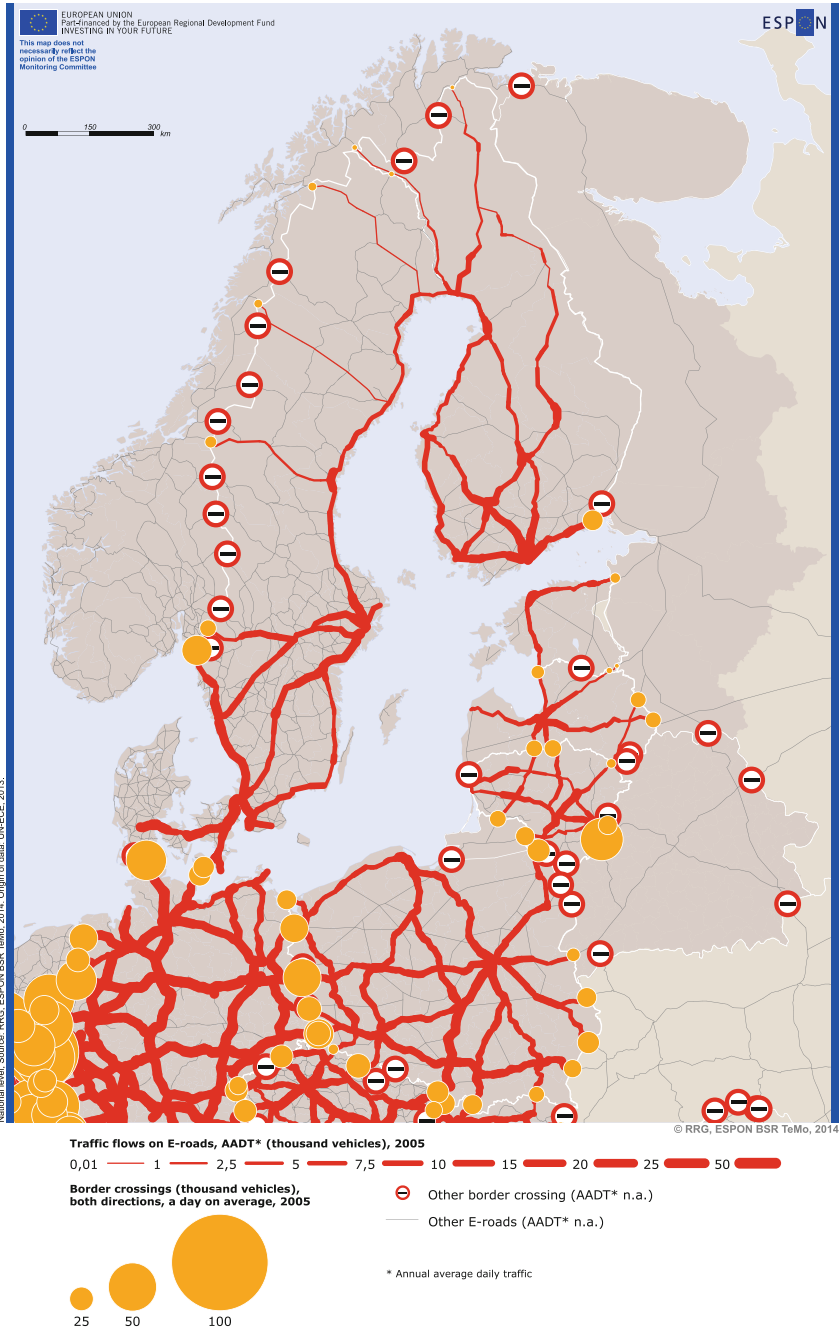
Due to the growth of EU-Russia trade, complemented by inefficient procedures and inadequate infrastructure on the Russian side, long queues of lorries at crossing points from Finland, Estonia and Latvia have become commonplace. Simplifying the customs legislation and improving infrastructure in Russia will help avoid similar problems in the future (EUSBSR Action Plan 2013). The perspectives of the development of Kaliningrad seaport are not that bright, primarily due to high competition with the neighbouring ports of Klaipeda (Lithuania) and Gdansk (Poland), and to barriers related to customs and border crossing procedures which hinder the formation of a strong transport cluster in the exclave (Map 4.6).



Map 4.5 Trade between the Baltic Sea Region countries, 2006. *Source* Schmitt and Dubois (2008), Nordregio

4.2.3 *Kaliningrad: Stumbling Block or Touchstone of the Cooperation with Russia?*

The Kaliningrad oblast is a special case due to its exclave status and geographical isolation from mainland Russia. The oblast is surrounded by EU countries, which influences the mindset of the residents. They often mention that they have a strong connection to the BSR and have developed a sense of a separate identity which is



Map 4.6 Border crossings and E-roads in the BSR. Source ESPON Temo, 2014, Nordregio

very close to Europeans (OSW 2012). There is a strong interest from the residents of the exclave in strengthening people-to-people contacts with the neighbouring European countries, cooperating in the field of culture, education, environment and social development issues.

Historically, Königsberg (now Kaliningrad) and its surroundings had been part of Prussia since the early 13th century. After World War II it was annexed by the USSR; millions of German residents were expelled, and the “Kaliningrad Oblast”—one of the smallest subjects of the Russian Federation—was predominantly used as a military base because it is one of the rare Russian seaports on the Baltic free of ice year-round. Until 1991, Kaliningrad was a “closed” area, impossible for foreigners to enter because of its strategic importance for Soviet defence. In 1991, Kaliningrad became an exclave of the no longer socialist Russian Federation, cut off from its motherland by Lithuanian land, or Polish territory.

The city is among the greatest sources of pollution in the entire Baltic Sea basin. Due to weak development of sewage treatment plants in the urban centres and villages of Kaliningrad oblast, communal wastewater mostly goes untreated into the Neman and Pergola rivers. The lack of adequate waste management systems in Kaliningrad oblast represents a threat to the quality of groundwater.

Energy security is an important issue for Kaliningrad: in the event of a gas conflict between Russia and its neighbours, the oblast may experience the shortages of raw materials. This was the case in 2004 as a consequence of Moscow cutting off its supplies to Belarus. In 2011, Kaliningrad oblast produced enough power to meet its demand for electricity due to recently completed construction of (gas) heat and power plant. Since December 2011 the region’s energy grid has been connected with the rest of Russia through the energy lines running through Lithuania. But the prices of gas and petroleum products in Kaliningrad oblast are in general higher than average Russian prices. Since 2009, Moscow has been interested in the construction of a nuclear power plant in Kaliningrad oblast. As long as its planned output is higher than the area’s demand for energy, some of the energy would be exported, mainly to the EU member states. Construction of the Baltic nuclear power plant would, on the one hand, contribute to establishing a closer relation between EU and Kaliningrad oblast. On the other hand, along with environmental concerns, the construction of the nuclear power plant would increase EU dependency on the energy supply from Russia, and thus reduce the energy security of Poland and the Baltic States.

Both federal and regional authorities in Kaliningrad have long been interested in fostering the production and export orientation of the economy of Kaliningrad. For this purpose, and in order to attract foreign investments, a free customs zone regime in the framework of a Special economic zone (SEZ) was established here. The SEZ grants exception from the customs duties and custom fees to all goods produced in the SEZ if companies—large companies and not small or middle-sized ones—add 30 % of added value locally and export to foreign countries or to mainland Russia. In general, there are also no import taxes in Kaliningrad with the exception of some categories of goods.

The economy of Kaliningrad oblast is oriented towards openness and enhancement of foreign economic activities. After the collapse of the Soviet Union, the hopes were great for Kaliningrad to become the “Singapore” of Russia. The exclave has a vast trade deficit due to its underdeveloped economy and the fact that it is used mainly as a gateway to mainland Russia for foreign goods. With introduction of the SEZ regime, Kaliningrad was expected to develop exports to neighbouring EU countries. However, instead of expanding exports, imports grew on a mass scale. Imports account for over 90 % of Kaliningrad’s foreign trade: components for the assembly of cars and TV sets, household chemical products, food products, footwear, clothes and furniture. The key suppliers of goods to Kaliningrad are Germany, China, South Korea and Slovakia (Rogoža et al. 2012). In 2010 about 7 % of all EU exports to Russia went through Kaliningrad oblast. Consumer goods and the items that are processed and/or assembled in the region and then sold in the other regions of Russia constitute the largest share of the imported items.

In spite of the considerable benefits of the SEZ regime, the investment climate and business environment in general are far from being good in Kaliningrad. Even though business activities, including foreign investments in the region, have increased over the last decade, the full potential of the region as a gateway to Russian, Baltic and wider European markets has not been used. Instability of federal tax and tariff legislation, as well as uncertainty about the SEZ regime in Kaliningrad are among the barriers to attracting foreign investments. Other barriers include the lack of adequate competences at the regional level and, typical for Russia as a whole, excessive bureaucracy, corruption and a poor legal culture. Moreover, there are no cheap flights to and from Kaliningrad to the outside world, as well as no trains. Isolation of the market from mainland Russia and higher business costs related to that (i.e. costs of energy, transit and imports), are amongst additional drawbacks; as a consequence, most of big businesses who want to implant in Russia go to other SEZs “inside” Russia. For the Oblast itself, the financing of the SEZ has been a high burden on the budget, combined with high tax losses. Lastly, the SEZ will close in 2016 because of Russia’s joining of the WTO and the incompatibility of some of its provisions with WTO rules.

4.2.4 Cross-Border Cooperation as a (Fragile) Means to Foster Ties with Russia

Border areas often share common problems. At the same time, geographical proximity to the border can present opportunities. This has been the case for the forestry sector in eastern Finland and the neighbouring Republic of Karelia, which has benefited from a proximity to the border due to lower transport costs and direct economic contacts. The border municipalities and regions in North-West Russia (particularly the Leningrad region and Vyborg municipal district) have also benefited from the proximity to the border and the development of Russia’s oil and gas

transport infrastructure. The on-going investments to develop Leningrad region's harbours strengthens this geographical asset.

The cross-border cooperation between the EU and North-West Russia has been quite successful, especially the bilateral relations between Russia and Finland—in spite of the historical antagonism between the two countries. Until the economic crisis in 2008 bilateral trade and investments grew significantly, with Leningrad region being the main gateway. During the years 2006–2010, investment in the Leningrad region by the Finnish companies accounted for about 16 % of total Finnish investments in the Russian Federation. During the last decade several cross-border entrepreneurial networks emerged between south-eastern Finland and the Leningrad region (Zimin 2013).

At the same time, emerging economic ties and cultural cooperation in the EU-Russia borderlands are highly sensitive to the market fluctuations and unsteady institutional framework, including the border regime. Looking at the forestry sector as an example, opening up of the Russian border for trade in the early 1990s positively influenced the development of markets for raw materials in the forestry sector. During this period, Finnish imports of round wood from Russia grew substantially, which enabled Finland to expand the production industry by processing timber. In 2007 Russia introduced export duties for timber to encourage domestic processing of raw materials, which resulted in a sharp decline in trade of round wood to Finland.

In case of Kaliningrad oblast, the years 1999–2003 were the most successful for cross-border cooperation. It was carried out between the non-governmental organisations and the regional authorities. However, enlargement of the EU in 2004 brought closer attention of the Russian central government to the region.

As Richard et al. (2015) state, “although the economic and social conditions exist for the rapid integration of the Kaliningrad Oblast in the Baltic region, one must admit that cross-border cooperation has hardly developed (...), in a particular geopolitical context where Kaliningrad has become a double periphery of Russia and the EU”. According to them, and along with the tense geopolitical context between the EU and Russia, the rising but still poor development of exchanges with the surrounding territories of Poland and Lithuania is also caused by the persistence of social representations in local public opinion that hamper cross-border relations. The Kaliningrad region could be a model of interaction between Russia and the EU, they say. However, the present situation suggests that this area “may sink into a double distrust atmosphere, lead to the militarisation of border regions and the limitation of cross border cooperation”.

4.2.5 Commonalities for Regional Integration: Transport, Environment, Tourism

Significant deficits in the quality and efficiency of transport infrastructure can be observed when travelling from West to East (Baltic States–Russia direction), such as fragmented motorway sections and a relative lack of electrified double-track

railway lines, which hinder mobility of goods and persons despite recent improvement. In addition, institutional obstacles at the border crossings impede a better integration of North-West Russia and Belarus with their EU neighbours.

The Baltic Sea is among the busiest shipping routes in the world with steadily increasing traffic volumes. Maritime industries, such as fisheries, ship building, port-related services and supply chains, are important industries and have an important contribution to the regional integration and development. Moreover, marine and coastal areas are used for recreational activities and tourism. The Baltic Sea waters are also used for production and transport of fossil (e.g. Nordstream) and renewable energy.

Development of industries and trade, intensification of agriculture and other anthropogenic activities have contributed to the environmental degradation of the sea. The Baltic Sea is highly vulnerable to pollution due to a limited water exchange and low oxygen volumes. Eutrophication, contamination by hazardous substances and loss of biodiversity are the main challenges to the ecosystem today. Climate change also presents a serious concern, both through indirect (e.g. changed land use, water runoff) and direct effects (e.g. increase in water temperature). Addressing these challenges requires joined efforts taken by all countries in the catchment area. Green growth is an important topic for the prosperity of the entire Baltic Sea macro-region. European countries have, overall, more expertise when it comes to deploying sustainable solutions and promoting green growth. According to the association for economic interaction of the subjects of the North-West region of the Russian Federation (Association North-West) the environmental protection will be one of the perspective directions for cooperation between the Russian Federation and the EU in the BSR (BSR 2012).

The major problems in the North-West Russia are high levels of water and air pollution, the lack of environmental infrastructure, the lack of regulations which would force businesses to respect the natural environment, and a low environmental awareness level of the population. Among the most acute problems is a poor quality or lack of waste water treatment systems and poor waste management. Improving the environmental situation through promoting the implementation of projects of construction and modernisation of municipal sewage treatment plants, sewers, enterprises for the sorting and recycling of waste were among the priorities of the Russian presidency of the CBSS (2012–2013). With EU aid a sewage treatment plant was built in Gusev (Kaliningrad oblast), and a few others have been modernised. Kaliningrad's efforts to reduce the amount of waste entering the Baltic Sea were also supported by the federal programme for developing Kaliningrad oblast until 2015. The Swedish international development co-operation agency (SIDA) also contributed over US\$17 million in 2003–2007 for the construction and modernisation of water and sewage infrastructure and sewage treatment plants in Kaliningrad oblast. Further developments in this field are needed to contribute to pollution prevention in the Baltic Sea. The actions should also include consultations, experience exchange and trainings of representatives of stock-raising and poultry farms in the BSR.

Tourism development and promotion of macro-regional tourist products (development of joint international tourist programmes together with neighbouring European countries) are among the objectives in the Russian Strategy of social and economic development of the North-West Federal District set up in 2011. In addition, creating a network of recreational clusters based on sustainable tourism development was among the priorities of the Russian presidency of the CBSS. Tourism development also coincides with the objective of the EUSBSR, which is to foster Baltic Sea regional identity. Therefore promoting sustainability in tourism, together with cultural and historical heritage, could be among the focus areas for joint Russian-EU international tourist programmes in future.

4.2.6 The Key Issue of People Mobility

In the Baltic States, regional integration is of high importance for many individuals who have relatives, friends and cultural ties with Russia and Belarus and vice versa. Simplifying a visa regime could be an important step towards integration. Let us see what the starting point is.

Despite a varying degree of success in developing cross-border cooperation with the authorities and regional actors in North-West Russia, human mobility in its various forms is at stake. Since the early 1990s and the following expansion of the EU the number of Russians crossing the border has increased substantially. In Finland, Russian nationals account for about three quarters of the total number of border crossings today. The most common reason is day trips or shopping, which make a valuable contribution to the Finnish economy. Besides that, Russian-speaking residents are now the largest group speaking a foreign language in Finland, followed by Estonian-speakers. Moreover, Finland became an important tourist destination, several thousands of Russians come there yearly for seasonal or temporary jobs.

Residents of Kaliningrad tend to travel to EU countries considerably more often than the residents of other Russian regions. The data from 2011 shows that around 215,000 visas to the EU countries (out of 941,500 residents of the exclave) were issued. Since the region is dependent on external supplies (from Russia and abroad), goods and services in neighbouring countries become more attractive and competitive: not only shopping centres, but also resorts and clinics in Poland and Lithuania. Gradually, these countries are becoming a point of reference in terms of living standards, including the quality and prices of goods and services. The average cost of a food basket in Gdansk is approximately 20 % lower than in Kaliningrad, while the cost of gasoline is much higher in Gdansk than in Kaliningrad.

Conversely, a Russian entry visa is required to travel to Russia for all EU nationals no matter what the purpose of a visit is. Business, private, humanitarian, work and student visas are issued for a period of up to 3 months. In the case of business and humanitarian visas it is possible to obtain a multiple entry visa, which is valid for 1 year. In most cases a visa invitation from a receiving party

(e.g. company, relatives, friends, educational institutions) from Russia is needed. Tourist visas are valid for up to 30 days and can only be used for one entry.

The Russian Federation visa-free regime for up to 90 days was valid for citizens of Ukraine and Moldavia. Citizens of Belarus do not require a visa and can stay in Russia for an unlimited period. There are few possibilities for a visa-free entry to Russia. Stateless persons who were former citizens of USSR and now residing in Estonia and Latvia (holders of alien and non-citizen passports in Estonia and Latvia respectively) can enter Russia without a visa for a period of 90 days. Since 2009, cruise ship passengers travelling to the BSR ports of Kaliningrad, Vyborg and St. Petersburg can stay in Russia for up to 72 h without a visa on condition that the tours are booked through the travel agencies authorised in Russia.

When travelling to the Kaliningrad region, citizens of Schengen states, UK and Japan can obtain a 72 h tourist visa at the border check points of Bagrationovsk, Mamonovo and Khrabrovo Airport, if traveling through an approved travel agency. In all other cases a Russian visa cannot be obtained on arrival but only through the Russian Consulates and Embassies. A bilateral local border traffic agreement between Kaliningrad and neighbouring Polish regions was signed in 2011, which represents significant progress in visa-free talks. From 2012, the residents of the Russian exclave who use local border traffic are allowed to stay in Poland for a period of thirty days (but no longer than ninety days within every six months). In 2013, the Russian ministry of Culture proposed a draft bill aiming to introduce a 72-h visa-free transit for foreigners from 20 countries (including the BSR countries Finland, Sweden, Germany and Poland) on condition that they travel with a Russian airline carrier. Among the eligible airports included in the proposal are those located in the BSR—Pulkovo in St. Petersburg and Khrabrovo in Kaliningrad. Making Kaliningrad a pilot region for establishing visa-free movement into the entire EU has been discussed for years.

4.2.7 Intergovernmental Institutions Include Russia but not Always Efficiently

There are a number of intergovernmental organisations established in the BSR, which have been dealing with regional development issues for more than twenty years and of which Russia is an active member. So, a solid basis for development of cooperation has existed for decades. The existence of these structures can be seen as an important driver for neighbourhood integration.

Adopted in 2009, The European Union strategy for the Baltic Sea region (EUSBSR) is the first macro-regional strategy in Europe. It involves eight EU member states around the Baltic Sea and promotes cooperation with Russia and Belarus. The thematic pillars are: environmentally safe region, prosperous region, accessible and attractive region, and safe and secure region. Russian actors can be involved in the EUSBSR flagship projects as associated partners, but the Strategy was elaborated without full-fledged participation of Russia and the country is excluded from the decision making process.

In the framework of the European Neighbourhood Policy, Cross-border cooperation (CBC) is a key priority of the ENPI. Russia is a beneficiary of four CBC programmes co-funded by both the EU and the Russian Federation (220 million € for the period 2007–2013).

VASAB (Visions and Strategies around the Baltic Sea) is an intergovernmental network of eleven countries of the BSR including Russia and Belarus which was established in 1992. It promotes cooperation in the field of spatial planning and development.

The Council of the Baltic Sea States (CBSS) is an overall political forum for regional inter-governmental cooperation established in 1992. Members of the Council are the eleven states of the BSR, as well as the European Commission. The Council provides a unique regional platform for cooperation between EU member states and the Russian Federation. The long-term CBSS priorities are economic development, environment, education and culture, energy and civil security. Since 2013 the CBSS Project Support Facility (PSF) has provided co-financing to the development and implementation of Baltic Sea macro-regional cooperation projects. PSF allows the involvement of Russian actors on an equal footing.

Initiated in 1999, the Northern Dimension (ND) policy plays a vital role in overall cooperation in the BSR, especially when it comes to developing cross-border cooperation with Russia. ND envisages equal participation of EU member states, the Russian Federation, Norway and Iceland. The ND partnerships provide a good platform for projects of macro-regional significance in culture, environment (including nuclear safety), public health, transport and logistics. However, some difficulties occurred, namely failure to meet many of these projects' co-financing requirements by the Russian side (for instance for modernising the water-and-sewerage networks in Kaliningrad). Among the projects that are usually implemented successfully are so-called 'soft' projects in the field of youth exchange and training events.

In sum, Russia is involved in the BSR intergovernmental cooperation via the Northern Dimension and to some extent via the CBSS and VASAB. But without the active participation of Russia in the EUSBSR, coherent sustainable development of the BSR cannot be achieved.

4.3 Black Sea: Case Study on the Local Ties with EU and Russia

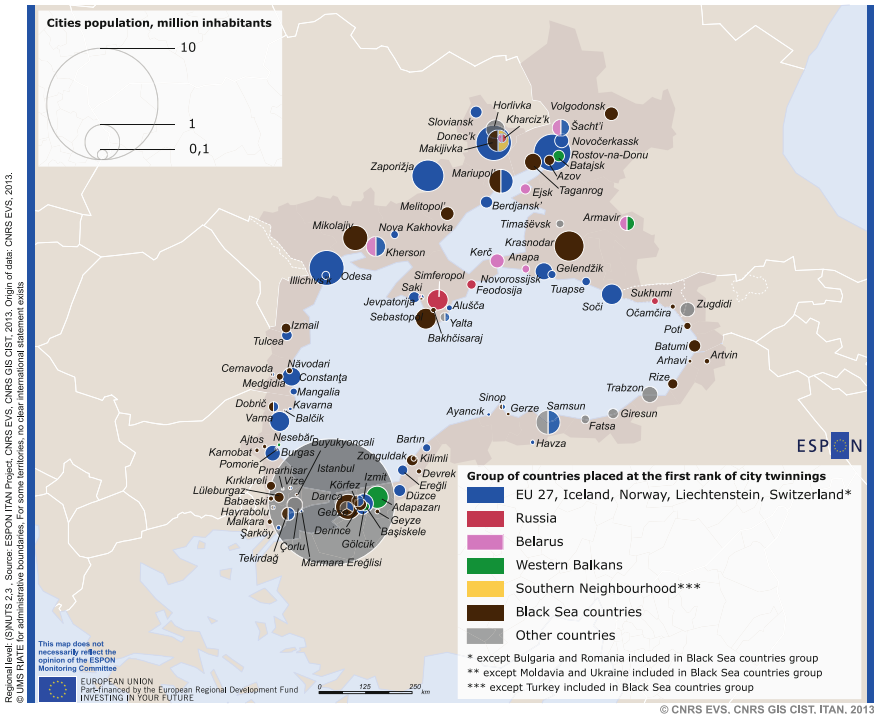
4.3.1 City Twinning: Balanced Partnerships with the EU and Immediate Neighbours—Especially Russia

It is relevant to address the international cooperation at a local level, and observe if the cities that border the Black Sea are keen to collaborate together. A database has been compiled for 102 cities located in the Black Sea Region and the country of the

cities with which they concluded twinning agreements. 207 partnerships—a third of the total—have been made with Black Sea countries (i.e. countries bordering the Sea), especially with Russia, Bulgaria and Turkey. Another third have been made with EU countries (except Bulgaria and Romania), especially with Italy, Germany and Greece.

Before the collapse of the Soviet Union, the majority of partnerships were established with EU countries. Since the 1990s, more were undertaken with other Black Sea countries, the USA and Asian countries. Recently, in the 2000s, new areas for twinning partnerships emerged, such as with the European Mediterranean neighbourhood and Western Balkans.

In the post-Soviet states, partnerships are often with other parts of the former Soviet Union: Russia, Ukraine and Belarus. In Romania and Bulgaria, the partner cities are mainly located in the EU; from a local point of view also, this membership really translates into further integration with the EU (Map 4.7).



Map 4.7 Twinning of the Black Sea cities: regional breakdown

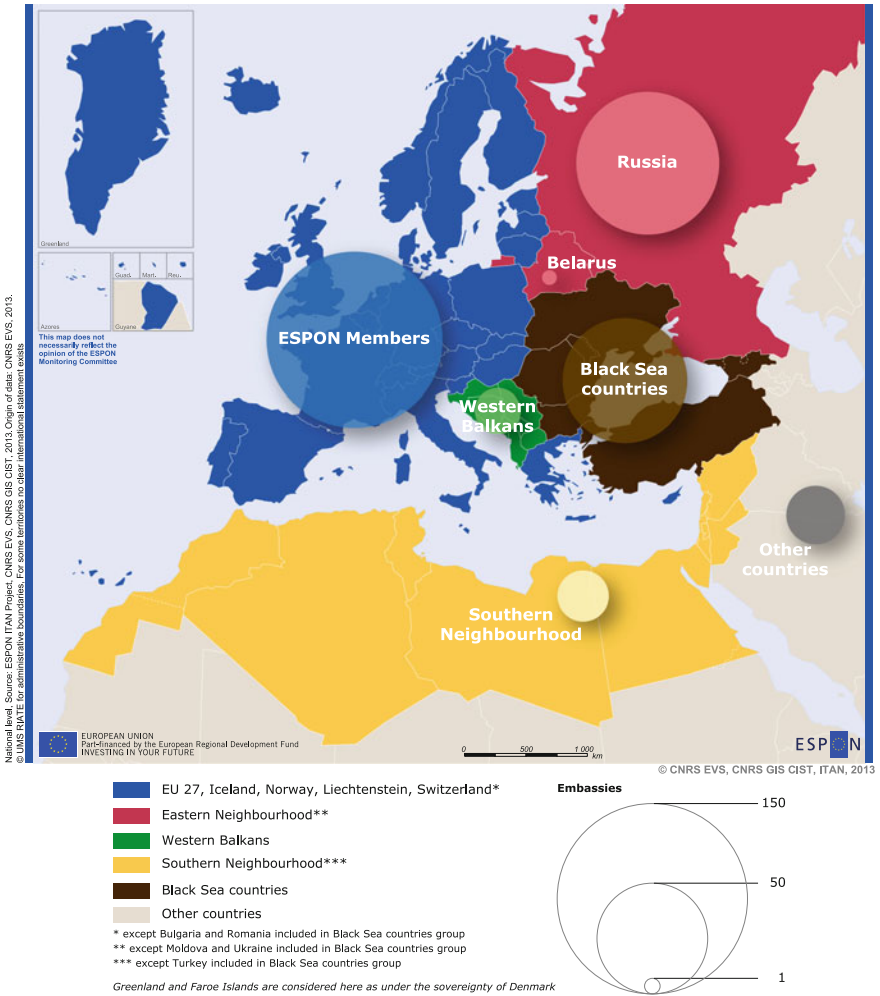
4.3.2 Diplomacy Networks of the Black Sea Countries: Rather with the EU or with Russia?

