

Territorial Observation No. 11
May 2014



Territorial Dynamics in Europe European Neighbourhoods

ESPON 2013 Programme

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Europe's diverse Neighbourhoods. Europe's Neighbourhoods present opportunities but also challenges. They range from the Arctic to the Sahara, include large and small states, and have very different levels of development as well as diverse cultures. Geography dictates some level of interdependence with Europe, and hence opportunities to strengthen relations and work together.

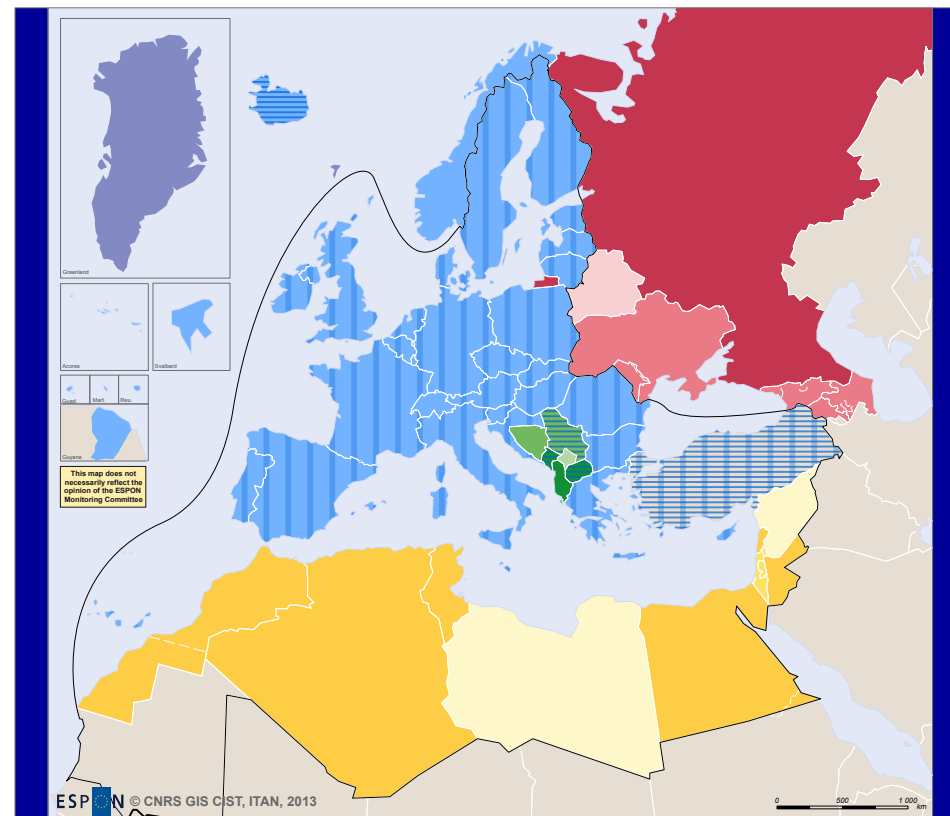
Diverse relations. A variety of formal contracts defines the political and trade aspects of EU with Neighbours (see Map 1). Some are members of the European Free Trade Area, some are candidate countries; others are members of other regional unions such as the Arab Maghreb Union.

The European Free Trade Association (EFTA) countries, Iceland, Liechtenstein, Norway and Switzerland are reviewed in ESPON Territorial Observation No. 10. This report focuses on the Neighbours beyond this group of countries.

Neighbours do not look only to Europe. There are cross-border relations, transport and energy networks, shared environmental resources such as seas which connect EU Member States and non-EU Neighbours. Territorial cooperation is a key to grasping new opportunities, as underlined in various European policies. However, Europe is by no means the sole (or in some cases even the main) focus for these countries: core and periphery depend on where the viewer is looking from.

An evidence base is needed by policy makers and practitioners in Europe, but also in the Neighbourhood, to understand and tap potentials, and cooperate on joint challenges and opportunities. This Territorial Observation draws on ESPON research that has been undertaken by researchers from many different countries in and around Europe. It gives a snapshot of the current relationships across the EU's borders.