Influence can also be measured through embassy networks. The ITAN project compiled the addresses of resident and non-resident embassies in the region. The database indicates with which countries the Black Sea countries have a resident embassy and in which capital cities they do not have these embassies. In the latter case, diplomatic relations are supported by a corresponding embassy situated in another country, which is, as a consequence, competent for more than one state. For example, Iceland only has 11 embassies in the area but has diplomatic relations with 43 countries. This means that Iceland's diplomatic relations with 32 countries are made through the competence of a "non-resident embassy". For its relations with Italy, Iceland uses the Icelandic embassy in Paris; the Parisian embassy is said to be the corresponding embassy of the non-resident embassy in Italy.

In the Black Sea Region, Moscow and Ankara are among the cities with the highest number of embassies; Turkey and Russia inherit long histories as states and empires. According to our database, 100 % of the countries that have diplomatic relations in Russia do have an embassy located in Moscow. On the contrary, Tbilisi and Chisinau are narrow diplomatic places in matter of number of embassies. In general, only the most powerful countries in the world can afford to build and maintain embassies even in small states. This means that many countries in the world that have diplomatic relations with Georgia do not have embassies in this country; the question is: where, then, is their non-resident embassy in charge of their diplomatic links with Georgia located? Answering this question displays a picture of the diplomatic dependence of the Black Sea countries. Indeed, most of the Black Sea countries, which are middle-sized or small-sized diplomatic places, and have a lot of non-resident embassies: Turkey and Russia host a great number of non-resident embassies for Georgia; Romania and Ukraine host a great number of non-resident embassies for Moldova—whereas Germany and Russia host a great number of non-resident embassies for Romania. Black Sea capital cities can also host embassies competent for countries outside the region: Bucharest and Sofia host a lot of embassies competent also for Serbia, the Former Yugoslav Republic of Macedonia and Albania.

Map 4.8 gives the resulting picture for the diplomatic links as a whole with the Black Sea countries. A large part of the diplomatic dependence of the Black Sea countries, especially Ukraine, Bulgaria and Georgia, is on Moscow; Bucharest and Ankara are secondary centres. The other main hosting city of Black Sea non-resident embassies are EU capital cities, especially Berlin, Roma and Vienna.

The Black Sea region is a fragmented area. Initiatives to create some integration at a supranational level remain shy. The interests of the different Black Sea countries are too divergent for rapid development of such initiatives. Economic and demographic trends are also quite divergent; they divide the area between Turkey,



Map 4.8 Diplomatic links in the Black Sea region. Location of the resident embassies not directly housed in the Black Sea countries

which is experiencing rapid growth, the other Black Sea countries with weak economic growth (except Russia), low fertility rates and large diplomatic and economic dependence on EU members or Russia. The European Union is the main trade partner of the Black Sea countries and the main partner for city twinning, diplomatic links or port traffic; but this polarising role is rather declining, whereas Turkey and Russia’s influence are on the rise.

4.4 Ukraine: Case Study on the Territorial Divide and Cohesion of a Contested Country

The recent turmoil in Ukraine shows how important it is to consider the evolution of territorial patterns in political decision-making, in particular regarding the EU neighbourhood. This section describes the main features of recent territorial development in Ukraine at the regional scale (oblast).¹ Though it does not allow following detailed changes, such analysis underlines the major trends of the country dynamics—for example, a sharp increase of the economic role of the capital city typical for most post-socialist States. Ironically, the on-going crisis in Ukraine, which raises the issue of national cohesion, takes place after a period of strong reinforcement of the capital city. The growing gap in wealth between the capital and other regions is one of the factors undermining the nation-building of modern Ukraine.

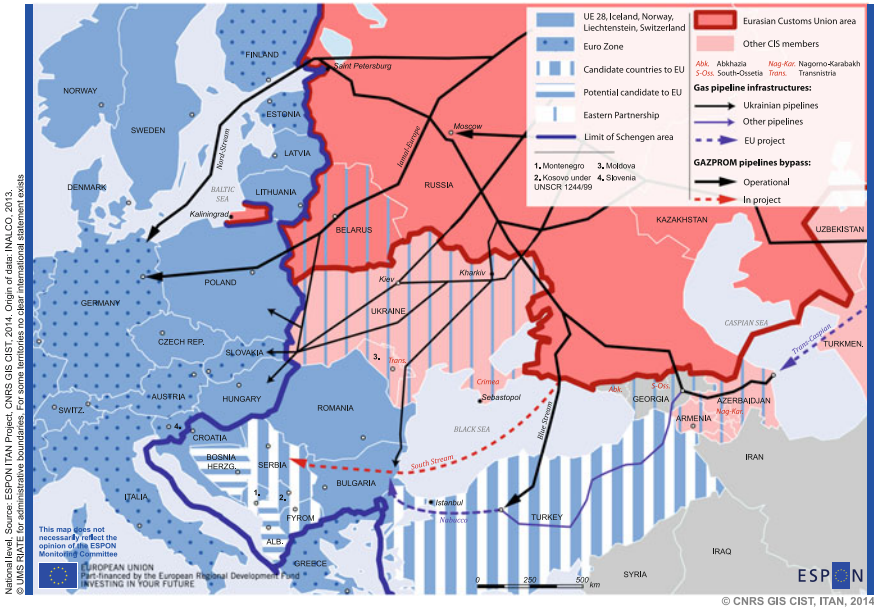
4.4.1 Ukraine in Its Macro-Regional Context: A Fragile Interface Between Europe and Russia

Ukraine plays a key role in the delivery of Russian energy resources to Europe: 60 % of the Russian gas consumed in Europe transits through Ukraine. In the last decade, Russia has developed alternative routes: the North Stream (under the Baltic Sea directly to Germany, see Map 4.9) and the Blue Stream to Turkey. The South Stream project under the Black Sea to Balkan Europe is under construction.

Both the EU and Russia tried to convince the former Ukrainian leadership of the advantages of economic integration with them. The EU suggested signing the ENP Association agreement while Russia insisted that Ukraine joins the Eurasian Custom Union under Moscow's leadership. Each side argued that the maintenance of close economic relations was incompatible with integration with the other partner and thus considered it as a zero-sum game which triggered the current crisis in November 2013, when Russia requested Ukraine join the Eurasian Custom Union before signing the Association agreement during the Oriental Partnership Summit.

The EU and Russia were the main partners of Ukraine as regards to foreign trade, and its most important sources of foreign direct investments. They are also the main destinations of Ukrainian emigration. The EU provides Ukraine with the largest part of foreign aid. The territorial distribution of flight connections reflected this situation. In relation to population, Russia, as trade partner (import + export), was much more important for Ukraine than the EU member states. The legacy of the common Soviet past clearly showed in the distribution of exports: Russia was a

¹The analysis partly derives from debates that took place during the international conference of the CIST held in Paris on March 27- 28th 2014. See in particular the debates with Jacques Sapir on <http://www.gis-cist.fr/cist2014-compte-rendu/>.



Map 4.9 The geo-economic context of Ukraine, 2013

much more important foreign consumer of Ukrainian goods than the EU. Figure 4.1 shows that the EU share in Ukrainian trade has been rising in the 1990s but is declining since the 2000s (Teurtrie 2012).

In the last decade, the Ukraine economy has shown successive indicators of weakness. The gap between Russian economic growth and that of Ukraine has been rising since 2003, because Ukrainian productive system has not been modernising quickly enough and needed massive investments. Since 2005 Ukrainian trade deficit has been deepening and since 2006 Ukrainian public debt has been rapidly increasing. As a result, Ukraine’s path is decreasingly resembles that of an emerging economy; the country stands as one of the poorest area of the Europe Eastern neighbourhood, along with Georgia and its breakaway parts—Abkhazia and South Ossetia. The Western part of Ukraine shows a particularly low level of development. The contrast is obvious compared to Russia, and even to Belarus which has been doing somewhat better than Ukraine since the 2000s. Still, the situation in eastern Ukraine, the most industrialised and urbanised region, has been more favourable, partly because of its rapid depopulation (GRP per inhabitant rises when population declines). This development was in striking contrast with the progress of most regions of Turkey and of the neighbouring Russian Krasnodar krai.

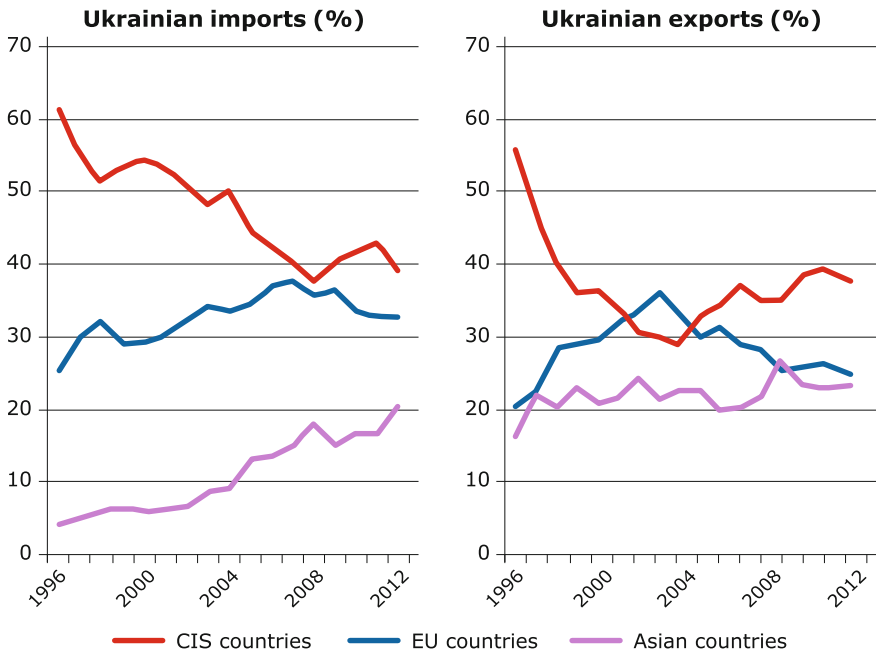


Fig. 4.1 The external trade of Ukraine: the declining role of Europe (in % of Ukrainian trade, goods + services, values). *Source* Ukrstat

4.4.2 *Nation-Building, Declining Regional Disparities, Rising Concerns*

Another striking feature of Ukraine during the last decade is the rising regional issue. Ukraine has basically only existed in its present boundaries since World War Two. Before, western Ukraine had never been a part of a single State with other regions. Crimea was included in Ukraine territory even later (1954). Besides, unlike core Ukrainian areas, south-eastern and southern regions have been populated relatively recently by Ukrainian and Russian settlers—since the late 17th century and especially in the period of industrialisation in the late 19th century. Therefore regional cultural, economic and political disparities became one of the problems for the Ukrainian independent State.

Moreover, during the last decade territorial disparities have been deepening:

- the West still remains much less urbanised; its agriculture remains an important share in GRP. The region suffers from under-equipment and is lagging behind national income average,
- the East possessed a strong industrial basis and concentrates the largest cities; it was richer than the national average,

- the centre of the country has an intermediate position, except for the city of Kiev and its oblast which are the most dynamic territories, with numerous civil servants and a set of business services.

Ukraine's population has been steadily declining; nowadays it has 46 million people (its mid-1960s level), compared to 53 million in 1993. Reasons for this decline are both natural decrease, and emigration almost equally distributed between EU countries and Russia. During the 2000s, no single region in the country experienced demographic growth, except the city of Kiev. Depopulation is particularly strong in the East (regions of Donetsk, Lugansk) and also in the oblasts of Chernihiv, Sumy, Poltava and Kirovograd. This process is closely related to the ageing of population. In the East and Crimea, the share of children under 16 dropped under 13 %. Most oblasts have a negative migratory balance. The few exceptions include primarily Kiev and its outskirts, and to a much lesser extent Odessa, Kharkov, and Crimea with its sea resorts and the city of Sebastopol which, as a Russian naval base, has always had a specific status.

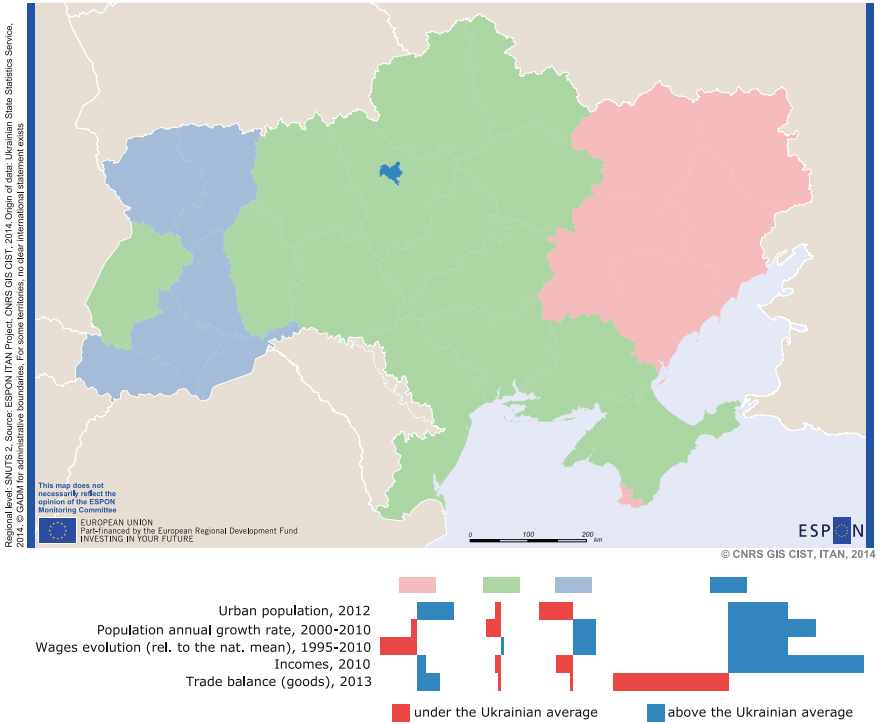
Regional income disparities are very high: in 2010 income in the City of Kiev was more than double the national average. The East runs second. The lowest incomes are in the West. Since the collapse of the Soviet Union, in the eastern industrial regions wages have been severely declining compared to the national average. On the contrary, during the modern nation-state building era, the relative average amount increased in the West and especially in Kiev.

The East remained the main source of Ukrainian exports: exports per capita value was particularly high in the regions of Donetsk and Dnipropetrovsk, which provided more than a third of the country exported goods, mainly iron ore, rolled steel, basic chemicals and fertilizers. The city of Kiev also appears as an important exporter since it hosts the headquarters of many important companies whose production units are located in other regions (regionalised data on foreign trade are always questionable); but the imports of Kiev are even larger, thus its trade balance is highly negative. Therefore, Ukraine earned most of its foreign trade revenues thanks to industrial exports from its eastern part. CIS countries, especially Russia, were its main trade partners, particularly when considering that 8 % of foreign trade, which mostly consists of "undocumented" natural gas coming from Russia was not regionally distributed by national statistics. Ukraine and Russia have for centuries belonged to the same single economic space, and economic links inherited from Soviet times were still strong, especially in the East.

4.4.3 Conclusion: A Jaws Effect in the East

Map 4.10 provides a synthetic typology:

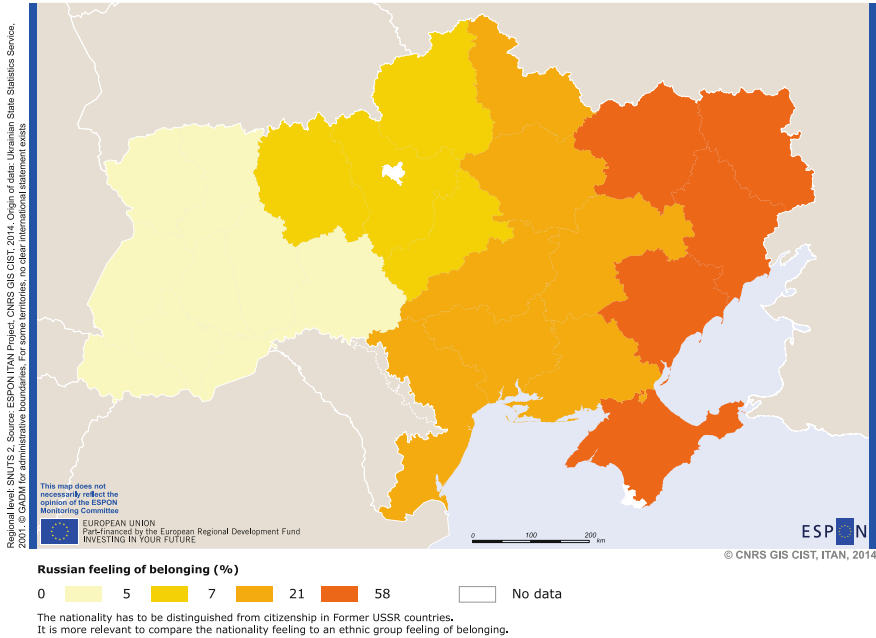
- The city of Kiev benefitted from developments in the post-Soviet period thanks to relatively high incomes, the rapid growth of wages and consumption manifested in the highly negative balance of foreign trade. This explains a significant



Map 4.10 Ukrainian regional typology, ca 2012

increase in the capital population—a striking contrast compared to the rest of the country—thanks to migration from all other regions, in other words a typical nation-building pattern.

- The position of the West slightly improved but only in relative terms. It remains less urbanised and poorer than the country as the whole, although its demographic situation is better and wages have been rising.
- The central part of the country is close to national average by all indicators.
- As for the East, since the end of Soviet times, it highly contributed to the modern national-building era: it remained the main source of export income for the country; it gathered the most important taxpayers since per capita incomes and salaries were significantly higher than national average (even if the informal economy is lower than in the rest of the country where revenues are therefore under-estimated); it sent its youth to the capital region, suffered from depopulation and had a negative net balance of migration. All of this happens in the context of an ageing population, sluggish economic growth and declining wages compared to the rest of the country. The East kept strong economic relations with Russia, particularly in the engineering and manufacturing sectors that depended on exports to Russia: eastern regions had a positive trade balance with Russia, and many large factories belonged to Russian companies. Such a



Map 4.11 Russian “belonging feeling”, at the beginning of the 2000s. *Source* Survey elaborated by the State Statistics Service of Ukraine

situation, together with a high ratio of “ethnic” Russians (Map 4.11) and families with a mixed Russian-Ukrainian background, and with the domination of the Russian language in everyday people to people communications, provoked the dissatisfaction of many citizens with the arrival to power in February 2014 of politicians from the West calling for a break with Russia. The joint action of Russian authorities sealed the deepening of the Ukrainian nation-building crisis.

4.5 Strategic Synthesis: Role of Territorial Cooperation, Key Russia and Energy Issues

Among the important topics for cooperation between the EU and its eastern neighbours is tackling the environmental challenges of the Baltic Sea. As the Baltic Sea itself is a special eco-system, one that is highly threatened by several environmental hazards, it is vital that all countries around the sea, including those located in the catchment area (Belarus), participate in order to combat the

consequences of trans-boundary pollution and preserve the sea as a common resource. This topic is currently being addressed in the EU Strategy for the Baltic Sea Region.

The factors that are worsening the degree of territorial integration between the EU and the Eastern neighbourhood include underdeveloped physical infrastructure connecting the East and the West, disparities in access to ICT between the countries (although the disparities are shrinking rather quickly), governance differences (i.e. the room for manoeuvre that regions have to cooperate independently of central government), as well as institutional and organizational bottlenecks (e.g. long border crossing time into the Schengen zone). Due to inefficient procedures, long queues of lorries at crossing points from Finland, Estonia and Latvia have been usual. Simplifying the customs legislation and border crossing procedures and coordinating the development of transport axes between the Eastern neighbourhood and the EU territory would help to avoid similar problems. Development of some large scale transport projects (Via/Rail Baltica—IX transport corridor, and Via Hanseatica) are expected to play an important role in increasing the accessibility of the eastern part of the Baltic Sea. However, their role in the railway connections with Russia and Belarus will be limited by the use of standard European gauge.

Another worsening factor is the deteriorating relationship between the EU and Russia. Given the remaining ties—cultural, economic, political, diplomatic—between Russia and the EU's eastern neighbours, any renewal of the EU's eastern partnership will rely on an improved strategic relationship with Russia.

Russia is the EU's biggest neighbour and third biggest trading partner, and a key supplier of oil and gas to EU member states. In 2013, the share of EU in Russia's foreign trade accounted for 56 %. But this share is declining because the turnover with other countries—primarily, China, but also Turkey and South Korea, etc.—is growing faster: China became Russia's main foreign trade partner instead of Germany. From the perspective of the geographical distribution of FDI, Russia also remains much closer to Europe than to other regions of the world: EU countries account for three quarters of accumulated FDI. Moreover, in the 2000s the EU share was growing—yet investments from Cyprus consist in fact of a repatriation of Russian capital.

When it comes to tourism, the number of Russian citizens visiting foreign countries before the crisis was rapidly increasing. Though their main destinations were the countries of so called cheap tourism (Turkey and Egypt), EU countries also profited of the growing number of Russian tourists, in particular Greece and Finland (the third major destination in 2013), Spain, Germany and Italy. At the same time, the growth of foreign tourism in Russia was modest because of the lack of an adequate infrastructure and because of an unfavourable image of the country. Lastly, West Europe is the main destination of regular flights from/to Russia.

When it comes to territorial development strategies on a macro-regional level, the major ones are VASAB Long-Term Perspective for the Territorial Development of the Baltic Sea Region and the EU Strategy for the Baltic Sea Region (EUSBSR).

Likewise, the EU Strategy for the Danube Region also brings together both EU states and countries in the Eastern neighbourhood around use of the Danube as a common resource. Russia has also shown interest in macro-regional strategic planning. In 2011 Russia adopted the Strategy on social and economic development of the North-West Federal District (NWFED) until 2020, which also aims at planning large macro-regional units. Today, Russia is involved in the implementation of the Action Plan of the Strategy via the Northern Dimension and, to some extent, via the activities of the Council of The Baltic Sea States and VASAB, but this is insufficient: the exclusion of Russia in the developing process of the EUSBSR is a significant deficit of the Strategy and a step back in the integration process.

Among the good practices of territorial development strategies is the introduction of a bilateral local border traffic agreement between northern Poland and Kaliningrad in 2012, which facilitated the crossing of the Polish-Russian border by residents of the entire Kaliningrad region. This agreement is seen as an important step towards creating a legal basis facilitating movement of people between the two countries. It plays an important role in facilitating direct social, cultural, tourist and other people-to-people contacts, which is a precondition for increased regional integration. The countries also established a regular cooperation in fighting international organized crime and border security.

In the case of sector specific cooperation, the bilateral relationship between the eastern Finland and the Republic of Karelia in Russia in the forestry sector can be emphasized as a good example of a well-functioning cross-border partnership.

As to other relevant actors outside the international policy arena, the development of closer ties is supported by regional authorities, business actors, NGOs and academia. The Baltic University Programme (BUP) can be highlighted as a unique regional university network with about 225 universities in the 14 countries across the Baltic Sea region, including Belarus, Russia and Ukraine. Among the findings of the ESPON “TERCO” project was that the probability of successful territorial cooperation with more tangible outcomes is higher if NGOs and local and regional governments, rather than national governments, initiate the cooperation (Euroreg 2012).

However, due to the Ukrainian crisis, the changing geopolitical atmosphere is expected to cause a change in the quality of relations between the EU and the Eastern neighbourhood and lead to their deterioration. The Ukrainian crisis reveals major stakes on a higher scale: Western Ukraine is increasing its orientation to the EU, whereas Russia is strengthening its economic ties with Asian and Central Asian countries. In the current situation energy issues become in the centre of attention once again. A European Energy policy is an indispensable prerequisite for a genuine partnership between the EU member states and Russia, instead of the current dispersed member states’ gas agreements with Russia, though Russian and even a number of Western experts express justified objections against its implementation. This is the overarching condition for better cooperation on all scales between the EU and the Eastern neighbours (Fig. 4.2).

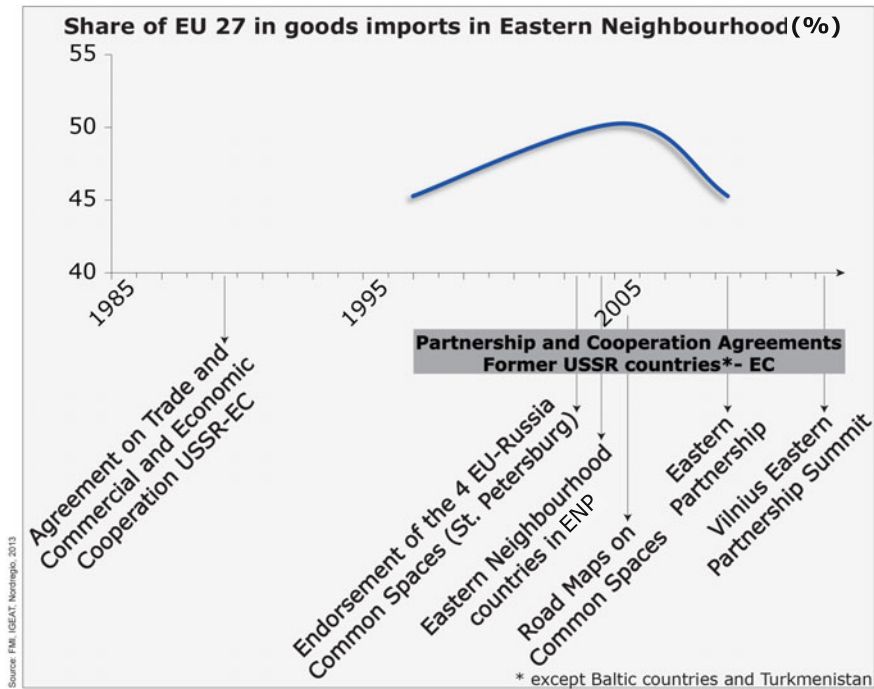


Fig. 4.2 Agreements v. real integration with the EU—Eastern neighbourhood

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Chapter 5

Western Balkans: Deep Integration with EU Relies on Internal Integration

**Emmanuelle Boulineau, Antoine Laporte, Clément Corbineau,
Charlotte Aubrun, Byron Kotzamanis, Goran Penev,
Snjezana Mrdjen, Michail Agorastakis and Ivan Marinkovic**

Abstract This chapter focuses on four stakes: (i) the huge demographic changes of the Western Balkans, and the mobility issue namely due to a re-bordering process since the end of the Yugoslavian wars ; (ii) the undeniable income rise but also rising social disparities; (iii) an economy which is just recovering with strong geographical fragmentation; (iv) in the field of environment, an early stage regulation and the necessity for a rising international cooperation with the European union. We highlight a still low international openness, an obvious core-periphery

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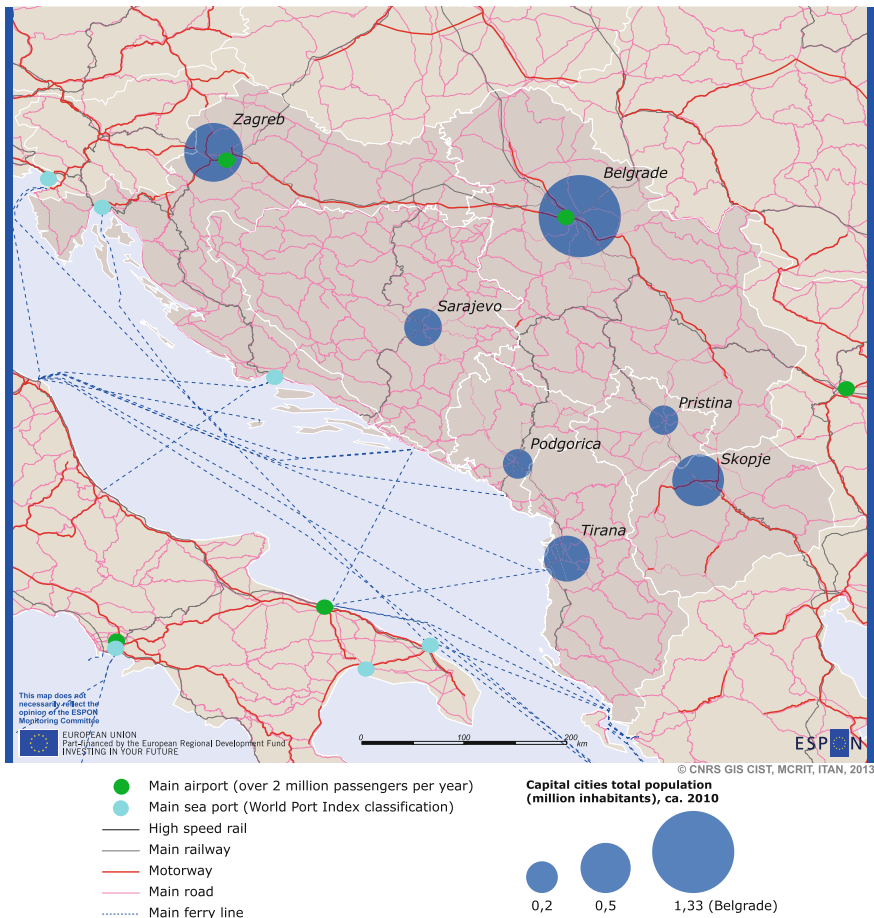
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pattern in economic flows with the EU, and the various shortcomings of territorial cooperation with the EU. The strategic recommendations insist on the internal fragmentation, which hinders connection to the EU and any perspective of the Western Balkans to become one day “South-East Europe”.

With 21 million inhabitants, the seven countries (including Croatia since ITAN started before its EU membership) form a small neighbourhood (Map 5.1). Compared to the EU, this neighbourhood represents 4.3 % of its population and 5.4 % of its territory—264,000 km², just slightly larger than the United Kingdom. The seven states are small, ranging from 11,000 km² (Kosovo) to 77,500 km² (Serbia) and from 620,000 (Montenegro) to 7.2 million inhabitants (Serbia).

The fall of the Iron curtain and wars in the former Yugoslavia opened a decade of political, economic, and social turmoil. The 2000 decade was one of progressive



Map 5.1 The South-eastern neighbourhood (Western Balkans)

internal stabilisation, openness to a globalised economy, and application for EU membership. To different degrees, the seven Western Balkans countries have been in the process of EU integration since the Thessaloniki summit held in 2003, where the EU perspective for the Balkans was confirmed; the Stabilisation and Association Agreements (SAA) were the first steps to membership. Moreover, this neighbourhood is entirely surrounded by EU members: Italy, Slovenia, Hungary, Romania, Bulgaria and Greece.

The post-war context has revealed that fragmentation into states (two states in 1989, seven in 2012) and discontinuities along new borders are a main feature of the Western Balkans. Wars have provoked mobility at all scales, changes in the ethnic composition of populations and economic collapse. Discontinuity, fragmentation and diversity are enshrined in the common word “balkanisation”. The fragmentation of space is partly due to the mountains: Balkan is a Turkish word meaning mountain. Another character of the Balkan Peninsula refers to its position as a crossroads of many cultural influences that have contributed to the diversity in European identity.

For young countries, Nation-state building is still an important issue. Different political cultures had emerged during the socialist period. Hence, the actual reform of the territorial and administrative systems raises different national issues and reflects in diverging paths. The delineation of local and regional units to erase the socialist legacy is under question. In the field of competencies, the shift from administrative units, conceived as organs of the central state (state de-concentration), to self-government units (decentralisation) is still an on-going process, challenged by corruption.

5.1 Stakes

5.1.1 Huge Demographic Changes, Re-bordering Process and Mobility Issue

At the end of the 20th century, outmigration was uncontrolled due to profound crises or forced because of wars. Mortality and birth rate were affected by political unrest and economic uncertainty. The demographical change in the Western Balkans is all the harder to cover by statistical means, as methodological problems are manifold for enumerating populations and comparing time series data. Minorities are underestimated due to calls for boycott at the moment of the census; migrations are underestimated due to non-comparable definitions of the resident population according to the different censuses. Where they exist, migrations data from the last censuses (2011) are not yet published in the majority of the countries. Vital statistics (births, deaths) are inaccurate.

Nevertheless, the ITAN project has gathered evidence for an overview. Between 1991 and 2011 the area lost 2 or 3 million inhabitants, a figure that reflects very imperfectly the deep changes that occurred in the Western Balkans during and after the Yugoslavian wars. The achievement of demographic transition and the acceleration of natural decline occurred in the 1990s or the 2000s; in all cases they show

a convergence with the demographical trends observed elsewhere in Europe. For some countries, namely Croatia, Serbia and the Former Yugoslav Republic of Macedonia, the fertility rate is under 1.5; in Albania the fertility rate dropped from 7 children per woman in the 1960s down to 1.4 in 2008.

Compared to Western Europe, demographic patterns are more deeply influenced by migrations: international migrations have increased because of wars and crises; migrations between the countries of the Western Balkans have developed due to forced migrations (displaced persons), political reasons (refugees) or economic reasons. The ethnic cleansing operations implemented by all belligerent groups had major consequences on the distribution of ethnic groups. In 1996 the United Nations high commissioner for refugees evaluated that Serbia was hosting 540,000 refugees from the conflicts. The war in Kosovo (1998–1999) generated large flows of refugees to Serbia, mostly Serbs and Roma, to Albania and the FYROM, mostly Albanians. At the peak of the crisis, 300,000 “ethnic” Albanian refugees were seeking assistance in the FYROM; most of them went back after the war. Lastly, internal migrations in each country have changed the distribution of the population, with concentration in coastal plains and cities as opposed to remote mountainous zones or deprived border areas.

In Croatia, according to the 1991 and 2001 censuses, the population has diminished by 8 %. Forced migrations and refugees due to the war (1991–1995) were still larger than the negative natural growth. In the beginning of the 1990s there was interplay of emigration from the areas inhabited by the Serb community (Krajina) and immigration from other former Yugoslav republics. In Serbia, according to 1991 and 2002 censuses, the population decreased by 325,000 inhabitants, especially in the eastern part. But the 2002 definition of total population did not take into account the internally displaced persons (IDPs): if they were included in the numbers, the population of Serbia would have increased thanks to net immigration (refugees and IDPs), while natural growth was negative.

The second intercensal period, 2001–2011, covers a decade of political stabilisation—but not demographic stabilisation. In Serbia, some of the long-term processes were speeded up, such as negative natural growth and emigration abroad, while others were slowed down, namely the return of refugees. They led to a population real loss of about 485,000 inhabitants, according to the ITAN expert’s estimation. In Croatia, the natural decrease continued while the migration process shifted to outmigration at the end of the period. In Macedonia (FYROM), the population still increased by natural growth but is now ageing: emigration concerns young people, the elders stay in the villages. For Kosovo, only data for the 1991 and 2011 censuses are available since the 2001 census was cancelled; but both censuses were boycotted, the former by the ethnic Albanians and the latter by the ethnic Serbs. Despite the country having the highest natural increase rate in Europe, estimates provided by the ITAN experts conclude a population decrease, due to forced migrations during the 1990s then economic migrations during the 2000s. Lastly, Bosnia and Herzegovina had a positive population growth over the entire post-war period but Bosnians have been the population by far the most affected by forced displacement.

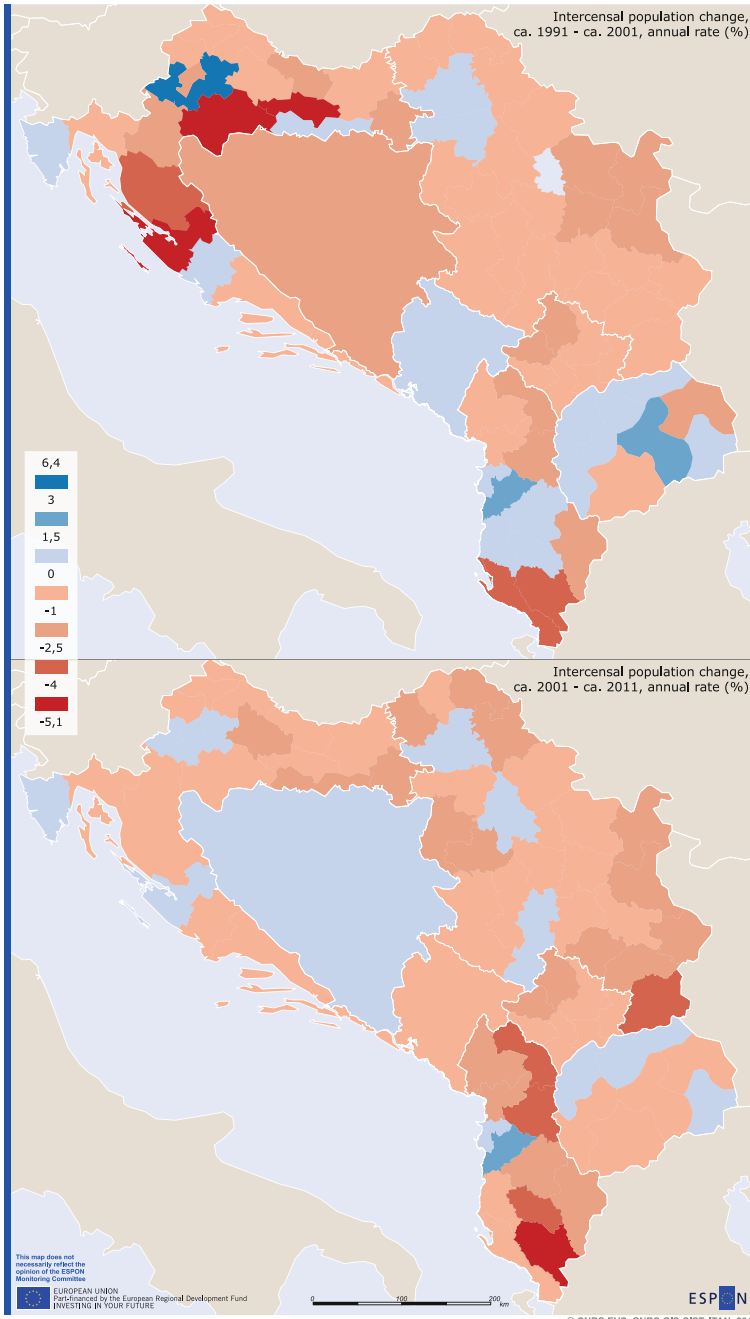
When it comes to Albania, strict controls on personal movements had kept high density in rural and mountainous areas under the socialist regime. These measures were lifted in the 1990s and prompted to a demographic shift to urban areas. The censuses show a population loss of about 380,000 inhabitants, that is -12% between 1989 and 2011, with a rural population decrease of -36% . Tirana's growth is not the simple explanation: outmigration was the major process after 1989, and the number of citizens outside the country was estimated at 1 million as early as 2001, especially in Greece—with the current anti-immigrant chauvinism in Greece today. Meanwhile, natural growth has remained positive.

Despite urbanisation, the majority of the population in Albania still live in rural areas, but this statement hides problems of comparison and data availability. Defining the urban population is a major difficulty in all of these former socialist countries. The current definition of the urban population depends on the proper definition of “city” inherited from the socialist period and sometimes modified by laws on territorial and administrative organisation. Moreover, data on urban/rural population are not always provided by national statistical offices at subnational levels, and when they do exist, metadata of the definition are lacking. What is sure is that the overall demographical decline has particularly affected rural areas. Nevertheless, no city, except Belgrade, is inhabited by more than 1 million people (Map 5.2).

Since 1989, the re-bordering process has raised new travelling and visa issues. Previous administrative boundaries between Yugoslav republics have turned into international borders. When villages are shared between two countries, points are locked with gates and the key is given to inhabitants of the village. Secondly, external borders with neighbouring countries have changed their status concerning visa regimes, following the Enlargement of the EU in 2004 and 2007 and the extension of the Schengen area since Hungary (2003), Bulgaria (2007), Romania (2007) and Croatia (2011) signed the Schengen agreement. The Western Balkans countries have improved their capacity in border control, but on the other hand this has deepened territorial fragmentation.

Different factors are pushing young people to project themselves towards Western Europe, in particular the high unemployment rate (e.g. 31 % in 2012 in the Fyrom) and the dismantling of social protection institutions of the socialist states, which places the young population in highly vulnerable situations. Diasporas have a strong impact on social, economic and political life in each national context; remittances are crucial in the daily life for a large part of the populations.

Opportunity to cross borders is generally regarded as one of the top priorities by the population of the Western Balkans. Citizens of Croatia have never been required a visa for stays under three months in the EU. For the other countries, the so-called “liberalisation” of the visa-regime took place progressively: in 2009 for the Fyrom, Serbia and Montenegro; in 2010 for Albania, Bosnia and Herzegovina; Kosovo received a road-map for visa liberalisation in 2012. But this liberalisation generated fearful discourse within the EU on the potential flows of migrants that would spread from there. Yet, small numbers finally managed to leave their country because of the legal obstacles framing their employability and because of the



Map 5.2 Population change in the Western Balkans, 1991–2011

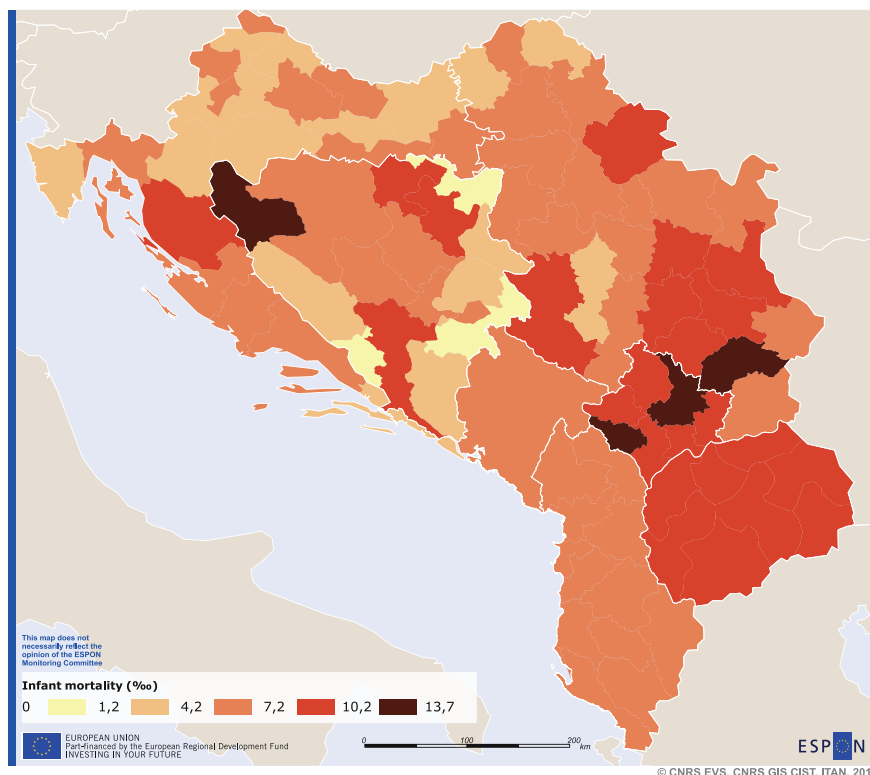
resources needed to migrate. Nevertheless, considering the issues faced by those countries to prevent their nationals seeking asylum in the EU, and taking into account the social conditions of citizens under the readmission agreement, the EU Parliament adopted a visa waiver suspension mechanism in September 2013—a threat for the countries of the Balkans who could see their situation downgraded. In 2013, the Western Balkans became one of the hotspot targeted by Frontex as one of the seven high-risk irregular migration routes. This penalises Western Balkans citizens: they accounted for 85 % of the total irregular border crossing in 2010, but for only 27 % in 2012. Due to the reduction of the demographic reservoir by the population decline, a push factor of migrants from the Western Balkans countries towards Europe should not be expected. Furthermore, migrations are changing to temporary stays in western countries: mobility is replacing migration.

Progressive integration to the EU also creates uncertain situations within the Western Balkans. To avoid critical transition situations, countries are experiencing a flexible regime. This is the case at the border between Croatia and Bosnia and Herzegovina since 2013 when Croatia entered the EU. The border crossing issue was a major discussion topic during the tri-lateral meetings held between BiH, Croatia and the EU. Whereas until then Bosnian citizens could cross the Croatian border with only an ID card, the integration of Croatia into the EU forced them to get a biometrical passport. That is why the parties agreed on the creation of a 5-km buffer zone along the Croatian border in BiH: any Bosnian citizen justifying his residence there and maintaining economic activities or family ties on the other side of the border is entitled to special easier conditions for crossing the border. This example proves that, as in the other places of the greater region, mobility of people is one of the top stakes of the neighbourhood issue.

5.1.2 Social: Undeniable Income Rise, Rising Social Disparities

Twenty years after the fall of the socialist regimes, the improvement of social conditions is indubitable. At the end of the 1980s, the scientific literature was still talking about development; now, according to the World Bank, the Western Balkans countries have entered the ranks of upper middle income countries, even though social disparities are also more contrasted.

In 2000, the infant mortality rate was above 10 % in the Fyrom, Albania, Serbia and Montenegro. Ten years later, infant mortality remains higher than in the EU but the decrease is remarkable, with a reduction of 6 to 4 points. In Serbia, the south-eastern regions, which are also outmigration areas, have higher infant mortality rates (Map 5.3). Contrary, the northern part of Croatia on the Danube plain has a very low infant mortality: the decrease of births and the improvement of social and health conditions reduce mortality of very young children. In Bosnia and Herzegovina it is difficult to understand regional disparities: the reliability of data is at stake. Kosovo keeps the highest rate, above 10%.



Map 5.3 Infant mortality in the Western Balkans, ca 2010

As for the local human development indicator (see supra Map 2.37), Dalmatian Croatia and Montenegro present a profile close to the neighbourhoods' average. Serbia and the Former Yugoslav Republic of Macedonia are in a more difficult situation: the level of educated population and incomes hinder the human development. All the Western Balkans present a real asset: an improved life expectancy.

Indicators such as unemployment rate show that the transition to a liberal economy has deeply affected the labour market: the shutdown of state-run enterprises and the end of socialist full employment led to increasing unemployment and to the impoverishment of the population. The 2008 crisis in Western Europe has also hit economies with a different acuity. But statistical offices and Eurostat draw attention on the lack of reliability regarding unemployment statistics due to the share of informal economy. In 2011, official unemployment rates were above 20 %, ranging from 20 % in Kosovo to 31 % in the Fyrom.

In Albania, the World Bank says that poverty is reducing both at national and regional level; however, regional disparities persist. From 2005 to 2008, central areas had the largest reduction in poverty, from 21 % of the total population to 11 %; in mountainous areas, one out of four individuals was still recorded as poor with no change between 2005 and 2008 (Table 5.1).

Table 5.1 Equipment indicators in the Western Balkans

	Motor vehicles (per 1000 inh.)		Internet users (per 100 inh.)	Mobile cellular subscriptions (per 100 inh.)
	2004	2010	2010	2010
Albania	87	124	45	84
Bosnia and Herzegovina	113	214	52	83
Croatia	337	380	57	112
Macedonia (Fyrom)	136	155	52	105
Kosovo	n.a.	n.a.	n.a.	n.a.
Montenegro	n.a.	262	38	185
Serbia	234	238	41	122
European Union		547	75	130

5.1.3 Economy: Still Recovering, Still Geographically Fragmented

The Western Balkan's economy is still recovering from the wars' impact. Data prior to 2000 are not really reliable, when they do exist. After 2000, definitions and metadata better comply with international and European recommendations, such as calculation of gross domestic product and foreign direct investments in national accounts. Time series are reduced and data are often lacking at regional level. The openness of economies to a globalised world has been brutal and reveals economic assets and weaknesses.

Assets are real: important labour force and low dependence ratio; good level of education especially in Croatia, Serbia and Montenegro, with lower rates in southern countries, in particular for women in Kosovo and in Albania (where the illiteracy rate for children above ten years is 3.7 % for females against 1.7 for males); low gender imbalance in the field of training (in Bosnia and Herzegovina, in 2011 women represent more than 60 % of graduated students).

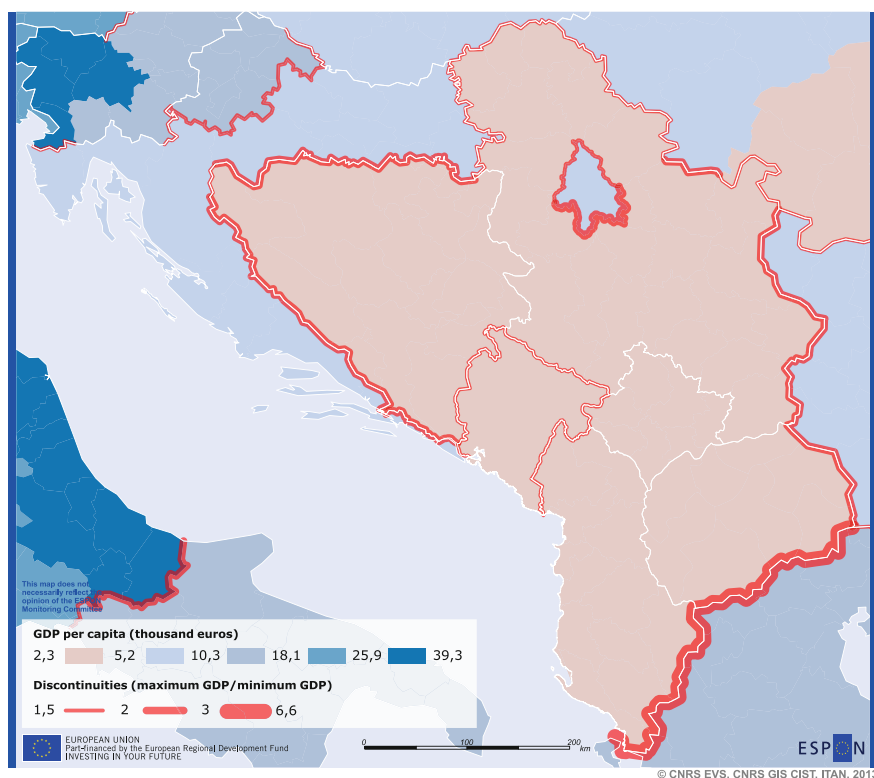
Shortcomings are high, though. Gender imbalance in employment, to begin with: the female employment rate ranges from 34 % (especially in the southern part, that is to say Montenegro, Albania and the Fyrom) to 42 %, far from the European average of 59 %. The most developed regions such as capital regions of Zagreb and Belgrade, Istria in Croatia and Novi Sad in the Serbian Vojvodina, are the closest to the EU levels. For people with tertiary education, outmigration is an opportunity when they could not find a job, because jobs are lacking; informal employment constitutes another response to this mismatch. Compared to the EU where the average employment rate reaches 64 %, the rate is lower in all the Western Balkans countries.

GDP per capita is double in 2010 than in 2000 and approximates the level of Bulgaria (4800 €). However, differences of level are sharp: discrepancy of GDP between the richest areas and the poorest is twelve times. A gradient from the north-western part down to the south-eastern part is striking: Croatia is by far the

country with the richest regions—Zagreb city district’s per capita GDP is 18,700 € whereas that of Pološki region in the Fyrom is 1600. Generally speaking, in these traditionally centralised countries, the highest amounts of GDP per capita are in the capital city districts: Zagreb, Belgrade, Skopje and Tirana. GDP growth emphasises the dissociation between the dynamic paths of the capital city districts and the rest of the countries, especially in the southern countries of the Western Balkans. Geographical disparities are clearly on the rise, except in Albania where the GDP per capita in Tirana was four times higher than that of the Dibër district in 2000 and only two times in 2010—but except the Tirana district, all of Albania is lagging behind, under the Western Balkans’ average both in 2000 and in 2010 (Map 5.4).

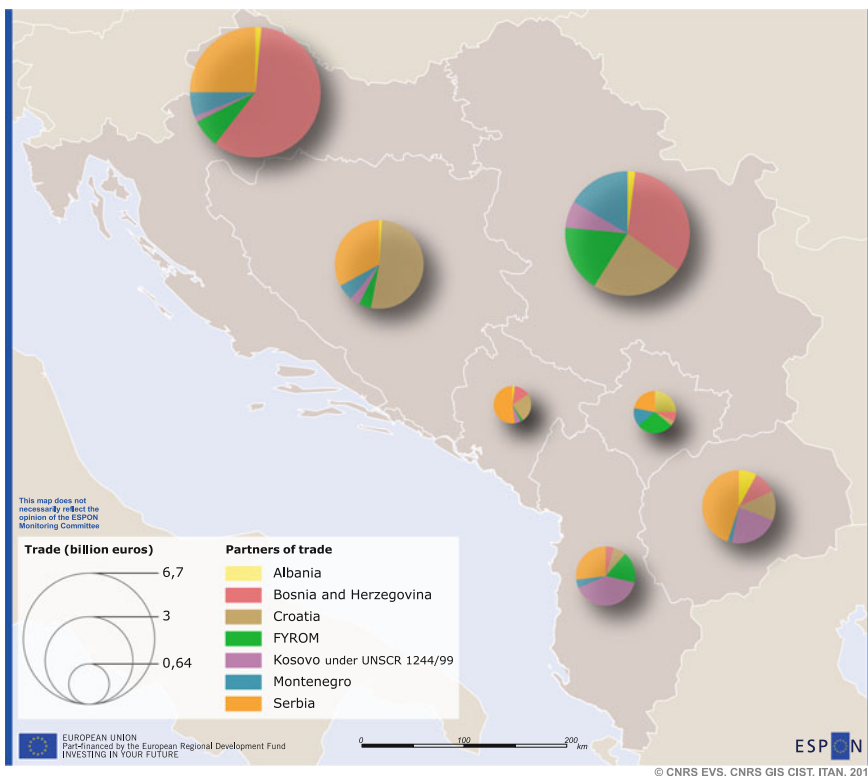
High added-value services are under-represented except in Croatia and in Serbia. The high share of agriculture relates to the importance of the rural population in most of the countries, in particular in the southern ones.