Map 1. Agreements between Europe and its Neighbourhoods



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 National level
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	EU 28 + Iceland, Norway, Liechtenstein, Switzerland	Association with eligible countries to the neighbourhood policy agreements:			
	European Union Customs Union	In effect	Negotiating	No agreements	
	Candidate countries to EU				Eastern Neighbourhoods
	Autonomous territories of Denmark				South-Eastern Neighbourhoods
	Union for the Mediterranean (Excluding Kosovo under UNSCR 1224/99, the former Yugoslav Republic of Macedonia, Serbia, Switzerland & Kaliningrad)				Mediterranean Neighbourhoods

*Strategic partnership EU-RUSSIA

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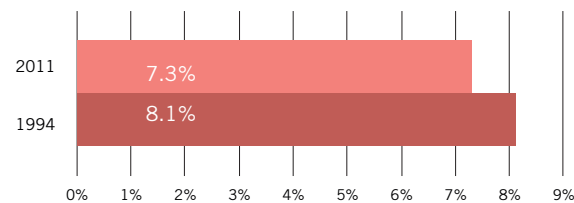
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1 Executive Summary

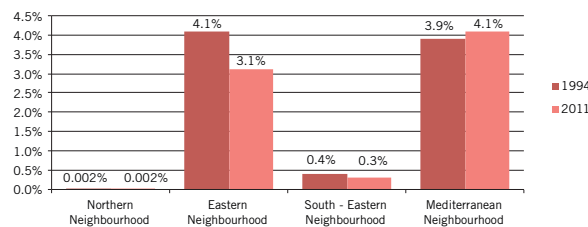
Over 500 million Neighbours. Europe’s Neighbourhood stretches from the Arctic to Algeria and includes the European countries of the Western Balkans. There were 504 million inhabitants in the Neighbourhood countries in 2011, very similar to the then EU 507 million (plus EFTA 13 million). The former’s share in world population though is shrinking as displayed in Figure 1.

Figure 1. Population in European Neighbourhoods in 1994 and 2011

Share of world population in the European Neighbourhoods



Share of world population by European Neighbourhood



Four distinct Neighbourhoods. The Neighbourhood is diverse economically, socially, culturally and in environment. The diversity means that it is helpful to identify four different Neighbourhoods – the Northern, the Eastern, the South-Eastern and the Mediterranean.

Across the Neighbourhood there are multiple minorities, whose historic and/or ethnic alignment is not necessarily with the state in which they reside. Proper treatment of these minorities is crucial to achieve sustainable development.

Europe’s relations with its Neighbours are neither static nor uniform. The challenges that Europe faces today, such as international competitiveness, climate change, energy security, demographic aging, all have a territorial aspect and hence a Neighbourhood dimension.

Europe’s role is shrinking. The influence of the EU on its Neighbourhood has been shrinking, and its dominance is reducing in most Neighbourhood countries. This is especially the case in the Near East. Over the three last decades, whereas the European new Member States have drastically reoriented their trade with Western Europe instead of with the former Soviet bloc, the Neighbourhoods have followed a different path. While Europe’s share of global GDP has been decreasing over the last 15 years, that of the Neighbourhood has been increasing.

Ageing Eastern but young Southern Neighbours. There are wide demographic differences amongst and within Neighbourhood countries. Much of the Neighbourhood has an aging demographic structure, though the Mediterranean Neighbourhood countries have youthful and growing populations.

Energy: A hot Neighbourhood topic. Relations with the Neighbourhoods are crucial for Europe’s energy security and to achieve an energy transition away from dependence on hydrocarbons, fighting greenhouse gas emissions. There are a number of potential developments around the periphery of Europe that could increase Europe’s energy security and also pose new economic development perspectives for some EU Member States and neighbouring countries.

Need for improved transnational transport systems. Better transport infrastructure could improve integration and trade between Europe and its Neighbours, and between regions within neighbouring countries. However, institutional change can also help, e.g. in speeding procedures at border crossings. Improved transport systems will offer better accessibility to markets.

Shared climate change challenges. Climate change is likely to have diverse but far-reaching impacts. Ice melt in the Arctic creates new economic opportunities through opening new sea routes to Asia, and easier access to the region’s rich resources of oil, gas and minerals. However, it also brings an existential threat to some unique species and ecosystems.

Cooperation needs and benefits. Territorial cooperation bringing together the EU, its members and regions and neighbouring territories could create mutual benefits. The principles and practices of territorial cohesion and cooperation across borders may offer a positive contribution to building integration and peace in potentially turbulent Neighbourhoods.

2 Neighbourhood definition and diversity

2.1 What are the Neighbourhoods?

Four Neighbourhoods. Europe's Neighbours can be grouped into four geographical Neighbourhoods. These are:

- **Northern:** Faroe Islands and Greenland (both of which are independent Danish territories) and North-Western Russia (also part of the Eastern Neighbourhood);
- **Eastern:** Ukraine, Belarus, Moldova, and Russia (to the Ural Mountains), Georgia, Armenia and Azerbaijan;
- **South-Eastern:** Bosnia-Herzegovina, Serbia, Montenegro, Kosovo (under the UN Security Council resolution 1244/99), The former Yugoslav Republic of Macedonia and Albania;
- **Southern/Mediterranean:** Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, the occupied Palestinian territory, Israel, Lebanon, Syria and Turkey.