Geography of trade tells a lot about the internal cohesion of Western Balkans. Since the Soviet-Albanian split (1961), Albanian trade with neighbouring countries was limited. In the 1980s, trade between the Balkan countries was estimated at less than 10 % of their external trade. During the Yugoslavian wars, embargoes, grey



Map 5.4 Discontinuities of regional GDP in the Western Balkans, 2010

economy, illicit trade and corruption developed. Despite the 2000 decade opening with stabilisation and trade opportunities for the seven states, the area still suffers from a high fragmentation of its national markets. The Central European free trade agreement (CEFTA) fosters trade cooperation, in accordance with WTO procedures and EU regulations. Croatia entered in 2002, the Fyrom in 2006, the agreement came into force in 2007 for Bosnia and Herzegovina, Serbia, Montenegro, Albania and Kosovo. The CEFTA is considered as a preparation for European Union membership: previous members have left when entering the EU, namely the Visegrad group (Czech Republic, Slovakia, Hungary and Poland) and Slovenia in 2004, Bulgaria and Romania in 2007. Membership in CEFTA requires to have contracted an Association and Stabilisation Agreement (ASA) with the EU, and to have ratified bilateral trade agreements in the framework of the Stability Pact for southern Europe. Yet, in 2012, intra-CEFTA trade corresponded to only 16 % of the external trade of the Western Balkans countries, ranging from 10 % for Albania to 48 % for Montenegro (especially with Serbia). The ratio for Croatia was 12 %, compared to the 63 % share of the EU in the country’s foreign trade—at a time prior to its entry into the EU (Map 5.5).



Map 5.5 Trade (%) between the countries of the Western Balkans, 2012

Geography of energy flows also tells us a lot about internal cohesion and connection to the EU. The Western Balkans are not an energy provider but are situated at the crossroads of energy roads from the Russian and Caspian fields to the EU. The 1990s crisis emphasised the obsolescence of the socialist legacy in energy supply: out-dated networks, high level of losses—still estimated in 2005 at 22.5 % for the entire area. After the collapse of consumption during the 1990 decade, and the perspective of both economic growth and increasing domestic demand, the countries face new needs in energy supply and modernisation.

As late as 2003 domestic coal and lignite were the major source of energy for Serbia and Montenegro (56 %), Bosnia and Herzegovina (56 %), the Fyrom (51 %) while Croatia and Albania were more dependent on oil. The diversification of both energy resources and suppliers are yet at stake. Due to the socialist policy of self-reliance, energy networks were not interconnected between countries whereas safe access to Soviet pipelines was not ensured. Today, projects of transnational roads through the Balkans and interconnections of networks are caught between bi-lateral agreements with western European states, and the Russian will to bypass the Turkish straits for exporting oil and gas more directly to the EU.

5.1.4 Environment: Early Stage Regulation, Necessary and Rising International Cooperation

According to the 2013 national progress reports of the European Commission for the candidate countries or potential candidate countries, the alignment on the *acquis communautaire* in the field of the environment is most often qualified as “in little progress” or “at an early stage”. National strategies and policies are incomplete: for example, there are no regulatory frameworks in any country of the area concerning climate change, except in Croatia. Regulations are adopted in the field of the Water Framework directive (as in Serbia) or Birds and habitats directives (Serbia, Republika Srpska in Bosnia and Herzegovina, for example) but implementation is delayed due to the lack of administrative capacity—namely inter-sectoral cooperation between ministries, which is indispensable for the environment which is a transversal field. Regulations are lacking to fulfil European recommendations or international ones such as the United Nations Millennium Goals for Environmental Sustainability. Nonetheless, the measures enhancing territorial cooperation in the field of the environment seem to elicit interest in these countries.

The development of protected areas needs to be tied with tourism and with the fight against rural poverty, especially in the mountain areas where density is low and outmigration high. Some countries, like Croatia and Albania, are ready for the establishment of Natura 2000 networks and protected areas. Thus, Albania increased the share of the territory under protected areas from 10 % in 2007 to 15 % in 2012. According to the European Environment Agency, the areas under natural protection cover now 10 % of the Western Balkans (the ratio is 22 % for the EU).

Generation of municipal waste has risen in the Western Balkans and it is currently at levels similar to those in the new EU member states. While 92 % of the population in Croatia is served by organised municipal waste collection schemes, four-fifths of the waste generated by economic activities is disposed of in landfills or waste discharges. In Bosnia and Herzegovina, only 60 % of the population is served by organised municipal waste collection, when it works correctly. In Serbia, eight regional centres and one plant for dangerous waste are planned. Illegal waste dumping and random waste deposit areas increased during the period of economic crises and wars. Since then, the reduction of such illegal waste deposit is confronted to the lack of cooperation between local and central authorities, in countries where decentralisation processes are problematic.

Water supply systems have become obsolete and insufficient. Albania has only one working wastewater treatment plant. In Montenegro, loss of water increased by 5 % between 2008 and 2011. In Kosovo, less than a third of the population has access to a sewer system. In Bosnia and Herzegovina 90 % of wastewater is reportedly released without treatment; in Serbia 84 % of the population are not served by water treatment plant.

The need for cross-border cooperation is now identified in all these countries as a necessity to fight against flood episodes or drought in the southern part, between Albania and the Fyrom, for example. Macro-regional strategies supported by the EU or Euro-regions supported by the Council of Europe could help to tackle environmental issues. Much of the Western Balkans' water resources are shared between countries. About 60 % of Croatia's territory and over 70 % of Bosnia and Herzegovina's lie in the Danube River basin. In Serbia, over 90 % of water resources flow from neighbouring countries. The Fyrom's main river basins flow through Albania into the Adriatic Sea and through Greece into the Aegean Sea. Frequent episodes of floods have been registered in the several countries of the Balkan Peninsula during the last decade, as well as heat waves and droughts. The launching of international cooperation, such as the Danube River Protection Convention entered into force in 1998 and the Framework Agreement on the Sava River Basin in 2002 have been ratified by the concerned countries. It was a first step to adopting international and European standards to fight against pollution, develop protection of the waters, and to implement path towards the EU Water Framework Directive.

5.2 Strategic Synthesis: Connection to EU Hindered by Internal Fragmentation

5.2.1 Still Low International Openness: Role of Transport Infrastructures

The Western Balkans new assets could be found in their position at a crossroads on international roads. Nevertheless, they suffer from a low international openness index, quite similar to that of northern Africa, and from low internal integration within Western Balkans.

In Croatia, as the more stable economy, the three regions are well connected and attract foreign investment (FDI). The Dalmatian seashore is connected to maritime trade by the international ports of Rijeka and Split. The capital region of Zagreb has an international airport, and the north-western region is well connected to the Danube plain which is the main path to Western Europe. The same situation characterises the city of Belgrade, with its international airport and the northern regions of Serbia (Vojvodina and the area around Belgrade): the Morava river valley leads to the Danube northwards and attracts the major part of the FDI in Serbia. For Albania and the Fyrom, the proximity to the port of Thessaloniki and the domestic port of Shköder close to Italy, give these countries a spatial advantage. The other countries are rather landlocked (see Map 3.3).

The railway network has both a low density and a lack of hierarchy; countries are not connected to all their neighbours. The ancient Orient Express line between Paris and Istanbul, running through Belgrade on the way from Budapest to Sofia, is now a touristic attraction. In the northern part, the legacy of rail development under the Austro-Hungarian Empire has given Croatia and Bosnia and Herzegovina a dense network, but it was seriously damaged during the 1990s wars. Maintaining the network—the destruction of the rail network is estimated at 80 % in Bosnia and Herzegovina—still needs subsidies whereas countries focus their efforts on road networks. A project for the modernisation of the Budapest-Belgrade line into a high speed railway was launched at the end of 2013 thanks to ... Chinese investments.

The road network was mainly developed in the second half of the 20th century according to the socialist logics: priority was given to domestic networks rather than international connections. Even today, there is no motorway in Bosnia and Herzegovina, in Montenegro and in Albania. During the 2000s, the motorways length has been increased by 3 in Croatia, by 80 % in the Fyrom and by 60 % in Serbia.

As a consequence, transport networks represent strong discontinuities. Only Zagreb and Belgrade have airports with traffic of over 2 million passengers per year. Main sea ports are concentrated in Croatia (Rijeka and Split). High speed road networks are not yet completed at borders (between Serbia and Bulgaria, Serbia and the Fyrom) or simply non-existent. With the expansion of road traffic and controls at EU borders, congestion at checkpoints arises. The lack of networks' hierarchy concentrates flows on domestic single axes with a risk of congestion on the one hand and, on the other hand, a risk of marginalisation for some internal regions, such as central Bosnia and Herzegovina, North of Montenegro and South-East of Serbia, Kosovo and the western Fyrom.

In the framework of the 2014–2020 programming period, the Trans-European transport network (TEN-T) “Orient-East Med” is expected to join the ports of Athens-Piraeus and Thessaloniki (Greece) and the port of Burgas on the Black Sea (Bulgaria) to Budapest through EU member countries: Sofia, Craiova, Timișoara in Bulgaria and Romania. Thus, the historical central nodes from the Mediterranean Sea to Central Europe such as Skopje and Niš are bypassed. The Western Balkans could stay on a periphery out of main road axes to Europe. For Bosnia and Herzegovina, Kosovo and the Fyrom, as landlocked countries, accessibility could decrease.

5.2.2 Economic Flows with the EU: A Core-Periphery Pattern

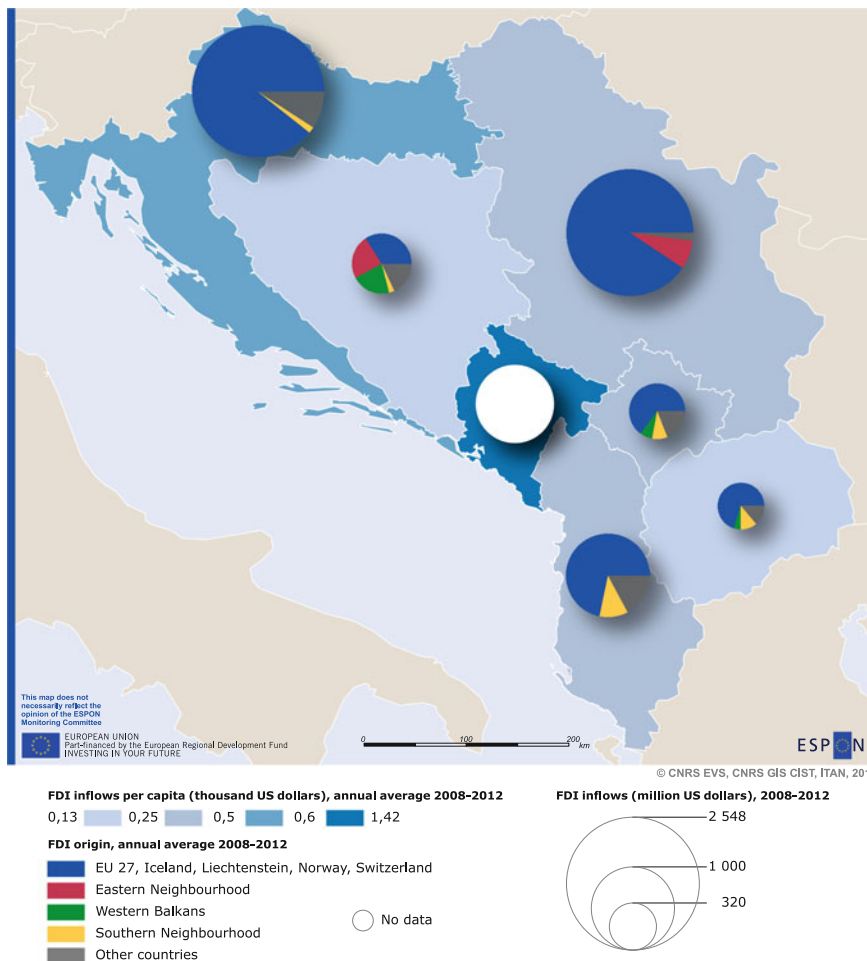
The Western Balkans represent a very minor share of relations and flows of the EU: 0.5 % of its trade of goods (2011); 0.2 % of the FDI in and outflows; 0.7 % of air flows; 0.3 % of energy supply, and 6.1 % of migrations. The economic interest of the Western Balkans for the EU is all the more minor as their markets are fragmented. But this fragmentation hampers their recovery, hinders the formal economy, and prevents them from becoming a stable area in the near future. This, by contrast, is of major political importance for the Europe Union.

Foreign Direct Investments are of utmost importance to Western Balkans' economies: there were few savings left by socialist regimes; wars have degraded infrastructures and industries; obsolete technologies need to be updated. At the beginning of the process, openness to FDI relied on a large privatisation of state owned enterprises, as was the case in central and eastern European countries before EU accession. Then, at the end of the 2000s, Western Balkans countries developed investment promotion agencies; they introduced a low corporate income tax and are still benefiting from a cost competitive workforce to attract investments. What is the actual result?

For the period 2008–2012, the average share of FDI inflows in GDP ranks from 3 % in Bosnia and Herzegovina to 8 % in Albania, with Montenegro far ahead (20 %). By comparison, in Bulgaria which entered the EU in 2007, FDI inflows represented 31 % of the GDP, from 6 % in 2000. In Croatia, on the eve of its EU integration, the share of FDI in the GDP was only 2 %. The importance of FDI in this neighbourhood's economy can thus be considered low. This does not help the shift towards a technology-improving or knowledge economy, which is only engaged in Croatia.

A positive element for regional integration is that the EU + EFTA countries are the first investors there: they are the origin of the majority of the FDI in the Fyrom (70 %) or in Serbia (91 %), and 34 % in Bosnia and Herzegovina (Map 5.6). South-Eastern neighbour countries are narrow markets but the EU accession perspective increase confidence as well as the market size. However, EU progress reports stress the need for further improvement of business conditions and legislation to warrant investments; the business environment needs improvement in the fight against corruption and informal procedures, and an effort in the quality of infrastructures and energy supply. Moreover, only in Croatia are FDI mostly oriented towards upper level services. By contrast, foreign investors target cheap labour intensive industries in Albania (average wage around 150 € in 2012) and Kosovo (300 €). Tourism and common services are frequent targets of foreign investors in the Western Balkans.

When it comes to trade, the EU and EFTA countries represent 57 % of the CEFTA members' trade, far ahead of the intra-CEFTA trade share (16 %) as noted above. Serbia and Croatia, as the bigger countries in the Western Balkans, have a positive trade balance with other CEFTA members but the trade balance of all the



Map 5.6 Origin of FDI by regions, 2008–2012

CEFTA members is negative with non-CEFTA partners, especially with EU and EFTA members.

When it comes to public aid, Official Development Assistance (ODA) towards the Western Balkans is in a large extent ensured by EU institutions, EU member states and EFTA countries. Serbia gets the highest amount of ODA, of which 86 % from European sources. Kosovo is second in rank: international supervision has been replaced by that of the EU, including in the field of development aid, even if the USA appears at the second rank of contributors. The Fyrom and Montenegro have the lowest European dependency rate (66 %) due to the place of Turkey among donors. In Albania, Islamic organisations or countries, such as the Islamic Development Bank and Kuwait are significant contributors.

As a whole, the geographical breakdown of trade, FDI and ODA show a strong dependency of this neighbourhood vis-à-vis Europe. Flows are unbalanced (trade balance negative, one way FDI), the core-periphery pattern characterises the regional integration of the Western Balkans in the EU. One of the reasons is related to the Western Balkans themselves: this neighbourhood is not a unique area that would be well connected and economically integrated. Moreover, southern states (Albania, Kosovo and the FYROM) also attract Turkish investment, Serbia and Bosnia and Herzegovina attract increasing Russian investment.

5.2.3 Measuring the EU's Diplomatic Influence

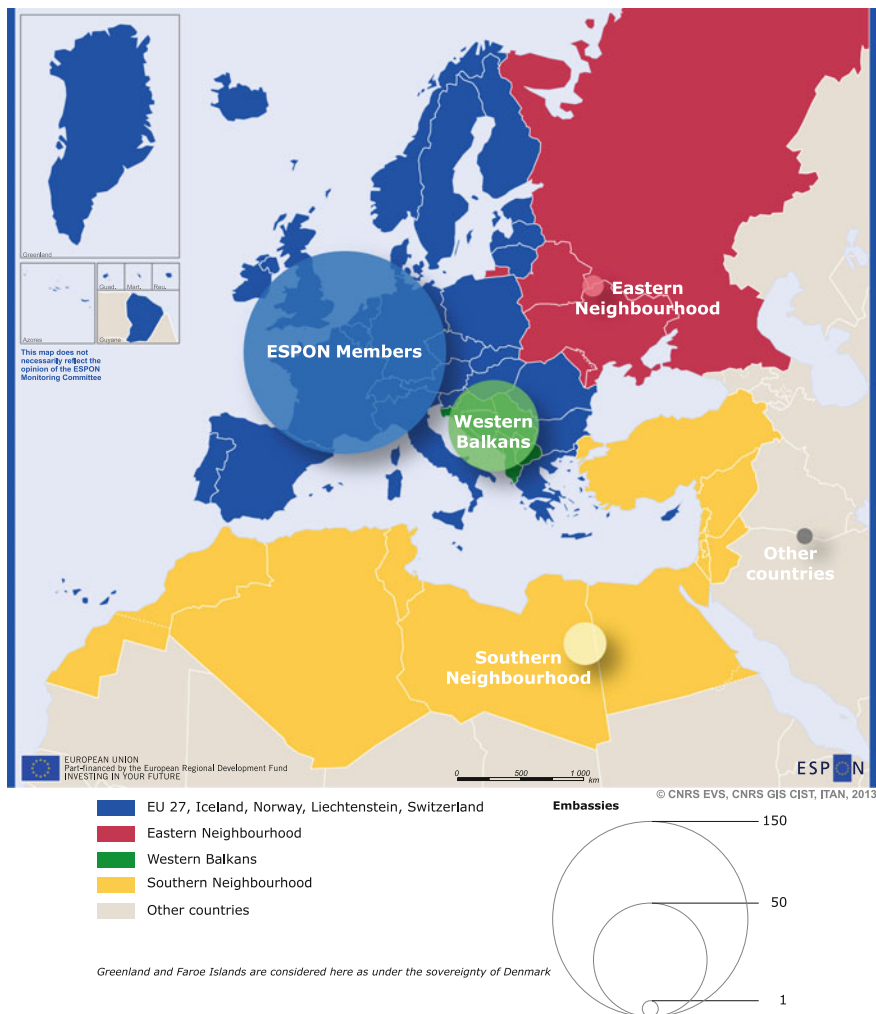
Getting back to the non-resident embassies and corresponding embassies analysis, we can display the diplomatic areas of influence upon the Western Balkans. Indeed, the number of non-resident embassies is inversely related to the diplomatic weight of the country: Belgrade or Zagreb host more resident embassies than non-resident ones. This is the contrary for the other countries. As a whole, according to all the diplomatic representations, the Western Balkans clearly belong to the EU's area of influence. Geographical and political proximity of Western Europe is incomparably higher than in the case of the Black Sea area (see Sect. 4.3.2).

In Italy, 65 embassies are competent for the Western Balkans countries (Map 5.7)—nevertheless it has to be said that Rome counts “double” due to the fact that the Italian capital city is both the head of Italy and Vatican. In particular, Rome hosts 27 non-resident embassies for Albania, that is to say twice as many as Greece which hosts 14 non-resident embassies for Albania. After Rome, Vienna and Budapest are at the second and third rank, with 46 and 41 non-resident embassies. The legacy of the Habsburg Empire is still visible in the lands that were under its rule. At the fourth rank, Belgrade hosts 39 non-resident embassies of which 24 for Montenegro, the last state that declared its independence from the Former Yugoslavia in 2005 (if we exclude Kosovo). Then other Balkans capital cities, Sofia and Athens host around 20 non-resident embassies: the diplomatic influence of Greece upon the Western Balkans appears to be surprisingly low and limited to Albania (Map 5.8).

5.2.4 Shortcomings of the Territorial Cooperation Between the EU and the Western Balkans

Two macro-regional strategies are related to Western Balkans countries:

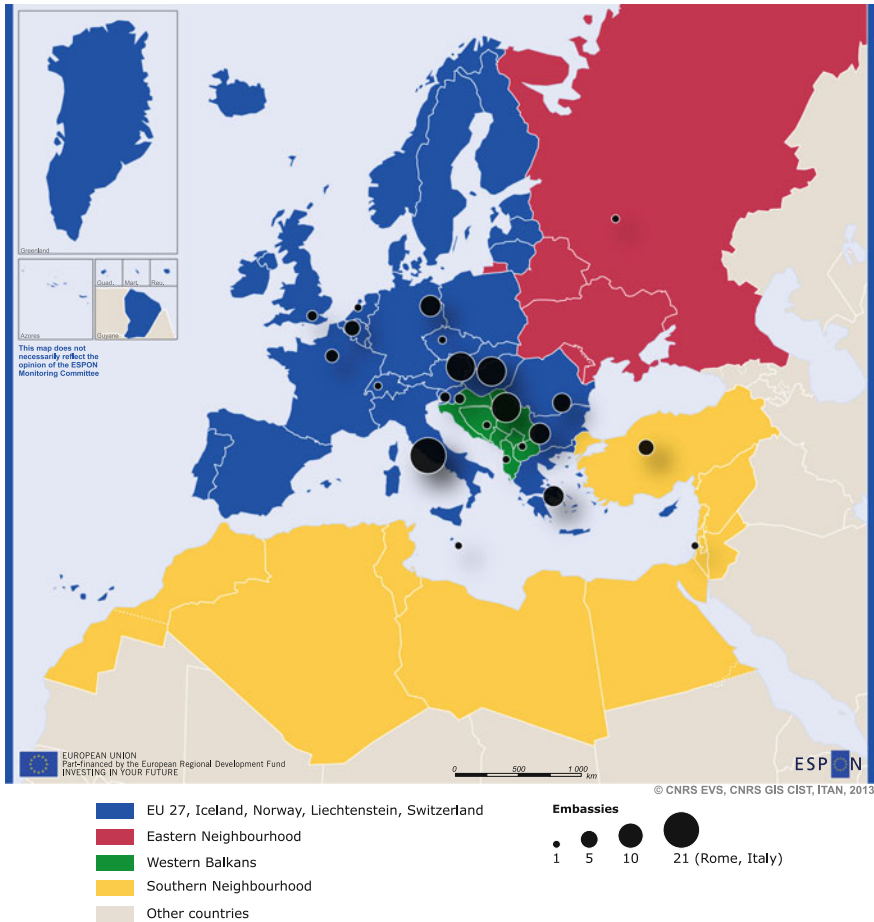
- (i) The Danube macro-regional strategy (EUSDR), adopted in 2010, encompasses fourteen countries (totally or partially) and is based on the Danube river catchment basin. Four countries of the Western Balkans are included: Croatia, Bosnia and Herzegovina, Montenegro and Serbia. But as a matter of fact, the



Map 5.7 Number of non-resident embassies competent for the Western Balkans countries

interest of the Western Balkans countries is not obvious: during the consultation phase, among 92 respondents only one Croatian association answered the European Commission’s call.

- (ii) The Adriatic-Ionian macro-region strategy (EUSAIR) was endorsed in 2012 by the European Council. The macro-region was officially launched in 2014. It encompasses eight countries: Greece, Italy (nine regions), Slovenia as EU member states, Albania, Bosnia and Herzegovina, Croatia, Montenegro and Serbia, and stretches on both sides of the Adriatic Sea. But since this macro-region strategy is built on a territorial discontinuity, that of the Adriatic Sea, and since Western Balkans are fragmented, this strategy might have low impact on this neighbourhood.



Map 5.8 Idem, by country

Lastly, Kosovo and the Fyrom remain excluded from both strategies due to their geographical position: as continental enclaves, they have neither seashore nor tributary to the Danube. This might foster fragmentation and a two speed integration process in an already fragmented neighbourhood (Fig. 5.1).

5.2.5 From “Western Balkans” to “South-East Europe”?

After the 1990 decade of wars, political and economic unrest, this neighbourhood converges in many ways with the general trends observed in Europe: (i) the demographic transitions completion and even the acceleration of natural decline show a convergence with natural demographical trends observed in many parts in

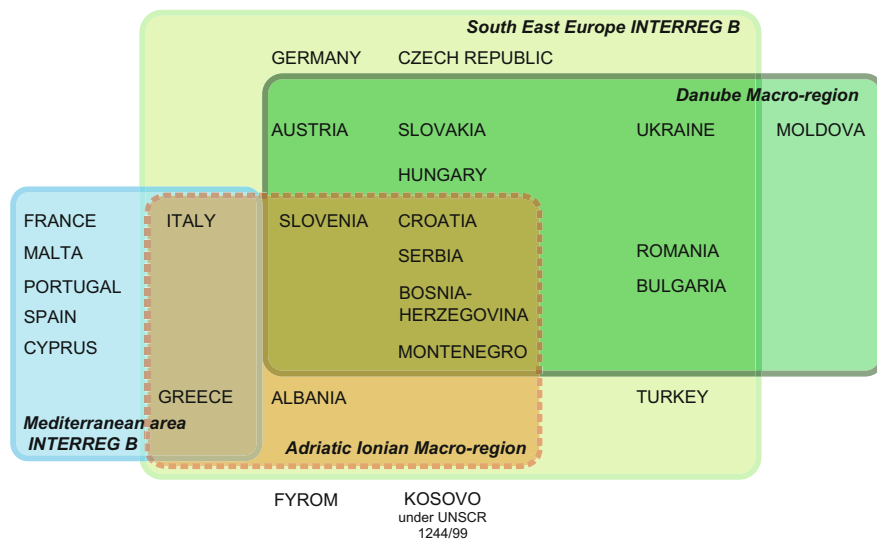


Fig. 5.1 EU transnational cooperation programmes with Western Balkans, 2013

Europe; outmigration is towards western Europe—with an important shift from a “migration” to a “mobility” pattern. (ii) These countries have undertaken deep administrative and territorial reforms after the failure of the socialist regime. The shift from state de-concentrated units to decentralised self-government is on-going, despite unclear distribution of competencies in the legislation, and despite the weakness of civil societies, corruption and political parties’ configuration which are holding back further progress. (iii) Regarding economic flows, the vast majority of flows (trade, investment, public aid) are made with or come from the EU. (iv) Regarding diplomatic relations, the capital cities of UE countries host 95 % of the non-resident embassies also competent for the Western Balkans—a key difference with the case of the Black Sea area. (v) Regarding environmental issues, the Western Balkans’ regulations converge with those of the EU and are beginning to enter international cooperation.

The major obstacle for further integration to the EU’s territory relates to the Western Balkans’ internal fragmentation. (i) Whereas borders are vanishing within the European Union, these countries are in the process of borders creation, both internal (federal national delimitations have become international borders) and external, with a very recently strengthened external border control with EU countries. (ii) Transport networks display strong discontinuities within Western Balkans and with European networks. As a result, international openness remains surprisingly low for territories which are so close to the EU’s territory. (iii) Market integration between Balkans economies remains insufficient. (iv) There is a rising discrepancy between the northern part of this area and the southern; exchanges between Croatia and the other countries are rejuvenating the historical interplay

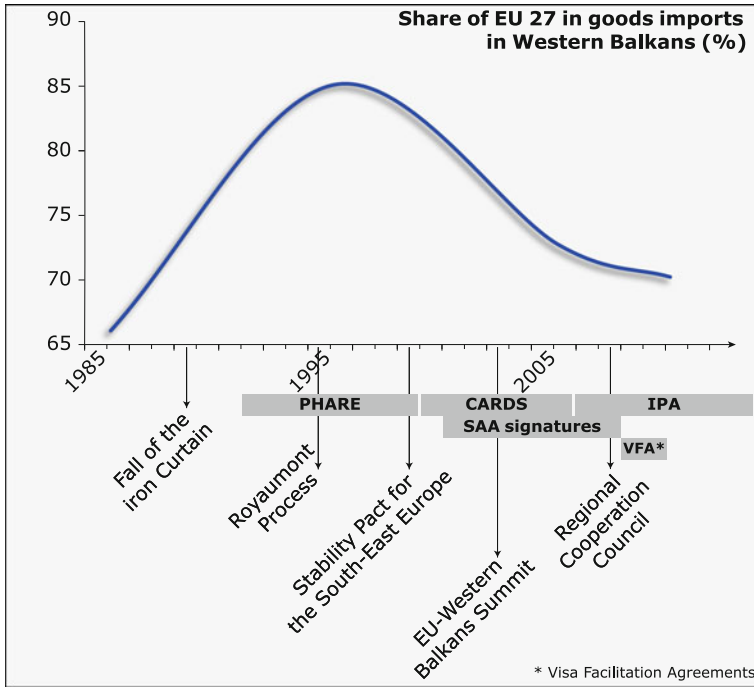


Fig. 5.2 Agreements v. real integration with the EU—Western Balkans

between the former Yugoslavian republics, but there is a long way to go to make it an integrated area.

Another obstacle is related to the imbalanced relationship between the EU and the Western Balkans. In the field of energy, many projects have aborted or have been delayed due to numerous bilateral agreements instead of a clear European energy policy. In the field of economic structure and exchanges, we can speak of a core-periphery pattern. The analysis of ODA and FDI flows has shown the rising Russian and Turkish influence. Figure 5.2 shows the ironical decreasing trend of trade integration between the EU and the Western Balkans, whereas agreements multiplied in the two last decades.

This indicates avenues for the EU’s action in territorial issues, for instance the development of a thorough network including access roads in order to develop hierarchical networks at local and regional levels instead of only focusing on high speed roads. The EU could further promote the CEFTA as a lever for internal market cooperation instead of a simple antechamber of the accession process, so as to push the Western Balkans economic integration forward. Enhancing territorial cooperation could be better based on cross-border cooperation. Borders can be considered as laboratories: terrestrial borders are rather depopulated areas and are, in a sense, double periphery. Hence, focusing on borders is a good manner to observe the challenges of integration. Turning the core-periphery pattern into a

cooperation pattern would imply a better sharing of the value chain. Challenges of migration and security border control could be more differentiated between nationals of Western Balkans countries/and other migrants. Turning the high level of working age population as a resource for labour markets in enhancing training, skills, professional and student mobility would promote the mutual advantage of an eased mobility, returning to a time when Yugoslavian citizens could freely travel in Western Europe. Last, but not least, a European common vision should provide a real perspective, shared by all the EU members, highlighting the place of the Western Balkans in the European territory's future.

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Chapter 6

Mediterranean Neighbourhood: The Key Triptych Energy-Water-Agriculture

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Abstract Along with political unrest since the Arab spring, the stakes of the Mediterranean neighbourhood are numerous: social booming disparities, gender gap, numeric illiteracy, critical case of water supply and agricultural land, difficult decentralisation and state de-concentration. But opportunities are still wider: the Mediterranean is the only neighbourhood whose population and GDP's world share is growing; the rent economy is (slowly) shifting towards a more productive economy with a rising role of clusters; huge investment needs mean huge opportunities for European investors. Secondly, the chapter assesses the trends in economic

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regional integration (“regionalisation”), showing that the Euro-Mediterranean missing link remains the productive integration. It estimates the importance of the European aid and the normative convergence of norms and standards between the two sides of the Mediterranean (“regionalism”). Its strategic recommendations stress four needs: (i) a common water policy so as to avoid water wars; a food security and agricultural policy; a Euro-Mediterranean Energy Community; turning the “migration” vision to a “mobility” strategy. In the very difficult transition of Arab neighbours, time calls for a political boldness in Euromed cooperation.

6.1 Stakes

Contrary to what the European public opinion often thinks and to what Muslim fundamentalists advocate, the South and East Mediterranean partner countries (Map 6.1) are far from constituting one whole unified territory.

6.1.1 The Only Neighbourhood Whose Population and GDP’s World Share Is Growing

There are large differences between the various countries of the Mediterranean neighbourhood—between Israel and all the other much less developed countries; between Turkey and the Arab countries; between countries whose population will soon be a hundred million and countries of less than ten; between oil and gas providers and

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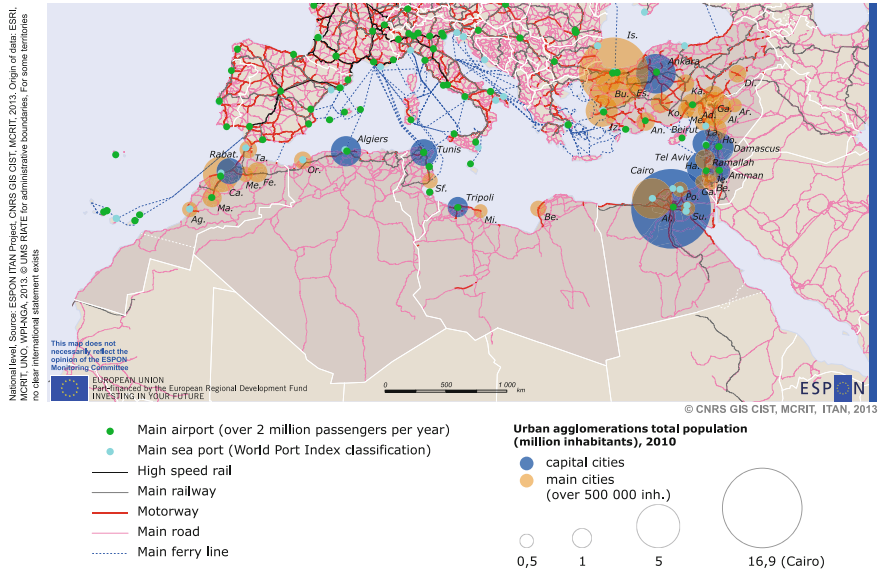
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Map 6.1 The Mediterranean neighbourhood

energy importers; between Maghreb and Mashreq; between countries at war and less affected countries; between the occupied Palestinian territory and the rest of Mashreq because the Palestinian case has absolutely no equivalent. Still, some common features can be highlighted. This neighbourhood is the only one whose share in the world’s population and GDP is rising. The annual growth rate of its GDP is impressive even though still far from the growth rates that made the south-eastern Asian Dragons and Tigers key countries of the booming East Asian region a few decades ago. With 285 million inhabitants, the Mediterranean neighbours are by far the premier European neighbourhood and this will increasingly be the case. In 2025, the Mediterranean number could be around 340 million, and 460 with the Arabic peninsula and Iraq that is to say the Arabic immediate lengthening of the Mediterranean neighbours. Another asset of this neighbourhood is its natural resources, namely energetic.

The bad news is (i) the environmental sharp stakes of this area, in particular the water issue thus the agricultural issue since agriculture consumes the three quarters of available water there. (ii) The energetic transition, which is not granted. The business-as-usual scenario foresees a Mediterranean energy mix largely dominated by hydrocarbons, with low energetic efficiency and poorly sustainable urban growth (urban sprawl, choice of car transport...). (iii) The economic and political transition, which is on its way but could take a very long time, with conflicts and wars. (iv) As Sect. 2 showed, a neighbourhood less and less connected to Europe, especially the East Mediterranean where the influence of the Gulf countries is growing, with declining common social, cultural and political references with Europe.

Figure 6.1 shows that the vast majority of the remittances that arrive in Morocco come from Europe which means intense flows of migrants and money but also information, ideas and references. Youssef Courbage (Courbage and Todd 2007)

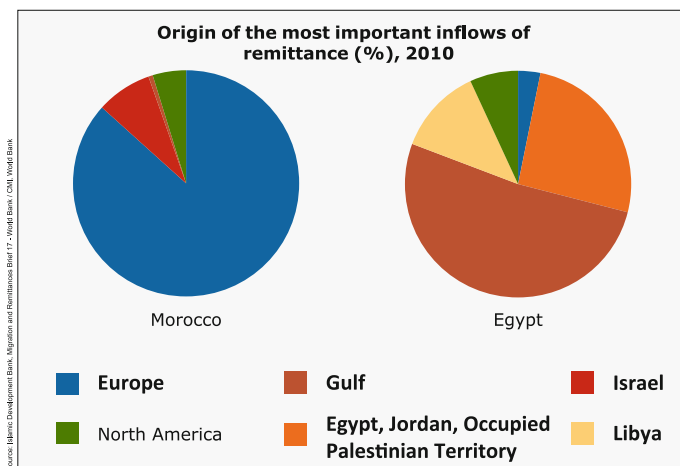


Fig. 6.1 The eastern Mediterranean evades European influence. The case of remittances, 2010

considers the mobility flows between Maghreb and Europe one driver of the acculturation between the two sides of the Mediterranean, including transformation of the Maghreb's family structures, namely the rapid decline of the fertility rate. On the contrary, a tiny part of the remittances that arrive in Egypt come from Europe; this is a good proxy for measuring the European contrasted influence upon the western and eastern Mediterranean partner countries. Most of remittances coming to Mashreq countries are from the Gulf.

Territories are hardly at the top of these countries' political agenda, because they are rarely seen as an asset for development. When the relation between territories and development is taken into account, it is all too often according to the rent economy that characterizes the Mediterranean neighbours—be it tourism, real estates, hydrocarbons revenues, Suez Canal's revenues, remittance or international aid, due to the lack of a modern production system except in Turkey. When the first Tunisian revolutionary government took office in January 2011, they were struck by the importance of the territorial divide that had been highlighted by the social unrest. The revolution had broken out in Sidi Bouzid, a city of the derelict inner Tunisia. The Tunisians themselves had not taken into account the dimension of territorial inequality; hence it has become a critical issue of the on-going political transition.

The organisation of space in the South and East of the Mediterranean is marked by the concentration of the settlements on a narrow littoral margin of the territory, including a significant rural density—at least in territories fit for agriculture—and a rapid urban growth. This neighbourhood is experiencing, at the same time, major challenges in its rural areas (rising pressure on agricultural land, impact of the rainfall shortage, risks of a straight food trade liberalisation with Europe, high rural density especially in Morocco and Egypt), and major challenges in its urban areas. Today Mediterranean partner countries' cities count 190 million inhabitants and four more million every year. The population's urban rate was 64 % in 2004, it will be over 75 % in 2025.

The transport networks are incomplete (Map 6.1). Despite on-going progress, for example the Maghreb coastal motorway project (without connection yet between

Morocco and Algeria), huge infrastructures remain to be built, in particular in the railway networks. The map displays impressive contrasts—spectacular in Egypt—between the urbanised space and the arid lands. The only exception to this pattern is Turkey, where the inner Anatolia benefits from an overall network of transport and cities that somehow meshes the territory, within the country and with the EU thanks to the territorial continuity permitted by the Istanbul bridges—a major difference with the Arab countries. In this neighbourhood, the various political discrepancies entangle the transnational links between Morocco and Algeria, between Egypt, Israel and the occupied Palestinian territory, and now between Syria and its neighbours.

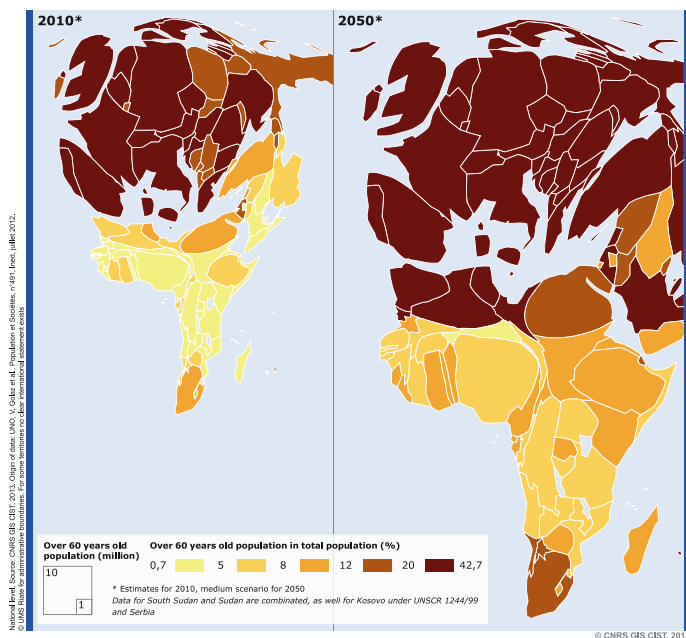
6.1.2 Demographic Gift: Territorial Impacts

The Mediterranean neighbour countries are experiencing the “demographic gift” phase, during which a country benefits from a large number of young adults (“youth bulge”) who are available for their country’s development without bearing the burden of a large amount of younger any longer (ending of the numerous family phase) and of elder (on-going raising of the life expectancy thanks to the development of the country). The young adults are ready for development—or for unrest if the country does not offer them the jobs they need. Many revolutions in history have occurred in this peculiar demographic gift moment; as did the Arab spring.

The important “oldies boom” is well-known in Europe and its Eastern neighbourhood. This can be considered a burden, when it comes to the pensions and health expenditures. It can be considered an asset, when it comes to know-how in a knowledge economy where a rising part of skills are incremental and develop with age, up to a certain extent. The aging of both Europe and the Eastern neighbourhood means a convergence of social structure and possible cooperation. Pension reform in the East can be inspired by the various solutions within the European Union; the health care issue can bring exchange of experiences of public policies, institutional and personal medical staff cooperation, and business links in the field of drugs or medical equipment. What is less known is the coming oldies boom in the Mediterranean neighbourhood, especially in North Africa where the demographic transition and the decline of the birth rate are strikingly rapid. The speed of this demographic transition will raise the financial and health problem in respect of the elder population in the coming decades. This suggests avenues for a new possible cooperation with Europe. Today’s oldies boom is European, West and East; tomorrow it will clearly expand in the Mediterranean (Map 6.2).

6.1.3 Addressing Social Booming Disparities, Gender Gap and Numeric Illiteracy

The Mediterranean neighbour countries display the highest rates in the world for the gender gap in activity (a very low percentage of women are officially active) and in

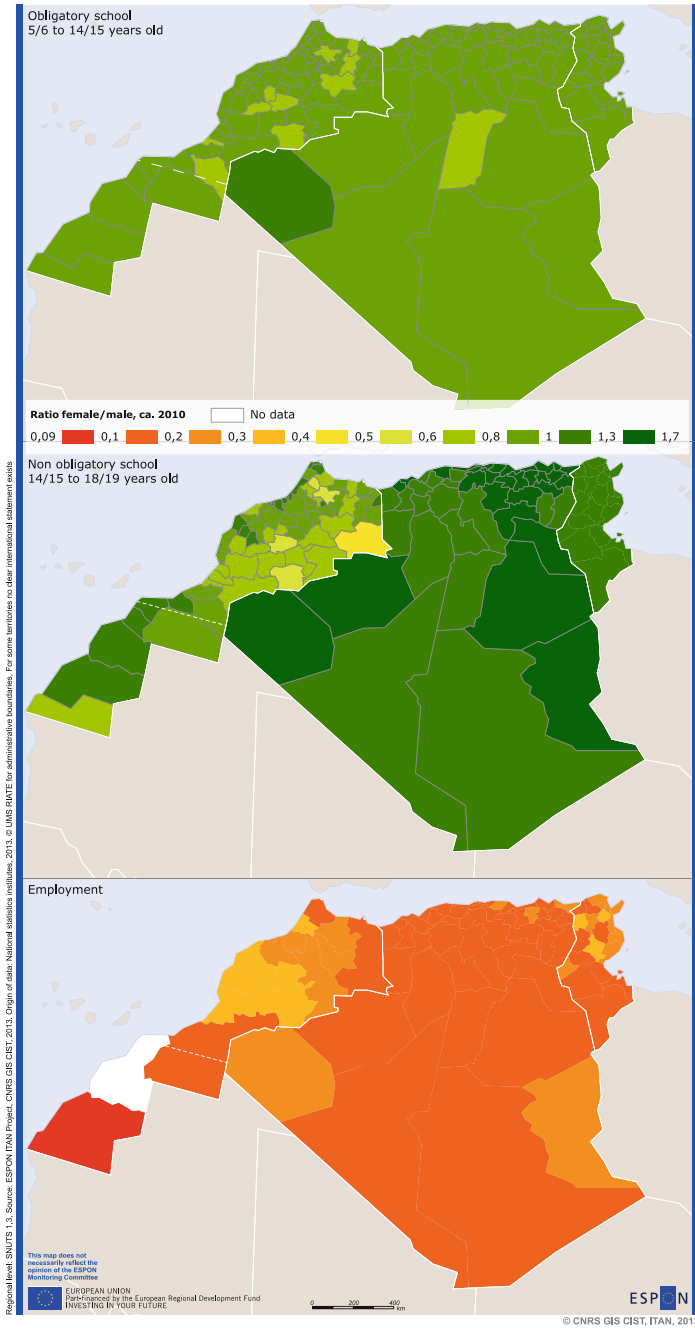


Map 6.2 Population 60 and over in 2010 and 2050: the coming oldies boom in North Africa.
Source Valerie Golaz, Ined

employment (11 points between the two unemployment rates). In North Africa, 41 % of young females of 15–24 year old are unemployed. This gender issue is of high significance, for two reasons:

- (i) The tangible situation of women proves difficult. Women in rural areas have terribly low figures in terms of literacy and access to the labour market. Map 6.3 shows, in the case of Maghreb, that the access of girls to education has dramatically improved, but that it will take a long time before their access to the labour market becomes equal to that of men. The contrast is striking in Algeria where there are many more girls in the secondary education than boys but where young women' access to the labour market confronts many obstacles. This contrast is particularly strong in the East and in the largest cities—Algiers, Oran, Constantine—which promises further clashes when these more and more educated girls want to take their place in national activity.
- (ii) The status of women vis-à-vis men has a lot to do with the cultural and symbolic closeness of those Mediterranean neighbours vis-à-vis Europe where equality between individuals, whatever their gender, is the very foundation of the social contract.

Indeed, the huge need for employment in this neighbourhood goes far beyond the gender issue. In the twenty coming decades, these countries would need the creation of at least forty million jobs just to avoid an increase of the unemployment



Map 6.3 The gender issue viewed through access to education and to the labour market. Case of Maghreb

rate. The employment of the young is the main focus of the “Trade and investment” panel of the Parliamentary Assembly of the Mediterranean, which gathers representatives of countries of the Euro-Mediterranean region. In its latest report (PAM 2014), this panel states that 28 % of the young active are unemployed in the South and East Mediterranean partner countries, and this unemployment rate is foreseen to rise in the coming years. A large proportion of graduate young adults cannot find any jobs, due to the inadequacy of the training system for the labour market and to the scarcity of job creation. It should be added that a lot of 15–18 year olds drop out of school without finding a job. As a result, 40 % of 15–24 year old Moroccans are allegedly neither at school nor at work.

For income analysis, this time we take the example of Near East. In Israel, many of the geographical differences are driven by the “ethnic”—read “religious”—composition of the area. The greater the share of Palestinians (the major areas of Palestinian settlements are in the northern district of Israel where 700,000 Palestinians live), ultraorthodox Jews, and Mizrahi Jews in a district, the poorer the district is and the lower the socioeconomic standing of its population. In 1995 as at the end of the 2000s, household income was higher in the Central district, then the West Bank and Tel Aviv, and lowest in Jerusalem, the South and the North. The median household income of Palestinian families of Israel in 1995 was about 60 % of that of Jewish households; in 2008 it was 54 %. Note that this Jewish/Palestinian gap in household income is underestimated because it is not adjusted for household size. This rising territorial disparity is to be linked with the rising social disparity which has been booming in the last two decades in Israel. In that field, the country is much more like the US trajectory where the richest 1 % of Americans has come to earn more than 15 % of the national income, than like the European and especially the Scandinavian pattern. In that sense too, a Near East country seems to move away European standards.

In the occupied Palestinian territory, the highest daily wage is registered in Jerusalem metropolitan area including Ramallah and Bethlehem, with 109 NIS in the Jerusalem governorate whilst the lowest is in Khan Younis governorate in the southern Gaza Strip with 56 NIS, that is to say an enormous gap. The construction of the Wall encompassing the whole Jerusalem area will then hamper the economic development of the occupied Palestinian territory in which the Jerusalem metropolitan area plays a leading role—as indeed in many countries of the world, namely developing countries, where the capital city is the driver of national development.

Jordan remains a poor country. According to the Jordan Poverty Reduction Strategy 2013, 36.9 % of Jordanian families are considered to be in poverty or floating just above the poverty line. Most poverty pockets are located in sparsely populated desert areas; very low average incomes per family are found in the remote periphery of Amman: Madaba, Balqa’ and Zarqa. As food still accounts for one third of Jordan households’ expenditure, the population is very sensitive to variations in commodity prices and to the removal of subsidies on basic foodstuffs. The abrupt removal of subsidies is likely to lead to social unrest, as was the case during the spring of 1989 in the impoverished and neglected southern parts of Jordan, as well as in 1998 and 2002 in Ma’an, and in 2012 with huge demonstrations. Moreover, income inequality has risen in the last period, with a growing

contrast between the Amman governorate and the rest of the country. This inequality is as high as in the occupied Palestinian territory, and bigger than in Israel which comparably proves less uneven (Fig. 6.2). In Jordan, analysis at a more local scale worsens the picture: the income rise seems concentrated in the western Amman city, where most of the well-off neighbourhoods are situated (Fig. 6.3). Map 6.4 shows the added value of the pioneer ITAN database, which allows international comparison at a local scale.

We return to the Maghreb to illustrate the IT issue. It is both social (notion of “numeric illiteracy”), economic (access to the knowledge economy), and political (see the importance of the connexion to Europe of the revolutionary leading

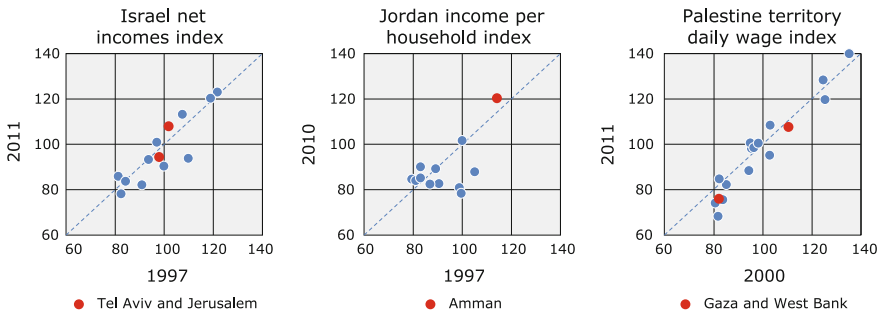
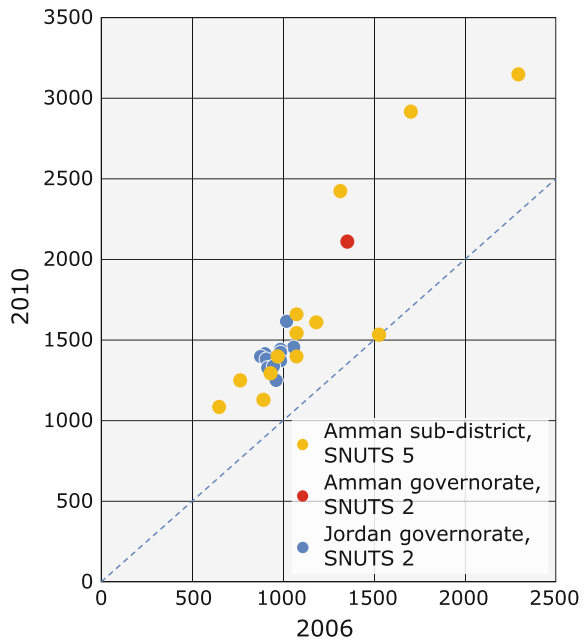
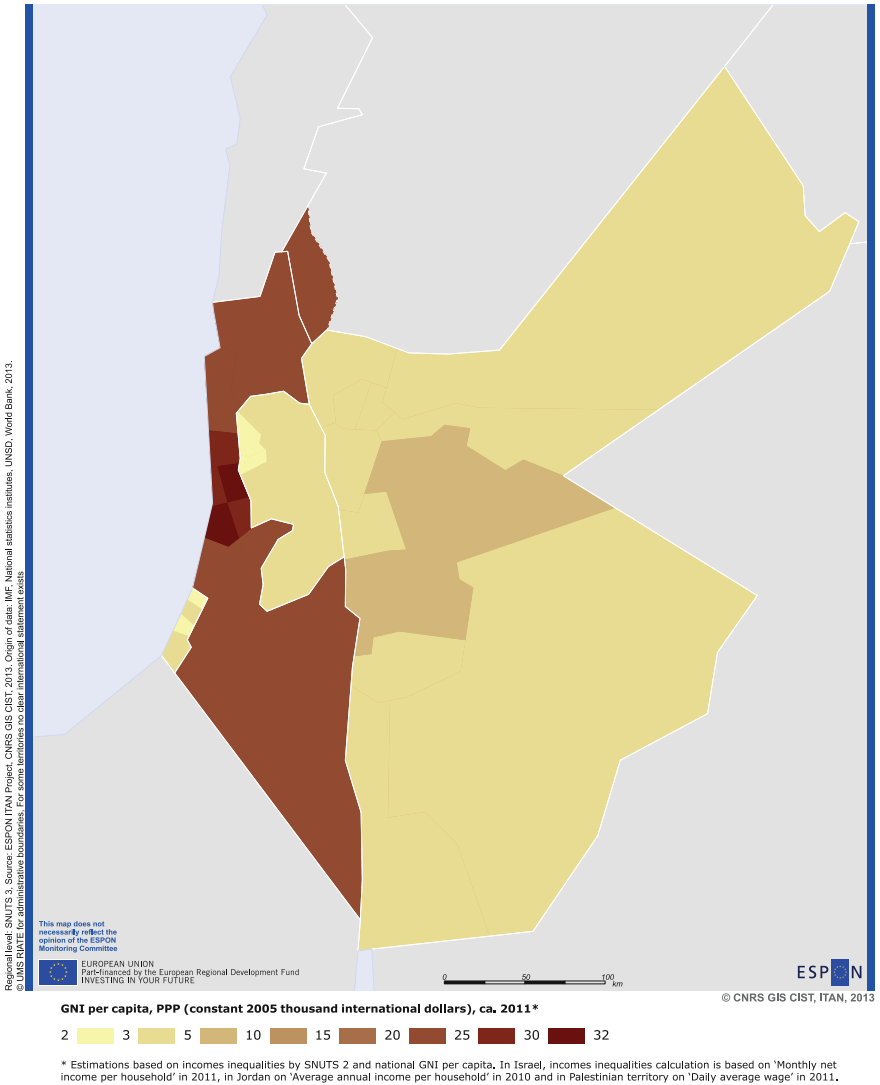


Fig. 6.2 Local income disparities in the Near East (national average = 100). oPt and Jordan still more unequal than Israel in terms of geographical disparities

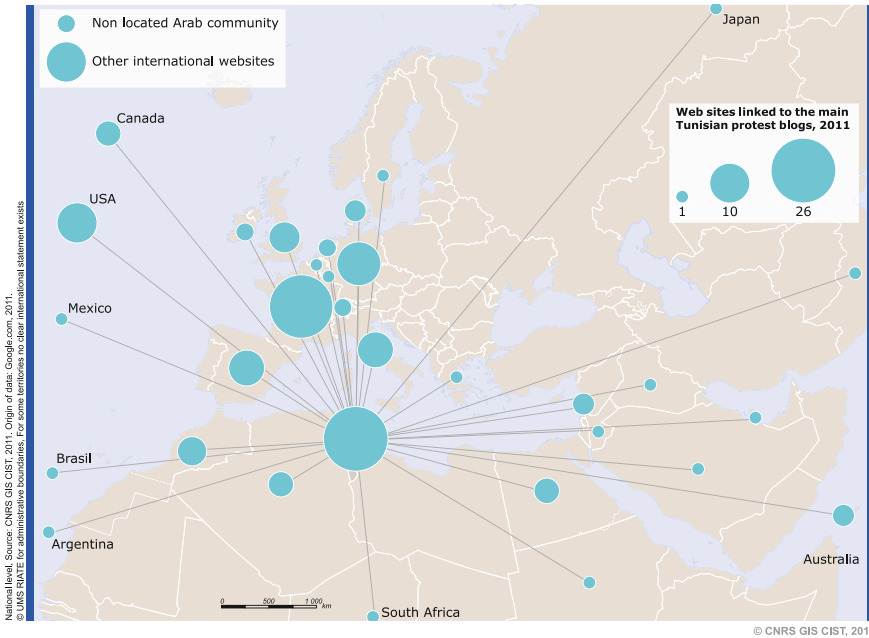
Fig. 6.3 Average income in Jordan governorates and in Amman sub-districts, 2006–2010





Map 6.4 Income inequality in the Near East (Israel, occupied Palestinian territory, Jordan), ca 2011

bloggers in Tunisia, Map 6.5). Currently, many Mediterranean projects deal with telecommunications, for instance in the *e-commerce* field or international *e-learning* cooperation. These projects depend on the development and use of broadband facilities. To date, these countries are quite well equipped when it comes to mobile phones (with major international buyouts in the recent years), but less so for internet users. The prospects for telecommunication markets are impressive. Despite the

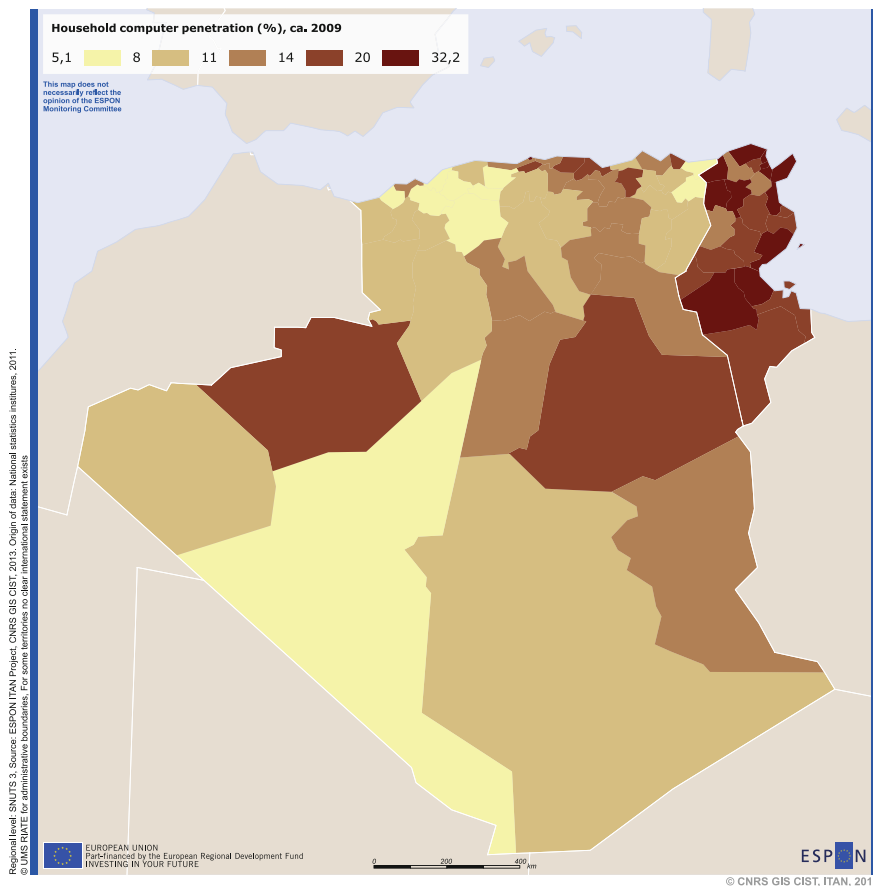


Map 6.5 Connected with Europe. The international links of the Tunisian revolutionary leading bloggers at the beginning of 2011. *Source* Giraud and Severo (2011)

lack of fixed telephone main lines, which could hamper the rise of internet and e-services in the long run, the proportion of broadband subscribers is booming. Yet, Map 6.6 shows the households’ under-equipment in computer in many areas of Algeria and Tunisia, especially in the former. Compared to the dualistic Algerian figure where the coastal large urban regions contrast with the inner country, the equipment of the national territory is better in Tunisia. Still, only one household out of ten has a computer in the Kasserine, Beja and Zaghouan Tunisian governorates in inner Tunisia; one can imagine than in the rural parts of these governorates the rate could not reach 5 %.

6.1.4 Territories and Economic Issues: Small but Rising Role of Clusters, Huge Investments Needs

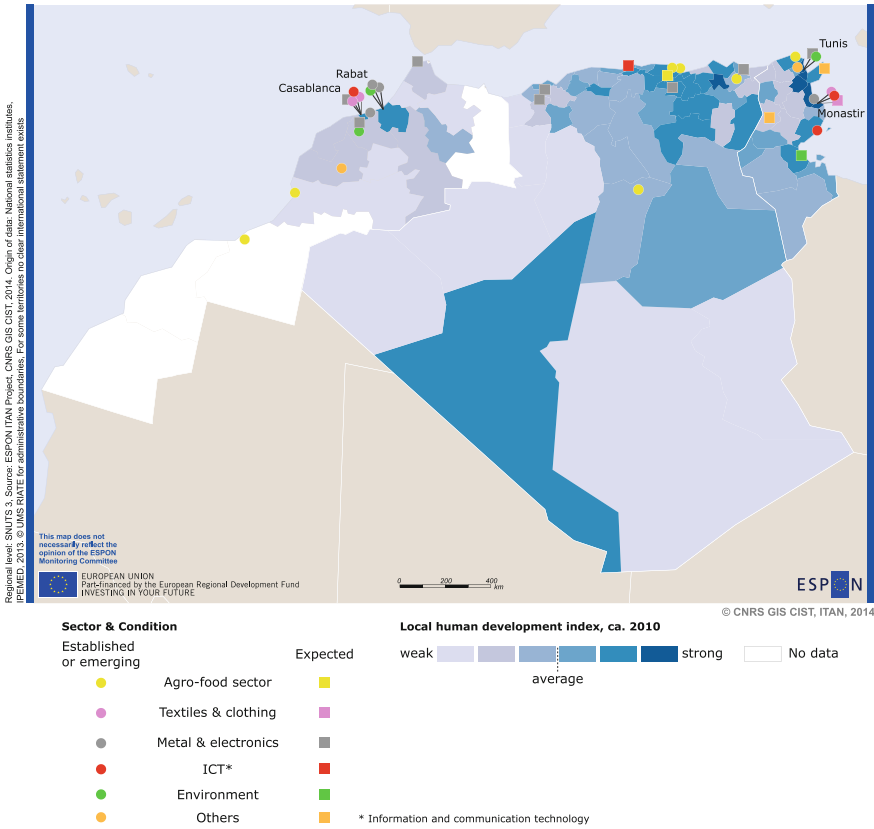
Territories have much to do with economic development. Clusters can be of great help in the shift towards an innovative productive economy. Turkey, Tunisia and Morocco are developing science parks and clusters (Map 6.7), along with Israel of course which is very far ahead among the Mediterranean neighbours. The European Investment Bank (EIB) sees a priority axis of its strategy in the area in such clusters and innovation.



Map 6.6 The key role of IT in the Mediterranean integration. “Numeric illiteracy” in Tunisia and Algeria, 2011

In these countries, urbanisation hardly turns into an engine for development. Urbanisation is at the same time a risk (concentration of people left behind) and an opportunity: when properly planned and managed, cities are a major means for economic innovation. Besides, the Arab neighbour territories suffer from low land tenure security, lack of cadastre and land registry, and under-investment in the basic infrastructures: water sanitation, waste facilities, urban and inter-urban transport, poor logistic efficiency because bureaucracy and corruption extend the delivery times.

The EIB forecasts that in the coming decades, the need to finance energy, facilities and urban services of the Mediterranean partner countries should be approximately \$250 bn: 100 billion for energy, 110 for urban facilities such as water, sanitation, waste, local transports, education, health; 20 for national and international transport (ports, airports, motorways). And it should be added the



Map 6.7 Clusters in Maghreb

financial need for SMEs in order to help them create the millions of jobs that they need.

The *Observatoire Méditerranéen de l’Energie*¹ (2011) estimates that this “energy 100 bn” figure is seriously under evaluated. In the 1970s, the per capita energy consumption differential between the southern and the northern sides of the Mediterranean stood at 1:8; by 2000 it had fallen to 1:4, and within ten years it is expected to fall to 1:2. The financial need for the sole electricity sector (power generation and transport lines that should be constructed up to 2020) is \$150 bn. For the gas sector, numbers are huge: in the region, an international gas pipe costs roughly \$10 bn, an LNG plant, the equipment and pipes linked to it, can cost up to

¹This non-profit Association counts thirty two leading Mediterranean energy companies from fourteen countries. Its main objective is to promote cooperation of the companies operating in the Mediterranean region, making energy a key element for regional integration.

\$1 bn. To summarise, the overall cost of energy infrastructures in Mediterranean neighbour countries is closer to \$200 bn than 100.

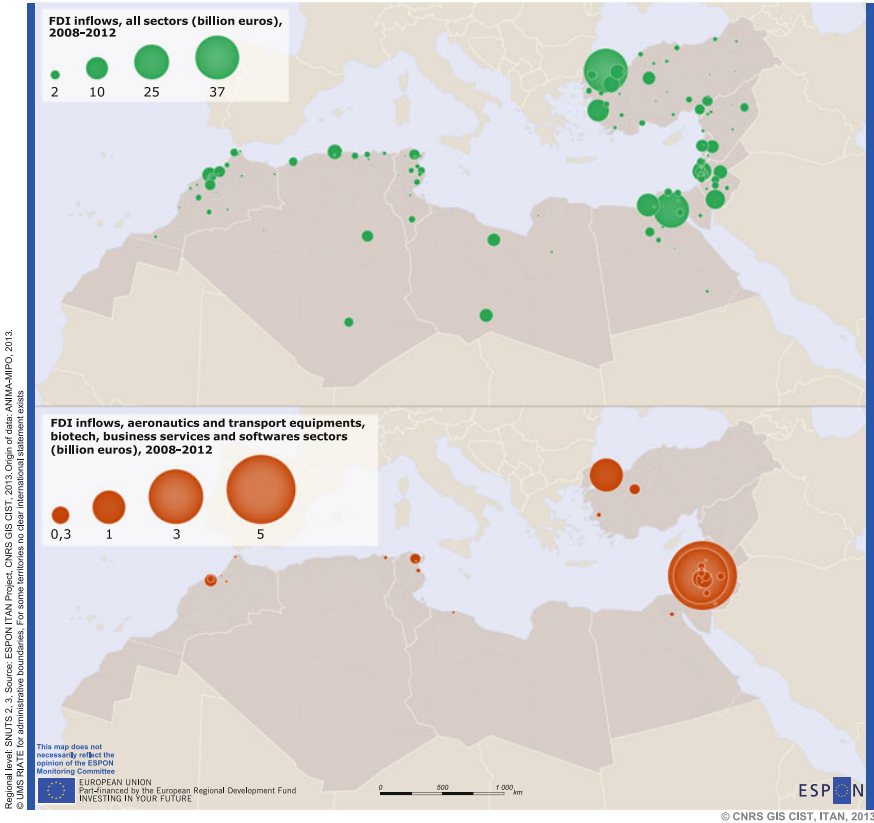
The *Plan Bleu*² estimates that the required amount to meet the need for access of all Mediterranean neighbourhood's people to fresh water is at least €15 bn, and 35 bn for sanitation. Even if it mobilises many donors and has an emblematic dimension, the EU's sanitation programme "Horizon 2020" will not cover it since its budget is around 3 bn. Moreover, the cost of the adaptation of this neighbourhood to climate change could reach \$40 bn in the two coming decades. This represents at, the same time, a tremendous stake and a major opportunity for business.

Can those countries finance such enormous amounts? For the time being, except Turkey and of course Israel, they remain very far from the European investment average per capita, even if the gap is reducing. Related to GDP, investment in Mediterranean neighbour countries remains lower than in India and much lower than in China; nevertheless, the amount has doubled during the 2000s. This is confirmed by foreign direct investments (FDI) inflows, which were less than 3 billion dollars annually in the early 1990s, 7 in the late 1990s, and 30 in 2007–2008 for the sole Arab partner countries, before the European crisis and then the Arab spring backlash.

A lesson derived from the Anima database on FDI used in the ITAN project, is that inflows do not only go to the richest areas. Indeed the large cities appear as major targets, but the geography is much wider spread than one could have thought. This means two things: (i) attracting foreign investment has become a shared goal and practise in these countries, confirming the Mediterranean partner countries' general openness to international exchange; (ii) FDIs are more inclusive than feared. In these countries, a tough debate has emerged between those in favour of international, namely European, influence upon their economy, and opponents saying that such FDI create too low a number of jobs and have no actual spill over effect on SMEs and territories. At least according to Map 6.8, one can say that this territorial argument is not obvious.

That being said, the second map, focusing on advanced manufacturing and services sectors, is limited to the leading metropolitan areas: Israel as a whole, Istanbul, and to some extent Casablanca and Tunis. At least, this proves that these countries can henceforward attract something other than low tech factories such as the clothing industry. The rising foreign investment in the automotive (see Renault car plant in Tangier-Med) and aerospace industries suggest that these Mediterranean partner countries could be regarded with an eye different from the classic "periphery" vision highlighted above. They could become the "Tigers" of the European region.

²The Plan Bleu has been launched by the UNEP Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean in 1976. Its objective is to contribute to raising awareness of Mediterranean stakeholders and decision makers concerning environment and sustainable development issues in the region, by providing future scenarios to assist in decision-making.



Map 6.8 The local FDI inflows in the Mediterranean neighbour countries. Not only large urban areas, not only low tech. *Source* FDI 2008–2012 Anima—MIPO/cartography by CIST

6.1.5 *Environment: The Critical Case of Water and Agricultural Land*

According to the IPCC’s scenarios and along with north-western India, the impact of climate change in the coming century will not be harder anywhere in the world than in the Mediterranean area (Hallegatte et al. 2009). Today, 35 million people in these countries do not have access to sanitation facilities, 20 million to fresh water. The water shortage will become harder; the arid part of this territory could then increase, agricultural modernisation could be insufficient for tackling the utmost dependence of these countries vis-à-vis food imports.

A research programme spearheaded by Inra-Cirad (2009) tracks the long-term trends of six major regions of the world and provides scenarios for agriculture and food through to 2050. Between 2003 and 2050 the population of the Middle East

and North Africa (MENA) region is set to have 70 % more people; food and agricultural demand (expressed in energy equivalents: vegetable and animal kilocalories) is expected to rise by 80 %; due to expected improvements in product quality, the market in value terms will rise from 100 to 200 % over the period. MENA, some parts of which were ancient Rome's grain basket, has become the world region with the highest level of food stress: in 2003, the gap between local resources and consumption hit 54 % of the total supply, and by 2050 it is expected to more than double. On a per capita basis, by 2050 the gap will be three times greater than in sub-Saharan Africa. Three factors explain this food supply crunch: the scarcity of land available for agriculture; climate degradation and particularly the dramatic water shortage; institutional weaknesses that are hampering technical and managerial progress in the sector (Figs. 6.4, 6.5). The regional instability has a major impact too, especially on Irakian and Syrian agriculture.

Table 6.1 gives the numbers for cereal production and imports, according to four scenarios. The first scenario is the baseline and drives to a production per inhabitant of 80 % compared to that of the 2000s, and to almost doubled imports. The third (severe climate change scenario) and the fourth (food trade total liberalisation) lead to imports multiplied by three compared to that of the 2000s. The combination of severe climate change and straight liberalisation (S3+S4) would lead to mushrooming imports. The only scenario where production per inhabitant does not diminish and where imports remain bearable, is that of a deep Euro-Mediterranean cooperation. Given the still great share of agriculture in employment in the various Mediterranean partner countries, it is easy to understand that the future of their rural

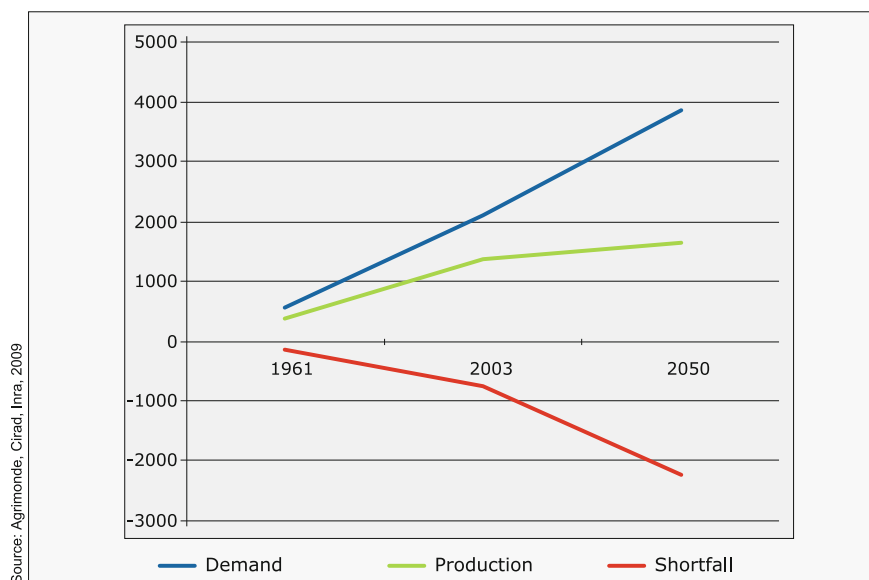


Fig. 6.4 2050 outlook for agro-business in the Middle-East and North Africa (in vegetable and animal kilocalories per day). *Source* Inra-Cirad (2009): Agrimonde

Fig. 6.5 Population and agricultural land 2050 outlook for MENA countries. *Source* Inra-Cirad (2009): *Agrimonde*

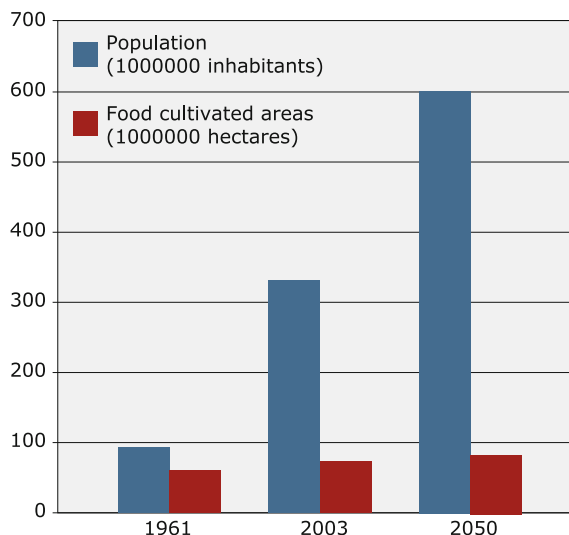


Table 6.1 Cereals production and imports in the Mediterranean neighbour countries (except Turkey) in 2030

	Production			Imports
	Million t	kg/inhab.	Index	Million t
Average 2000/2007:	77	261	100	37
<i>Scenarios 2030</i>				
S1—Baseline trend	78	210	81	62
S2—Euro-Mediterranean deep cooperation	95	256	98	45
S3—Severe climate change	47	126	48	93
S4—Total food trade liberalisation	51	138	53	89
S3 + S4—Worst-case scenario	24	66	25	116

Notes

Imports estimated as the difference between consumption and production. We take into account the average consumption per inhabitant of the 2000–2007 period

Source Cheriet et al. (2010)

territories will largely depend on Euro-Mediterranean cooperation. Even in countries such as Algeria where agriculture plays a minor role, this is a key issue because the state, thanks to its recent *Politique de Renouveau Agricole et Rural*, wants to reduce its dependence upon food imports and to enhance its agricultural sector which had been left behind in the first decades of the republic.

6.1.6 *Difficult Decentralisation*

The success of the Islamic parties since the Arab spring is largely due to the state's deficiencies in local territories, progressively offset by Islamist associations. The decentralisation issue has long been entangled in this contradiction: authoritarian regimes did (do) not want to empower local governments in order to avoid empowering the Islamists, but by avoiding doing so, they hamper necessary local development.

Municipalities are ancient institutions in the Arab world since they were launched in the mid-19th century at the time of the Ottoman modernisation (*Tanzimat*). They were reinforced by the European states during the colony or mandate period, on English or French patterns that were, in most cases, incorporated by independent states (Tourret and Wallaert 2010). During the last decade, the Arab partner countries have enhanced their decentralisation and given more responsibilities to local authorities but before the Arab spring, decentralisation remained viewed by the regimes as a risk for security and for national unity vis-à-vis the Berber regionalism (Morocco, Algeria), the Islamist danger (Egypt) or communitarian fragmentation (Near East). Everything changed after the Arab spring with a general call for a genuine decentralisation.

At a higher scale, that of regions, the only country that launched a credible reform is Morocco; but even there the country analysis shows that the state representative, the Wali, holds the real regional power. As a matter of fact, Arab neighbours would need a better regional de-concentration of state power, as an indispensable stage before decentralisation. The problem is that they did not manage the former whereas the already have to set up the latter (Beckouche 2011a).

The Arab country which is most likely to launch a real decentralisation might be Tunisia. The new constitution (2014) acknowledges decentralisation as a key principle of governance. Local authorities (municipalities, districts and regions) now have legal personality, and administrative and financial autonomy. They can also run decentralized cooperation—that is to say international cooperation with foreign counterparts. If the foreseen reform actually comes into force, it will open large fields of cooperation, in particular with European local authorities who have a strong background in the fields of planning, public services delivery and local democracy.

6.2 Regionalism and Regionalisation in the Euro-Mediterranean Space

6.2.1 *Regionalisation: The Euro-Mediterranean Missing Link Is Productive Integration*

Over the last fifteen years, Mediterranean partner countries' exports have certainly increased exponentially, but imports have increased even more. With the exception of the hydrocarbon-producing countries, merchandise trade surpluses have declined

dramatically since 2001, particularly in relation to Europe, evidence that their production systems have not been adapted to the new global environment. According to the *Forum euroméditerranéen des instituts de sciences économiques* (FEMISE) reports, their technological level of exports has not shifted towards more labour and technology-intensive products. The proportion of intra-industry trade has grown only slowly with Europe, demonstrating that despite recent advances we still have far to go in value sharing between the northern and southern Mediterranean.

In a study on the European Euro-Mediterranean policy's assessment, Beckouche (2011b) shows that, for five countries studied (Morocco, Tunisia, Egypt, Jordan and Syria), Official Development Assistance (ODA) received from the European Union corresponded to less than 0.3 % of their GDP in 2008, in contrast to other sectors that play a determining role in external balances: tourism revenue (8.5 % of GDP), migrant remittances (6.1 %), FDI (5.3 %) and, negatively and most significantly, the collapse of the trade balance (-13.9 %). It has become clear, especially since the early 2000s, that the economic future of the Arab countries is dependent on the international positioning of their production systems (trade balance and FDI). Neither tourism revenue nor migrant remittances, much less European subsidies, can offset declines in this area.

Even more troublesome, Europe's share in the foreign trade of Mediterranean partner countries appears to have reversed for all countries with the exception of Morocco (stagnation). One would think that the gradual establishment of the Euromed free-trade area would lead Mediterranean partner countries to greater openness amongst themselves and to the rest of the world. In reality, however, a large part of this extra-regional openness is due to the handicaps of Euro-Mediterranean integration: (i) poor North-South production integration (with the exception of Turkey), (ii) high non-tariff barriers preventing access to European agricultural and other markets and even greater barriers to the markets of individual Mediterranean partner countries, (iii) technical (inadequate quality of cross-border infrastructures) and monetary (limited currency convertibility) obstacles to trade between these economies in spite of the Agadir and GAFTA agreements between Arab countries, (iv) poor liberalisation of services.

Since the Barcelona process launched in 1995, the impact of the Euromed agreements on regional trade has been positive but limited and declining over time due to (i) gradual elimination of the multi-fibre agreement that these Mediterranean economies once enjoyed in comparison to Asian countries, (ii) the EU's signing of preferential agreements with central and eastern Europe and (iii) the effects of the EU's restrictive policy concerning agricultural trade (Abdallah 2011). In goods trade as well as in FDI flows, South-South exchanges in the Mediterranean neighbourhood have improved but remain low. The South-South market fragmentation serves as a further disincentive for FDI in the region. The European share in Mediterranean partner countries' FDI inflows has declined from more than 50 % a decade ago to barely one third in 2010. Moreover, FDI amounts have fluctuated at the mercy of a small number of major transactions typically associated with privatisations. Only Turkey has successfully leveraged its FDI inflows as a virtuous

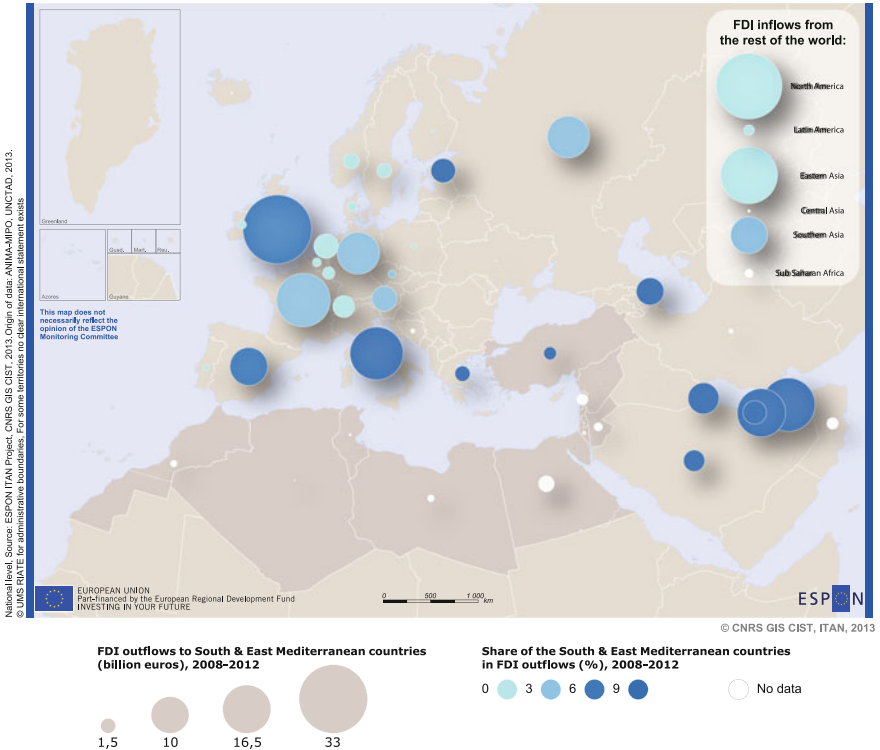
circle of technological intensification on the part of investors to increase the export competitiveness of their operations in Turkey. In the other Mediterranean partner economies, FDI is directed excessively into tourism, real estate or one-off (by their nature) privatisation transactions and has not had the catalytic effect experienced in countries that support FDI inflows with strong savings and production-oriented economies. These figures help in understanding the overall low connection between Europe and its neighbours, as shown in Chap. 2.

The Anima database confirms the previous statement derived from UNCTAD data. In the period 2008–2012, FDIs to the Mediterranean neighbours were significant only for the Gulf countries, Turkey and Italy. For the major western European countries, this neighbourhood represents less than 9 % of the FDI outflows target and even less than 6 % for France, Germany, Netherlands, and Belgium (Map 6.9).

Related to the productive economy issue, three main topics were overlooked in Barcelona. The first is financial and monetary cooperation with respect to foreign exchange, an issue pushed to the forefront during the international financial crisis—even though banking consortia bringing together institutions on both shores are beginning to appear. Second is agriculture, despite the constant claim of the Ciheam.³ Last but not least is professional mobility, recognition of credentials, professional qualifications and facilitation of movement within Euro-Mediterranean regional labour markets. In particular, Europe is losing the battle for attracting the Mediterranean neighbours' qualified labour forces particularly in the eastern Mediterranean. For example, only 1 out of 6 high-level Jordanian students enrolled abroad, come to Europe; the majority of the high skilled East Mediterranean people living abroad live in northern America. This is all the more unfortunate in that except singular countries such as Lebanon, outmigration of skilled people could be win-win and not a brain drain. It is impossible to speak of any Euro-Mediterranean, and further, Euro-Med-Africa regional integration with so many obstacles to people's movements (see Map 6.10 on deaths while crossing the Mediterranean). In short, integration of the Mediterranean continues to be more trade-oriented than production-oriented. Economic integration has been weak overall and shallow rather than deep by any definition.

Primary responsibility for these shortcomings falls directly on the neighbours' regimes. Growth there has been more quantitative than qualitative due to the poor quality of national policies in the areas of training, research and technology and weak productivity gains. It is far from sufficient to offset problems of underemployment, including amongst the highly skilled. Competition has admittedly become more open, but there is still a long way to go both internationally, since the Arab countries remain amongst the most protectionist worldwide, and within their

³The International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM) is an intergovernmental organisation composed of thirteen member states (Albania, Algeria, Egypt, France, Greece, Italy, Lebanon, Malta, Morocco, Portugal, Spain, Tunisia and Turkey). It promotes multilateral cooperation in the Mediterranean in the fields of agriculture, food, fishery and rural territories.



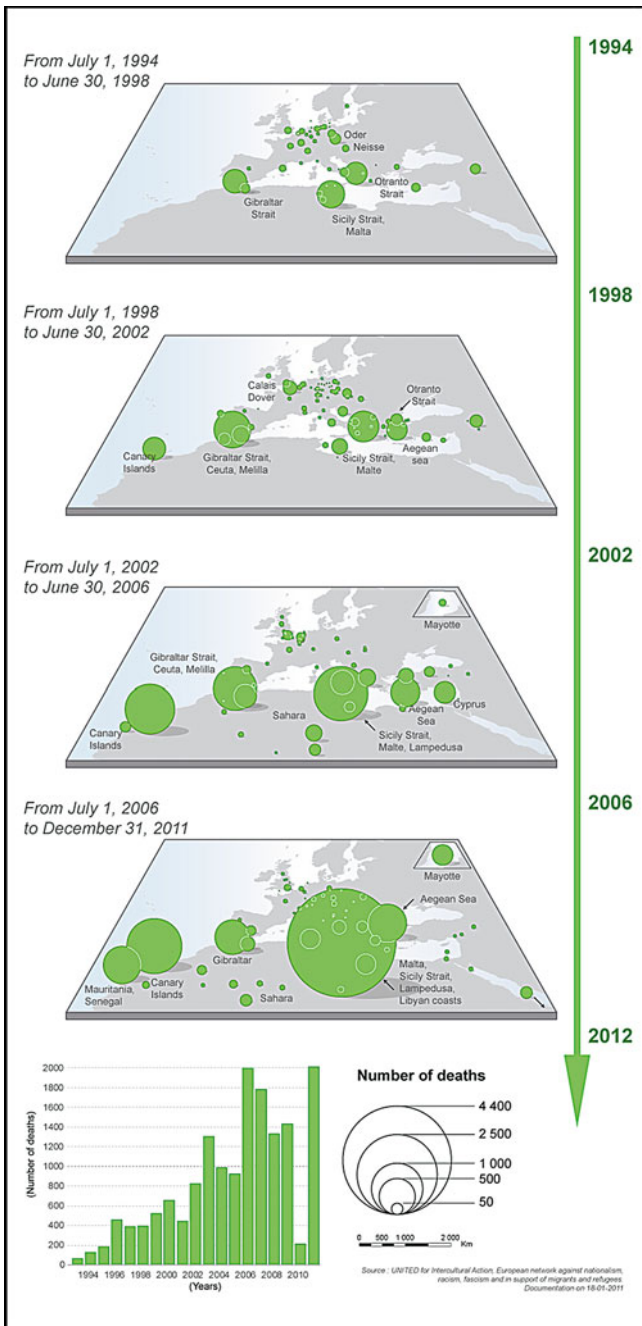
Map 6.9 Origin of FDI in Mediterranean neighbour countries and importance of these targets for investors, 2008–12

countries where markets continue to lack transparency. This openness has consequently failed to generate sufficient impact to stimulate job creation, one of the main challenges of the economic democracy ushered in by the Arab Spring.

6.2.2 Regionalism: European Aid Too Small and Too Scattered to Really Impact the Mediterranean

Did European donors address the regional de-integration in the Mediterranean? The answer is threefold, and it is negative: subsidies are small, scattered, and hardly focused on the productive system modernisation.

EU member states have reduced their share of aid to the Mediterranean neighbourhood primarily to the benefit of Africa for the last decade or more. Compared to EU member states, the European Commission places greater emphasis on its neighbourhoods. However, taking into account the dramatically higher level of aid from member states (at the end of the 2000s \$43 billion, \$48 billion including



Map 6.10 Number of deaths across the Mediterranean, 1994–2011

Norway and Switzerland) than directly from the EU (\$13 billion), the geography of European aid viewed as a whole does not reveal any neighbourhood strategy. In reality, European aid is massive to recent (Central Europe) and potential *member states* and dramatically less to countries of its neighbourhood policy. The latter are consequently left squeezed between the prevailing logic of accession and Europe's determination to be a global actor aiding all the regions around the world.

The European Commission's financing of Euromed is for the most part dependent on the European Neighbourhood and Partnership Instrument (ENPI), although numerous other European funds are also involved for Official Development Aid (ODA). A geographic breakdown of the application of total EU funds to development is difficult to establish. We could calculate the consolidated disbursements of total EU funds to the Mediterranean for the year 2009: the amount is €1.2 billion, that is to say 11.5 % of all EU aid (compared to 6.5 % in 2000, we are speaking here of the official Mediterranean neighbourhood that is to say without Turkey). Expressed in Euros per capita, however, the future member states stand out clearly as the primary target of the EU's aid policy. To these subsidies are to be added subsidised loans from the European Bank for Reconstruction and Development (EBRD) and the EIB, but the latter organisations undervalue the Mediterranean neighbourhood. If we consolidate the entire financial resources of the EU (net balance of the EU operating budget for member states, ODA from the EU namely thanks to the ENPI, EIB and EBRD commitments), €261 per capita goes to new member states, €145 per capita to future member states of the former Yugoslavia and €45 to Turkey, €26 to the eastern European neighbourhood, but only €13 to Mediterranean counterparts (and falling) and just €11 excluding Palestine—much less than to Russia and only slightly more than to Central Asia. In contrast to the hopes that presided over its launch, the Union for the Mediterranean (UfM) is not currently contributing any additional private financing, with the bulk of UfM community funding provided under the European neighbourhood policy. Nonetheless, international donors are beginning to step up, notably for the Mediterranean Solar Plan, with private investors possibly not far behind.

Not only is this European Aid too small, it is also too scattered to impact territories and societies. The economic and financial pillar of Barcelona offered multiple lines of action to the Association Agreements through which the Euromed policy has been implemented, such as gradual establishment of a free-trade area, deep regional integration, modernisation of SEMC production structures, social development to minimise the effects of economic openness, promotion of women's role in development and so forth. During the second phase of the program (MEDA II funding, 2000–2006), the scope of possible actions expanded further due to the reinforcement of the “security pillar”. However, the MEDA II evaluation report (European Commission 2009) made numerous simultaneous recommendations, amongst them maintaining budget support of institutional reforms, strengthening justice, upholding democratisation and human rights, promoting expansion of the role of civil society, increasing the allocation of resources to capital investment in SMEs and responding to regional “crucial questions”. The European neighbourhood policy, for its part, confirmed these ambitious directions. The ENPI

(2007–2013) plaid a role in all development areas: trade, environment, climate change, peace and security, agriculture, fishing, social aspects (health, education, professional training), employment and labour, migration, research and innovation, information society, sound governance, taxation—not to mention consideration of the gender balance, children’s rights and defence of indigenous peoples!

To which actors has the funding been in fact allocated? A large share of this funding takes the form of budget support: 36 % during MEDA II and 38 % with the ENPI (some sources being associated with even higher proportions). The private sector received only 10–20 %. Although agriculture accounts for one-fourth of the GDP in most SEMCs, it was almost entirely overlooked. Before the Arab spring the European Commission’s Mediterranean policy was therefore characterized as follows: a low financial priority, for a varied range of actions across an extremely broad scope and, for the most part, taking the form of budget support for various ministries.

Launched after the Arab Spring during the G8 summit of Deauville in May 2011, the Deauville partnership associates the EU, international donors such as the World Bank, the IMF or the African Development bank, and Arab sovereign funds. The promised money (at that time one spoke of tens of billions dollars) was supposed to support the Arab countries in transition. Since then, some European programmes have indeed been enhanced such as FP7 and Erasmus Mundus in the Mediterranean, European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) programme in particular in Tunisia, and the mandate of the EDRB has been enlarged to the Mediterranean countries in transition. The Mach 2013 Communication on the new Neighbourhood Policy of the European Union (2013) proposed to raise the European money to the neighbourhoods by 22 % in 2014–2020. It is too soon to measure the impact of the money that will be actually dedicated to the Mediterranean neighbour regions.

6.2.3 Regionalism: A Slow but a Real Trend Toward Regional Deep Integration

In spite of all this, the Mediterranean neighbourhood policy has already had four positive political outcomes. First is the practice taken up by the governments of countries within the region of interacting with one another either at a ministerial level. Second is openness to international commerce in the form of both trade and FDI, thanks to the Agreements with the EU. The third positive outcome is this macroeconomic stabilisation of the Mediterranean neighbour economies since the 1980s. Fourth, and not least, is the steps taken towards deep integration between the two Mediterranean shores in the following concerted regulations:

- Financial markets: regulators have established a Euro-Mediterranean network.
- Environment: initiatives date as far as 1975 and the launch of the UNEP Mediterranean Action Plan. However, little progress has since been made on

one of that project's symbolic objectives, pollution reduction in the Mediterranean Sea. The UfM has made a priority of pollution control in the Mediterranean, confirming the importance of the environmental theme to regional integration. On the other hand, the environment could also become a source of discord between the two shores as environmental standards increasingly create a non-tariff barrier blocking European markets to agricultural exporters in third countries including Mediterranean (e.g. possible European penalisation of food imports that would have used road transport).

- Energy: the Barcelona process ministers opted in 2003 to move towards integrated gas and electricity markets between the Mediterranean neighbours and Europe. National agencies responsible for energy savings and renewable energy formed a regional network called MEDENER. The UfM's decision, in 2008, to launch the Mediterranean Solar Plan presumes a certain heightening of cooperation in this regard, whether in terms of solar production, electrical inter-connection infrastructures or regulatory aspects.
- Transport: the Euromed Transport Forum has led to a joint master plan for transport infrastructures (2007) destined to cover the entire regional territory and for financing of the first elements of this system. The UfM's Motorways of the Sea project is an extension of this action.

Since the rise of the Arab Spring, the European Union calls for a renewed Mediterranean partnership; it will clearly no longer be based on public aid. Aid will remain necessary to help countries engaged in a difficult transition such as Tunisia, but the regional strategy can no longer rely on subsidies. Is the UfM, which was launched in order to promote private projects, the solution? One could estimate that a juxtaposition of projects will not be sufficient. On-going political and academic debates are discussing (i) political conditionality: from now on, no Mediterranean neighbour should be supported by European money if it is not involved in a genuine democratisation and the rule of law; (ii) stronger support of the production system, better convergence of economic norms and standards, and constitution of a Euro-Mediterranean development bank. Several years ago, the European Commission (2011) had launched accurate prospects in its communication of March 8th 2011: liberalisation of professional mobility, substantial increase of EIB's loans, enlargement of the EBRD's mandate to Mediterranean neighbours, and project of a "Euro-Mediterranean Community of Energy": will it be followed up?

6.3 Strategic Synthesis: Time to Political Boldness in the Euromed Process

Four fields appear of utmost importance in the relationship between the EU and its Mediterranean neighbourhoods: water, agriculture, energy, mobility.

6.3.1 *Avoiding Water Wars*

Of course, water is a very local resource, but a regional cooperation could turn it from a political threat into an economical asset. Notwithstanding the impact of global warming, the Mediterranean is already experiencing problems in local access to water and sanitation that at times lead to water conflicts. Yet water could become the cornerstone of a high-level economic channel and an ambitious international cooperation program. The priorities are well known: efficient use of water and water demand driven management; improved local and national governance in order to obtain clear contracts of water supply; pricing that is economically appropriate, territorially efficient and socially fair; legal and financial security of investments to facilitate public-private partnerships, especially for sanitation.

Since 1976, Mediterranean water issues have been at the centre of numerous debates, and yet results have not made much progress. What the region needs is better coordination and the involvement of all concerned actors i.e. not only Water ministers but also Agriculture since agriculture uses the three quarters of these countries' water, and Urban planning authorities as well as operators and local authorities.

What could be designed is a Mediterranean Water Agency (Comair et al. 2010). Its role would be to coordinate the actions of the numerous institutions and NGOs focusing on water in the Mediterranean. The Agency's charter would echo the common principles about pricing and clear contracts which would need to be respected to receive funding from public and private international donors. Its missions would be information, promotion of new water practices for agriculture, exchange of experience and expertise, vocational training and research, hydro diplomacy that is mediation on trans-boundary waters. When it comes to its governance, a Euro-Mediterranean Water Council could group representatives of Heads of State of participating countries, major towns in the region and directors of NGOs and institutions working with water in the Mediterranean, to determine the Agency's strategic lines. In a second phase, the running of the Agency itself and its executive decisions could be entrusted to professionals representing basins or other relevant areas—and not the public water administration alone—covering all actions necessary for integrated water and sanitation management.

Is it idealistic? It is not: the Mediterranean neighbours adapt their regulation closer to the EC Water Framework Directive. They set up water supply agencies according to European patterns. They acknowledge that they need European know-how. Conversely, European stakeholders acknowledge that there are business opportunities in the Mediterranean, that a good local governance of water management is an excellent way to promote citizens' participation and democracy, and to avoid possible water wars.

6.3.2 *The Need for a Food Security and Agricultural Policy*

The issue of food will become a crucial problem for the Mediterranean neighbours owing to (i) growing population in the South and East of the Mediterranean, with almost 400 million people to feed by 2030; (ii) rising nutritional imbalances and diseases linked to the gradual abandoning of the Mediterranean diet made up of fruits, vegetables, olive oil and fish; (iii) deteriorating ecosystems, global warming, reduction of available farming land and water resources, with serious effects on the potential of local production, which currently provides more than 25 million jobs in the region.

The consequence for these countries is a rising biological and economic food deficit, increased dependency on imports coming from instable international markets. It has to be remembered that the political unrest in Tunisia began a couple of years ago with riots due to bread prices. If nothing is done, further social, economic and ecological disasters are inevitable. Europe needs to go beyond the discussions on Euro-Mediterranean free trade agreements that have been dragging on for thirty years (Fig. 6.6). Experts and scientists discuss the idea of a new Mediterranean policy for agriculture and food based on Europe's half-century CAP experience: (i) encouraging more local food production through significant investment in R&D and training, and by setting up inter-professional channels, plus regulations to improve product quality; (ii) promoting the Mediterranean diet by educating, developing geographic labels and setting up communication plans around the world with a view to conquering markets; (iii) creating regional food security by stimulating North-South and South-South complementarities via mid-term supply contracts, security stocks of strategic products (cereals and oleaginous plants) and—why not?—Euro-Mediterranean commercial preference for all food products.

Is it idealistic? It is not: the central European states' membership has been prepared and accompanied by a strong commitment of the EU vis-à-vis their agricultural and rural modernisation. Why would not the methods of the CAP be adapted to the Mediterranean neighbours, as it has begun to be thanks to the ENPARD programme?

6.3.3 *A “Euro-Mediterranean Energy Community”?*

Euro-Mediterranean policy orientations in this field are threefold:

- Energy security: the goal is to make both supplies and commercial markets secure. Securing supplies is as relevant for European countries as it is for Mediterranean neighbours that do not produce hydrocarbons. In partner countries, ten million people still have no access to energy and their demand for primary energy is set to rise by 5 % per year up to 2030; in particular, electricity demand is increasing at 6–8 % per year, with critical supply situations in countries like Egypt. A deep regional integration would imply that an agreement

between Euro-Mediterranean countries relates to supply security as a whole, both South-North and South-South. The issue of securing markets calls for preserving long-term gas agreements, which the European commission has hitherto not wanted to accept for the sake of liberalism and a strong belief in spot markets. The energy world has only experienced producers' organisation (OPEC): could a brand new organisation that would associate producers and consumers not be experienced at a macro-regional level?

- Industrial development: we said that energy represents considerable industrial potential for the whole region. A technological and industrial co-development project could be set up, provided that Euro-Mediterranean countries can transcend shallow commercial relationships. The UfM could be a useful vehicle for such cooperation, which would positively balance Gazprom's increasing negotiating power on the European market.
- Environmental protection: the EU's Climate and energy package 2008 directive sets an ambitious ceiling on European energy consumption with a minimum share of 20 % of renewable energy in 2020. Its Article 9 is a potentially important cooperation tool, since EU countries will be authorized to include in their energy balance renewable energy produced outside the EU notably from Mediterranean neighbours—hence the Mediterranean Solar Plan. These countries are also making an effort by adopting environmental measures, although these remain insufficient. The countries of the two shores of the Mediterranean could very well adopt similar objectives and ceilings of their energy consumption balance, and jointly promote new financing tools for carbon reduction.

Is it idealistic? It is not: notwithstanding the huge Mediterranean markets in the energy field and the envisaged projects (MSP, Desertec, Medgrid), Europe will be increasingly dependent upon energy imports, imperatively needs to secure its procurement and not to rely excessively on Russia. Besides, the environmental impact of any poor energy transition would not respect any border: it is in the interest of the whole Euro-Mediterranean region to complement this transition in a collaborative way (Ben Abdallah et al. 2013).

6.3.4 From “Migration” to “Mobility”

Such policy orientations suppose a real professional mobility in the region, instead of the counterproductive and humiliating hard visa regimes that prevail in the Euro-Mediterranean area. The political stake is to move from an administrative migration approach to an economic approach based on mobility (Beckouche and Lebras 2011). Is it idealistic?

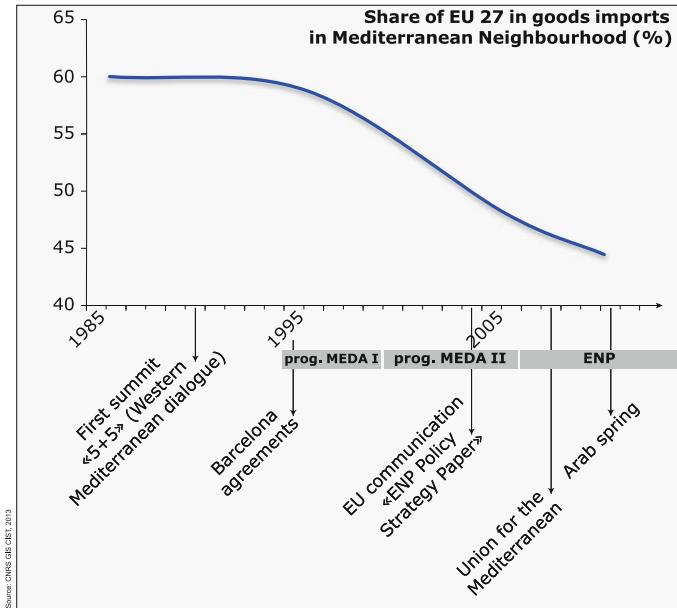


Fig. 6.6 Agreements v. real integration with the EU— Mediterranean neighbourhood

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Chapter 7

Orientations for Territorial Cooperation

Pierre Beckouche

Abstract Here we synthesise our findings with a view to address our key questions. First, are Europe and its neighbourhoods really “One Region”? Despite regional integration through transport and energy networks, it has to be acknowledged that there is rather “shallow” than “deep” regional integration and as a matter of fact, rather regional de-integration than integration. Second, how can the Europeans reduce risks and foster opportunities in their neighbourhoods? We summarise several avenues for EU’s action: (i) promoting the territorial approach, which is a competitive advantage for Europe in its neighbourhoods; (ii) ending its dissymmetrical relationship with neighbours and a cooperation driven by aid; (iii) focusing on a few key issues: mobility, energy, agriculture, water and environment; (iv) promoting the Neighbourhood Policy (which is not sufficiently known yet) and the notion of greater region (Europe + neighbourhoods); (v) reformulating the neighbourhoods vision thanks to European policies cross-cutting. Our overarching recommendation would be to design and implement, thanks to a tight cooperation between Europe and its neighbours, a “Neighbourhoods Territorial Agenda”, which would provide all public and private stakeholders with a shared vision of our common region.

In March 2015, the European external action service and the European commission launched a vast consultation “Towards a new European Neighbourhood Policy” through a “joint consultation paper” (EEAS 2015) which certainly is the best paper ever written by the Europe Union on the neighbourhood issue. It acknowledges that the ENP has largely failed, and that instead of the desired “circle of friends”, this area has turned into a circle of fire. The authors of this atlas certainly do not believe that a sole territorial approach to this issue could recover lost opportunities, and solve the amount of problems and misunderstandings; but they are convinced that it could be a part of the solution.

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7.1 Synthesis: Are We Really “One Region”?

7.1.1 Rather “Shallow” than “Deep” Regional Integration

We have seen the low international openness of the Western Balkans and of the North African territories (except in northern Morocco) although their potential accessibility to the European territory is high. This suggests important avenues for territorial development there. As a whole, the neighbour countries have opened their economy in the two last decades. Many of their territories are ready for international connection and cooperation. Our analyses have stressed the strong international openness of Istanbul, and, in the Eastern neighbourhood, Moscow’s overarching dominance.

Nevertheless, European neighbourhoods remain peripheries of Europe. Relations in investment, trade, transport and migration are characterised by imbalances in many aspects. Europe is more important for neighbourhoods than the reverse. Neighbour countries, except Turkey and Russia, play a minor role in the international relations of European countries. The relation between neighbourhoods and Europe is imbalanced in its nature: high level services and products with medium and high technological content versus primary or low added value manufacturing goods; tourist flows versus migratory flows including highly qualified labour.

7.1.2 Rather Regional De-integration than Integration

Europe’s influence upon its neighbours is declining. There are two main ways to assess regional integration. The first way is the structural analysis of the considered countries: do neighbours more and more look like EU countries? Do they show potential complementarities? The ITAN project brings some answers at macro-regional, national and local scale. Demographic analysis displays clear results. Young people of the greater European region are concentrated in the Near East and North Africa. The elders are concentrated in Europe in a large sense, Eastern neighbourhood included. This demographic shift is striking: poorly managed, it could lead to conflicts between territories and perhaps countries confronted by a difficult transition, but, properly managed, it constitutes very favourable complementarity. One thing is obvious: both aging Europe and booming Mediterranean have to tackle high dependency ratios, in a context of insufficient jobs creation: this creates a de facto convergence of stakes. Moreover, as the demographic transition is deeply advanced in all of these neighbour countries, including the Arab countries, social structures and issues (“oldies boom” namely) are converging with that of the EU. That being said, the second section has compared the GDP per capita in the three major world regions; in the European region, the gap remains huge between Europe and its developing neighbours.

The second way is the geography of international exchanges. Neighbourhoods are important partners for Europe, reaching 7.5 % in trade of goods, 7 % of

European air connections, absorbing 15 % of European development aid, providing 30 % of immigration towards Europe and providing one third of its energy supply. Moreover, we assess at 11 % the share of neighbourhoods in the potential growth market of Europe in the next decade. These figures nevertheless point to the importance of neighbourhoods for energy supply and as a source of labour force (or migratory threat depending on the perspective adopted) for Europe. This is compliant with the neighbourhood policy which, to date, has focused on energy trade, migration as well as in security matters. But neighbourhoods are hardly seen as major *economic* partners. This concurs with our result in the field of European media: economic newspapers are much less interested in neighbourhood issue than generalist newspapers, in particular in France and Spain; the first thing that interests European readers in the neighbourhoods is political instability. Obviously, Europeans under-estimate the potential economic role of the neighbourhoods (beyond energy procurements), and still more under-estimate the role of the economy in the political transition of the neighbour countries. Most figures in the second section illustrate the impressive economic growth of all the neighbourhoods (in a wider sense, the Middle East and Africa included) in the last decades. This is undeniably a potential major asset for Europe.

Nevertheless they also demonstrate the declining importance of the EU in neighbours' flows: investment, trade, vessels movements, flight connections.... Another strategic issue, that of energy procurement, tells the same story: since the Algerian state has deliberately diversified the geography of its energy exports, Europe and the US now each account for around 40 % of Algerian energy exports in recent years. The reason is that the European Commission has given its preference to energy spot markets rather than to long-term supply. In the gas sector, this means liquefied gas delivery rather than pipelines; and this means a rising possibility for Algeria to sell its gas to the US, and lower opportunities for long-term industrial and technological cooperation with Europe to build gas pipelines.

7.1.3 Regional Integration by Transport and Energy Networks

The completion of networks on the scale of the greater region is a key issue for its integration. The energy network is being completed little by little. A Euro-Mediterranean electricity grid is about to be completed, but its capacity will have to be increased if the Mediterranean Solar Plan comes into force. In the Eastern neighbourhood, the energy network is far more complete; the issue here is the Russian power over European Eastern neighbours, due to the absence of a European energy policy. When it comes to transport, an important difference between transport networks in the EU and the neighbourhoods is transnational continuity. While there are almost no barriers for crossing countries in the EU, many neighbours have borders which are difficult to cross. The number of persons able to get access to in a 3-h time-span shows a great difference between western Europe and its outskirts. This suggests avenues for further regional integration through transport networks.

7.2 Reducing Risks and Fostering Opportunities with Neighbours

7.2.1 *Promoting the Territorial Approach Is a Competitive Advantage for Europe in Its Neighbourhoods*

The “Elements for a Common Strategic Framework 2014–2020” published by the European Commission (2013) provides a starting point toward policy orientations on the neighbourhoods. First because the text, in line with the recent re-orientation of the ENP, acknowledges that the neighbourhoods need further subsidies, with a substantial increase of the European Neighbourhood Instrument (which replaced the ENPI in January 2014). The text also recommends a better combination of EU’s financial funds for cohesion, social, regional, rural and maritime policies. This is of great significance for territorial issues, which are, as such, *transversal* issues. The territorial approach is very relevant when it comes to better articulate different funds and sectoral approaches.

Seen from their neighbourhoods, European countries are envied for their level of development and their genuine rule of law. But they are also seen as selfish countries, with double standards when it comes to applying their values elsewhere than in Europe, with low political influence and as US-followers in military affairs. Very few among the neighbouring populations know that the European countries are main providers of funding for development, build common networks with neighbour territories, have a major impact on a large array of actions: agriculture, environmental norms, training cooperation, local investment, etc. The territorial approach would help giving consistency to a wide set of European sectoral and financial actions which the neighbour local people are barely aware of. What is visible, in these countries, is the rising influence of extra-European major players. The territorial approach of cooperation for development is typically an area where the proximity (geographic, cultural, linguistic) of Europe brings a decisive advantage in the neighbourhoods vis-à-vis other global players.

Benefiting from this advantage would suppose giving concrete targets to European funds dedicated to the neighbourhoods, in order to avoid the scattering and lowly mobilising effects of the previous ones. The “Elements” text demands to “*focus cooperation on key policy objectives*”, which is good—but all official donors’ texts always recommend that. The problem is that the text opens a wide range of possible targets: human rights, fundamental freedoms, stronger growth, inclusive growth, economic integration into the EU internal market, prevention of conflicts, sectoral cooperation such as energy and climate change, support to civil society exchanges... We hope the coming lines could contribute to the selection of a smaller number of key objectives.

7.2.2 Ending with Dissymmetrical Relationship and with a Cooperation Driven by Aid

Europe's action on its neighbourhoods has long been characterised by:

1. an overhanging asymmetrical manner of designing and implementing politics, whereas the ITAN report stresses on the future need for a partnership approach. This is what the sections on the Mediterranean neighbourhood clearly state, what the study of the Western Balkans shows, and this is what the on-going crisis in Ukraine demonstrates: without a symmetrical solid (including energy) partnership with Russia, no balanced European strategy vis-à-vis Ukraine is feasible;
2. subsidies as the key mean to fulfil the ENP's objectives. Yes, the neighbours need subsidies to bridge the gap of basic infrastructure in the poor territories—of which there are many. Yes, a country like Tunisia needs strategic immediate, and very large, financial support (promised by the Deauville Partnership) in order to make its transition a success, because it would have a profound impact in the other Arab neighbour countries, and so as to avoid the destabilisation by Islamist foreign influence and by what will be long lasting Libyan unrest at the gates of Europe. But other financial means should be promoted by Europe, not only because they could bring complementary resources but because they suppose a renewed partnership, with:
 - more Public Private Partnership;
 - mobilisation of local savings: there is a lot a money even in “poor” neighbour countries, and this money could be invested in local projects based on local confidence rather than in national banks in which the nationals do not always trust;
 - international funds including sovereign funds from Arab states for instance, which suppose a way to label projects with a credible macro-regional dimension;
 - innovating funds, such as fees on Mediterranean maritime transit so as to find the necessary funding for sanitation in the Mediterranean partner countries;
 - higher importance of the productive system and participation of SMEs, so as to cope with what is happening in North America and East Asia. A way to promote it would be to dramatically enhance European granted loans as the best financial tool for territorial development in the neighbour economies. Most of these countries have economic actors that fit perfectly with loans rather than with subsidies, yet EIB and EDRB's granted loans are not sufficient, in particular in the Mediterranean neighbourhood because their boards remain far from the Mediterranean culture, realities and needs.

7.2.3 Focusing on a Few Key Issues: Mobility, Energy, Agriculture, Water and Environment

The recent creation of the Partnership Instrument dedicated to supporting the external dimension of internal policies is very relevant—not because of its (in fact very limited) amount but because of what it implies on mind-sets. The envisaged themes of the Partnership Instrument are good: competitiveness, migration (indeed nothing of the ENP’s goals will be really achieved as long as the Europeans retain the old “migration” pattern instead of the “professional mobility” pattern), and what the text relevantly calls “*common major global challenges such as energy security, climate change and environment*”. This last chapter gives concrete ideas of possible common (EU/neighbour countries) action in the field of these global challenges.

Last but not least, the EU’s Elements for a common strategic framework (ESPON 2013) remind that Russia’s eligibility is retained in the new European Neighbourhood Instrument. The chapters on the Western Balkans, the Northern and the Eastern neighbourhoods have stressed the key role of Russia. This major neighbour, which is reconstructing an area of control over some of its former Soviet partners, has, at the same time, to be highly involved in the common regional neighbourhood (as it has very positively begun to be in the Northern Dimension and the Baltic Sea area), *and* to be kept at a distance in some specific sensitive issues. Of course this is geopolitics—but the chapter on the Northern neighbourhood has shown that neighbourhood issues are never far from Russian geopolitics. The neighbourhood issue will not succeed as long as the EU has not taken the option of behaving as a geopolitical player in its own region.

7.2.4 Promoting the ENP and the Notion of Greater Region (Europe + Neighbourhoods)

Crossing the local Human Development Index and FDI inflows, we have shown that many neighbour localities, mostly of the Mediterranean neighbourhood and particularly in Egypt, show dynamism *but* are not very, or not at all attractive for FDI. Over the three last decades, the European new member states have drastically reoriented their economic links toward western Europe instead of the former Soviet bloc; but the reverse is true for all the European neighbourhoods. Thus, we draw the following lesson: EU membership is a driver to economic regional integration whereas a neighbourhood status comes down to declining integration with Europe. This calls for a reformulated ENP.

Some (rare) neighbour economies move from a peripheral position, mainly selling primary goods, toward specialisation in low added-value manufacturing goods: Turkey and Tunisia are the best examples. This means that economic transition is possible, and that it is on-going in some of these countries. Europe should strongly back this productive transformation, because it is a structural driver for political and social transition.

7.2.5 *Reformulating the Neighbourhoods Vision Thanks to European Policies Cross-Cutting*

Several European policies should be further cross-cut with the Neighbourhood Policy.

European Cohesion policy: the stake is to transfer to the neighbourhoods the European know-how in the field of territorial planning, regional policy and cross-border cooperation. It is particularly important in the cases of Turkey and Tunisia which happen to be the most unbalanced national territories, but not only there. Among others, the Technical Assistance and Information Exchange instrument (TAIEX) is an accurate tool for territorial cooperation in the following fields:

- the decentralisation issue, but also the state de-concentration issue as an indispensable counterpart to decentralisation,
- the modernisation of the state and of the governance *via* local territories and national planning, and the rising participation of local civil society,
- the role of territories in public-private cooperation,
- the rising importance of Geographic Indication in agriculture and of short supply circuits,
- the promotion of decentralised cooperation; the need to better focus on neighbour territories the European scattered decentralised cooperation,
- the promotion of international networks of territorial actors (e.g. ports, whose networks are effective in the Baltic Sea Region but not in the Black Sea or the Mediterranean Regions).

The reasons for cross-cutting Cohesion and Neighbourhood policies are many:

- The inclusive growth concern. It is a stake at many scales: locally because of the poor quality of development, access to universal services such as water, and popular participation in governance; at a national scale because regional disparities are rising; at the scale of the greater European region where the discontinuities are not sustainable.
- The urbanisation concern. The Mediterranean neighbour countries are experiencing a rapid urbanisation process as well as an economic transition with severe contrasts between developing areas and left behind territories.
- The minority concern. A major threat of the neighbourhoods is related to the minority issue (Balanche 2012). Such concern is very difficult to address by the considered states, for sensitive political reasons. But a good territorial approach could help. That is what the Moroccan state does through its regionalisation policy, in particular in its southern regions, which helps with solving the “Western Sahara” concern. Many exchanges of experiences, methods and tools could be developed in the greater European region.

Common Agricultural Policy: the food security issue is one of the most sensitive in the Mediterranean, thus a key aspect of the Euro-Mediterranean partnership. Yet, we saw that it has been poorly addressed, and that the perspective of a straight

liberalisation of food trade could generate short-term profit for European stakeholders but long term threats for the entire region.

- Avenues for European cooperation stem from the CAP methods. They deal with (i) encouraging more local food production; (ii) promoting rural development, in the spirit of the “LEADER” methodology; (iii) promoting the Mediterranean diet and developing geographic labels; (iv) re-allocating some production between the North and the South of the Mediterranean (wheat would better grow on the northern side, whereas three-quarters of Moroccan farmers grow wheat; fruits would better grow on the southern side); (v) creating regional food security.
- Such regional food security would take advantage of embracing the greater region, so as to benefit from Ukrainian and Russian production. Food is increasingly becoming a globalised product, with very long trading routes and rising speculation on prices in global financial areas. This is not socially, financially and environmentally sustainable. Food cannot be left to global gamblers. Here, a clear commercial regional preference is at stake. This is the overarching condition to promoting geographical labels, food quality and security, protection of environment of local territories: could these collective preferences not be set up at the scale of the greater European region? To European stakeholders, this would guarantee the enormously rising markets of the Mediterranean neighbours, whereas the latter buy their food from more and more remote sellers, outside Europe. But the condition is to end with a partnership limited to free trade and to make a choice for an ambitious productive partnership between Europe and its neighbours—that is, regional deep integration.

Transport policy: increasing accessibility is a condition for regional integration and market enlargement.

- All the chapters dealing with a neighbourhood regard transport as a bottleneck for local development and better interaction with the EU. In the Northern neighbourhood it is the very condition of development. In the Eastern neighbourhood, the increase of economic exchanges with the EU is hampered by the inadequacy of border and transportation infrastructure; particularly difficult are the problems on the roads connecting central areas of Russia with the ports of Baltic countries and Finland. In the Western Balkans bad transport infrastructure and insufficient internal transnational cooperation lower these countries’ international openness. In the Mediterranean the Euromed Transport Forum had conducted a very good regional transport action plan, but its capacity to improve transnational facilities seems to be declining. For all these reasons, the TEN-T policy should adopt further reactivation towards the neighbourhoods.
- Another reason is to be put forward. Transport is typically a long term perspective. It appears that all the neighbours, to a different degree, are lacking long term vision. A perspective of a common transport (and energy) network would spread the culture and the practice of forecasting in these countries, instead of the prevailing short term approach.

Energy policy: the potential for energy collaboration in the region is enormous. It could be the basis of an ambitious social (employment), industrial, technological and environmental partnership.

- The European Union is barely managing to reduce its dependence upon Russia. Russia is developing new pipelines to bypass Ukraine, which would secure stability of energy exports to the EU and avoid dependence on transit countries, but it also weakens Ukraine.
- The huge rise of energy demand in the Southern neighbourhood could be a fantastic opportunity for European enterprises, but it could also be a threat if this boom is managed with low energy efficiency and high greenhouse gas emissions, and if extra-European players take advantage of these booming markets.
- This has also a territorial side: the electricity grids are to be major infrastructures for the coming years; in particular, rural development will not be possible if these territories are not provided with electricity supply. When it comes to gas, the Algerian, but also its neighbours' territorial future will not be the same if Algeria develops liquefied gas facilities, or gas pipelines; the type of partnership that Europe will choose with Algeria will have long-term territorial consequences.
- In all neighbourhoods, addressing these territorial energy issues requires a European energy policy to be set up. Its scope should immediately take the neighbourhoods into account, which would make things easier because several neighbours are energy producers. Such an ambitious prospect will never come into force if Europe keeps a merely *trading* approach to the energy issue.

Environment policy: issues are much diversified in such a vast area—climate change, floods and droughts, pollution, energy transition...

- It is impossible to address the neighbourhood issue if one does not take into account the environmental dimension; it is impossible to address the European environment issue if one does not take into account the neighbourhoods. Pollution is about contiguity: here, proximity—that is to say neighbourhood—is highly relevant.
- The numerous earthquakes in the Mediterranean and the historic tsunamis prove that it remains at stake. This calls for a cooperation between Europe and its neighbours (which has largely begun, for instance between Greece and Turkey) in the three domains of (i) common alert system, training and exchanges of experiences; (ii) actual concerted crisis management; (iii) post-crisis reconstruction.
- Climate change will highly impact the neighbourhoods, especially in the Northern neighbourhood, in the Black Sea area and in the Mediterranean. The water shortage will particularly impact Egypt. Today, the water resources per capita are worrisome in the Mediterranean as a whole, especially in the South but also in Spain: the water issue is not only a neighbour concern.
- The coming ENP should pay great attention to the water issue. It is not only an environmental stake. It is also about management, since know-how is lacking in both governance and technical aspects. It is political, since the modernisation of

the water service would need an increase of water tariffs that neighbour governments can hardly assume. It is financial, since the need for modernisation of the water and above all of the sanitation infrastructure remains huge. It is social, since many neighbours are lacking a sufficient water and sanitation service. Water is the best example of indispensable cross-cutting policies, and of relevance of the territorial approach.

A policy that would not be dedicated to “migration” but to “mobility”: this is another issue encountered in all the neighbourhoods. Replacing the “migration” pattern (driven by administrative concern) by the “professional mobility” pattern (driven by economic growth) could follow the path of:

- visa-free cross-(EU) border movement between labelled persons (e.g. professionals belonging to Euro-Mediterranean networks recognized by the EU) and local communities (e.g. nationals of neighbour countries in the Western Balkans), so as to contribute to economic and cultural exchanges
- visa-free cross-(EU) border movement between labelled professionals, for example people who belong to transnational professional networks recognised by European bodies (Euromed Postal, business organisations...)
- win-win brain gain between the neighbours and Europe, so as to avoid losing skilled workers who believe that they are better welcomed in Canada, in the US and now in the large emerging countries than in Europe. Given the growing role of diasporas in the economy and culture, it is important for European public opinion and politicians to consider migrants in a renewed way: they used to be all too often regarded as a social problem (integration, education...), they should rather be regarded as a solution now that their education level is raising. The people who live in western Europe as foreigners increasingly come from the neighbourhoods, namely the Mediterranean one, and from Sub-Saharan Africa which is a lengthening of the European area of influence. This is an asset to rely on, given the foreseen development of Africa in the coming century—which for the moment mostly benefits world players other than Europe.

7.3 Towards a “Neighbourhoods Territorial Agenda”

The EU has hitherto financed a large number of studies and programmes in the neighbour countries, but a global vision is lacking. A territorially integrated perspective could add value to these scattered initiatives on trade, transport, energy, agriculture, environment, etc. It could be a relevant tool for cooperation, driving towards a common vision that might be shared by EU countries and their neighbours.

7.3.1 Why?

A Neighbourhoods Territorial Agenda (NTA) would meet several needs:

- a need for up-to-date *territorial multi-actors multi-scale governance*, because most of the stakes have, at the same time, a macro-regional, a national and a local scale. A macro-regional territorial scheme fits with the wide vision enhanced by the UfM, the Northern Dimension or the EaP. A vision of territorial stakes and structural projects is one of the rare issues that could be shared by the various regional bodies such as the OSCE, the League of Arab States, the Organisation of the Islamic Conference, the African Union. When it comes to the local scale, it is the relevant one in the field of local essential services such as access to water and sanitation, education and health. A spatial vision and good practices for territorial development can be shared and exchanged; who could believe that such sharing could easily occur in the fields of religion, culture or politics?
- A need for *a cross-cutting approach of the various European projects and funds*, and a need for better interaction between policies dedicated to the EU's territory/and those dedicated to neighbours in order to support the *external dimension of EU internal policies*, as has been said above.
- For each non-EU country a need (i) to *design a long term vision* (since territorial development necessarily means long term) instead of usual short-termism, and (ii) to improve coordination between the various public producers of data on local territories (a national prerogative for sure, but which can sometimes be better implemented in the framework of an international cooperation).

7.3.2 What?

The contents could be:

- *Territorial policies in non-EU countries common to, or derived from, EU policies*
The region needs a synthetic view of all policies launched by the EU and each of its member states, which have a significant impact on the neighbour territories. Nowhere, except maybe in the field of Mediterranean transport thanks to the Euromed Transport Forum, are the policies of France, Spain, Germany etc. analysed through their territorial impact in the neighbourhoods. Even at the EU's level, for the moment it is difficult to know how much money, according to what policies, in which precise territory, the different European bodies have spent in the neighbourhoods.
- *Infrastructural projects so as to facilitate exchanges and thus regional integration*
This would be the central part of the Agenda. It would promote all projects of interest for the greater region. If we take the case of transport, this is what the

Euromed Transport Forum did for the Mediterranean. This work should be reactivated, and further implemented for all the countries of the region. If we take the example of water and sanitation, the NTA should remind the main common principles; the main projects of interest for the region should be identified, labelled, financially supported, mapped and widely released. Some of these items already exist but not all of them, and they are scattered throughout a large number of documents, web sites, databases, hardly released and never cross-cut. Moreover, regional integration by key infrastructures fits perfectly with the necessary extension of the neighbourhoods' scope in particular toward sub-Saharan Africa.

- *Common governance of common public goods*

The quality of water of the common seas, the preservation of Northern resources, civil protection issues related to natural and industrial hazards, and other transnational common goods of key interest for the greater region's territories, would be the third piece of the Agenda. Such transnational common governance would be in line with the strategy for a regional deep integration.

7.3.3 *How?*

- The Agenda has first to be a *shared process*. This is the condition for further ownership and visibility. Shared by whom? Figure 7.1 provides an overview, and suggests possible multi-level governance. The main idea is that the process should bring together bodies from the EU and from the partner countries. Whatever the process timeline, the priority should be the participation of bodies belonging to a significant number of countries of the region, with *parity* between EU and non-EU countries.
- When it comes to European stakeholders, “shared” also means shared by the EU's bodies and by member states. The new design of the ENP implies a much better coordination between the EU and member states.
- The precondition of success is a *common platform for territorial local data*. Without territorial comparable data, no shared vision of our common region can emerge. Some research and operational projects have targeted territorial analysis of this vast world region, but methods remain numerous, data heterogeneous and findings scattered. A common tool for territorial data would meet two needs: (i) helping coordinate the various projects dedicated to integrated territorial geometries and databases of the greater region, (ii) steering collaborative work between experts and decision makers on shared spatial tools for decision-making, and build interfaces with territorial stakeholders.
This “Local Data Platform” would have following tasks: update territorial delineations at the greater region scale; set up metadata models and sustainable

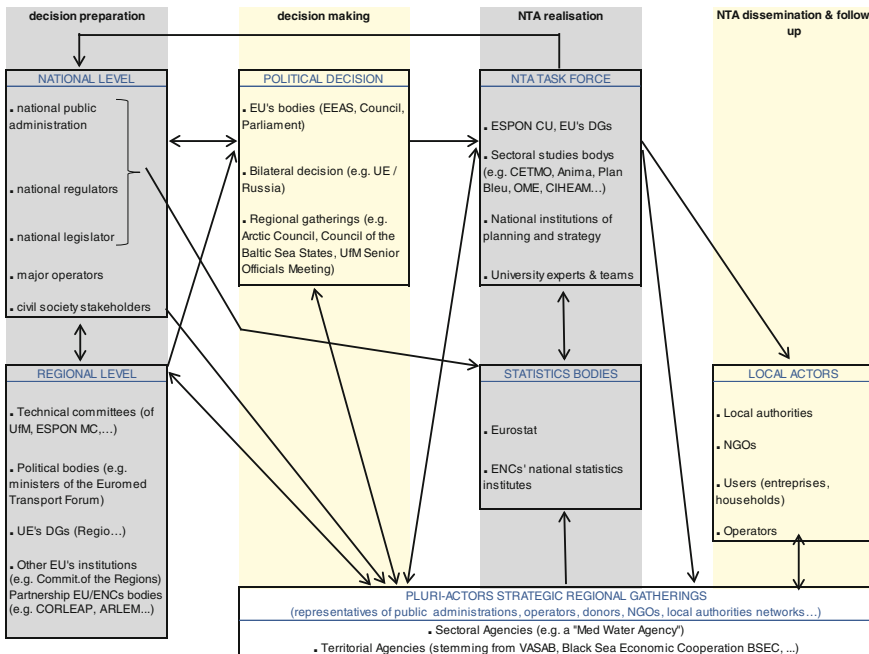


Fig. 7.1 Stakeholders of a neighbourhoods territorial agenda

local databases, compliant with EU databases, so as to ease integrated and comparable territorial analyses; harmonise local data (harmonisation of indicators' definition, of spatial geometries, of temporal discrepancies) and disseminate them according to the open data approach.

The platform would respect two principles. The first is participation of research networks and public (national-international) bodies dedicated to territorial data and analysis. The second is parity between EU and non-EU countries of the region.

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Appendices

See Table A.1

Table A.1 Contested territories in the neighbourhoods, 2014

Countries or territories concerned		International disputes
Abkhazia and South Ossetia	Georgia	Secession of Abkhazia and South Ossetia, recognized especially by Russia
Afghanistan	Russia	Smuggling of opium through Central Asian countries
Albania	Greece	Mass migration of unemployed Albanians
Albania	Italy	Mass migration of unemployed Albanians
Algeria	Morocco	<ul style="list-style-type: none"> – Rejection of Moroccan administration of Moroccan/Western Sahara (the Polisario Front, exiled in Algeria, represents the Sahrawi Arab Democratic Republic) – Algeria's border with Morocco remains an irritant to bilateral relations, each nation accusing the other of harbouring militants and arms smuggling
Algeria	Libya	Libyan claims of about 32,000 km ² of south-eastern Algeria
Armenia	Azerbaijan	Break-away Nagorno-Karabakh region and the Armenian military occupation of surrounding lands in Azerbaijan
Armenia	Turkey	<ul style="list-style-type: none"> – Damaging of the medieval ruins of Ani (blasting from quarries) – No diplomatic ties between Armenia and Turkey
Armenia	Georgia	Ethnic Armenian groups in Georgia seek greater autonomy
Armenia	Azerbaijan and Georgia	Illegal transit of goods and people across the porous, non-demarcated Armenian, Azerbaijani and Georgian borders
Azerbaijan	Russia (+Iran and Kazakhstan)	Ratification of the Caspian seabed delimitation treaties based on equidistance, while Iran continues to insist on a one-fifth slice of the sea

(continued)

Table A.1 (continued)

Countries or territories concerned		International disputes
Azerbaijan	Turkmenistan	Dividing the seabed and contested oilfields in the Caspian Sea
Belarus	Ukraine	Unresolved financial claims: no ratification for boundary delimitation
Belarus	Poland	Poland seeks enhanced demarcation and security along this Schengen hard border with financial assistance from the EU
Bosnia and Herzegovina	Serbia	Boundary sections along the Drina River in dispute
Bosnia and Herzegovina	Croatia	Several small boundary sections in dispute related to maritime access
Canada	<i>Greenland</i> (Denmark)	Sovereignty dispute over Hans Island
Chad	Libya	Various Chadian rebels from the Aozou region in southern Libya
Croatia	Slovenia	Pirin Bay and four villages and Croatia's claim of an exclusive economic zone in the Adriatic Sea
Cyprus	Turkey	– Cypriot Government creation of hydrocarbon blocks and maritime boundary with Lebanon – Turkish recognition of Turkish Republic of northern Cyprus
Denmark	<i>Faroe Islands</i>	Faroese continue to study proposals for full independence
Egypt	OPT ^a	Gazan breaches in the security wall
Egypt	Sudan	Halaib region North of the 22nd parallel boundary (+Bir Tawil region)
Egypt	Saudi Arabia	Islands of Tiran and Sanafir
Estonia	Russia	– No signed technical border agreement – Russia demands better treatment of the Russian-speaking
<i>Faroe Islands</i> (Denmark)	Iceland, Ireland and UK	Faroe Islands' continental shelf extends beyond 200 nm
Finland	Russia	Various non-official groups in Finland advocate restoration of Karelia
FYROM ^b	Greece	Use of the name Macedonia or Republic of Macedonia
Georgia	Russia	Russia's military support and recognition of Abkhazia and South Ossetia
Greece	Turkey	Complex maritime, air, territorial and boundary disputes in the Aegean Sea
<i>Greenland</i> (Denmark)	Russia	Russia' additional data to augment its 2001 Limits of the Continental Shelf
<i>Greenland</i> (Denmark)	Norway	Limits of the Continental Shelf

(continued)

Table A.1 (continued)

Countries or territories concerned		International disputes
Iraq	Turkey	<ul style="list-style-type: none"> – Turkish hydrological projects to control upper Euphrates waters – Turkey has expressed concern over the status of Kurds in Iraq
Israel	OPT ^a	<ul style="list-style-type: none"> – West Bank is Israeli-occupied with current status subject to the Israeli-Palestinian Interim – Israeli construction of a separation barrier along the Green Line and within the West Bank
Israel	Lebanon	Shebaa Farms area of Golan Heights
Israel	Syria	Golan Heights
Japan	Russia	Islands of Etorofu, Kunashiri, Shikotan and the Habomai group remain the primary sticking point to signing a peace treaty formally ending World War II hostilities
Jordan	Syria	2004 Agreement settles border dispute with Syria pending demarcation
Kosovo under UNSCR 1244/99	Serbia	Kosovo's declaration of its status as a sovereign and independent state in February 2008
Latvia	Russia	Russia demands better Latvian treatment of ethnic Russians in Latvia
Lebanon	Syria	Portions of the boundary are unclear with several sections in dispute
Mauritania	Morocco	Mauritanian claims to Moroccan/Western Sahara remain dormant
Moldova	<i>Transnistria</i>	Secessionist movement from Pridnestrovian Moldavian Republic
<i>Moroccan/Western Sahara</i>	Morocco	Secessionist movement from Polisario Front (“Sahrawi Arab Democratic Republic”)
Morocco	Spain	<ul style="list-style-type: none"> – Enclaves of Ceuta, Melilla and Penon de Velez de la Gomera and Islands of Penon de Alhucemas, Perejil/Leila and Chafarinas – Maritime delimitation around Canary Islands – Morocco serves as one of the primary launching areas of illegal migration
Norway	Russia	<ul style="list-style-type: none"> – Limits of the Continental shelf – Maritime limits in the Barents Sea
Romania	Ukraine	<ul style="list-style-type: none"> – Zmiyinyy/Serpilor Island and Black Sea maritime boundary delimitation – Romania opposes Ukraine's building of a navigation canal from the Danube border through Ukraine to the Black Sea
Russia	Ukraine	<ul style="list-style-type: none"> – Boundary through the Kerch Strait and Sea of Azov – Crimea annexation by Russia

(continued)

Table A.1 (continued)

Countries or territories concerned		International disputes
Russia	USA	No ratification of 1990 Bering Sea Maritime Boundary Agreement with the US
Syria	Turkey	Turkish hydrological projects to control upper Euphrates waters

Source The World Factbook 2013–2014. Washington, DC: Central Intelligence Agency, 2013
<https://www.cia.gov/library/publications/the-world-factbook/index.html>

Source CIST / ESPON “ITAN” project

^aOccupied Palestinian Territory

^bThe Former Yugoslav Republic of Macedonia