The Neighbourhoods are a very diverse group of countries. They are shaped by different, albeit often intertwined, histories and cultures. They include many contested territories and a multiplicity of minority populations. This complex mosaic defies simple geo-political solutions. There are also wide differences in living conditions within and between countries. In particular in the Eastern Neighbourhood, there are considerable differences between urban and rural areas and even between directly neighbouring regions within the same country.

There are currently political instabilities and risks in several of the countries. However, this very diversity opens up opportunities, especially as different parts of Europe have historical and trading links with different parts of the Neighbourhood.

As mentioned, the EFTA countries, Iceland, Liechtenstein, Norway and Switzerland have been addressed in a separate ESPON publication as part of the EU Neighbourhood.

2.2 Why should Europe build closer ties to its Neighbours?

The Neighbourhood is important for Europe. Our Neighbourhoods are important partners, accounting 7.5% in the trade of goods, 7% of European air connections, absorbing 15% of the European aid of development, providing 30% of immigration into Europe and providing a third of the energy supply of the European market.

Political, economic and environmental benefits of closer ties. Europe's security, fragile historically, is strongly dependent on nurturing and sustaining amicable relations with its Neighbours. Similarly, tensions in and between Neighbourhood states risk spilling over into Europe. The Southern Neighbourhood has a much more youthful demographic profile than that of Europe. Neighbours provide markets for European goods and services, but border crossings and poor transport connections may hinder trade. The Neighbourhood is a vital supplier of Europe's energy. In addition, cooperation is crucial to manage shared environmental resources such as the seas around the continent.

2.3 Why is the territorial dimension important?

Seeing development opportunities. Geopolitics can easily obscure the territorial dimension of the Neighbourhood. Yet a territorial analysis can identify opportunities and provide a nuanced understanding at EU, national and local scale. It brings into focus important concerns such as access to markets; climate change and water shortages; regional differences in territorial capital; flows of people, goods and information; the impacts of borders and the potentials for cross-border cooperation.

Cooperating on joint challenges. Territorial challenges may also be easier to tackle than some more contentious issues. In particular, better infrastructure and communications networks can be win-win situations. Fundamentally, the best way to reduce risks and capture opportunities is through building stronger regional integration.

Towards cooperation and integration. Integration can be approached by territorial cooperation, using the European Neighbourhood Instrument, and through forging a common territorial reference framework for Europe together with its Neighbourhood. Similarly, application of the principles of territorial development, such as territorial cohesion, integrated development and multi-level governance can benefit growth across Europe and its Neighbourhood.

2.4 Who is the periphery?

Peripherality depends on the position of the viewer.

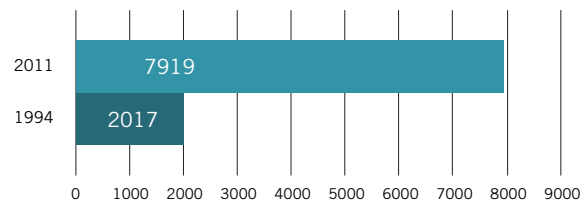
Viewed from the Neighbourhood, Europe may be the periphery, not the core. There is no part of the Neighbourhood where Europe is the only external magnet. Russia is not only a large, resource rich country, but also it has actively sought to be a counter pole to the EU for the economic geography of the Eastern Neighbourhood. The extent of the orientation to the EU in the Western Balkans also shows a complicated picture between the different countries.

The influence of the EU has been shrinking. This implies that its dominant position in the Neighbourhood is reducing in most countries. This is especially the case in the Near East. Over the three last decades, whereas the European new Member States have reoriented their trade with Western Europe instead of with the former Soviet bloc, the Neighbourhoods have followed different paths: those in the east have retained ties to Russia, while Saudi Arabia and Iran exert a pull for some in the Mediterranean Neighbourhood. China and other East Asian countries have also become increasingly engaged.

Europe's Neighbourhood gains economic importance globally. While Europe's share of global GDP has been decreasing, over the last 15 years, that of the Neighbourhood has been increasing. This reflects the recovery of former Soviet countries following the collapse of their economies in the 1990s, but also the strong growth of some Mediterranean countries, notably Turkey. While the overall GDP per capita of the Neighbourhood countries was only US\$ 2000 per year in 1994, it was US\$ 8000 by 2011 (see Figure 2 and Figure 3).

Figure 2. GDP per capita in European Neighbourhoods in 1994 and 2011

Total GDP per capita (US\$/inhab.) in the European Neighbourhoods



Total GDP per capita (US\$/inhab.) by European Neighbourhood

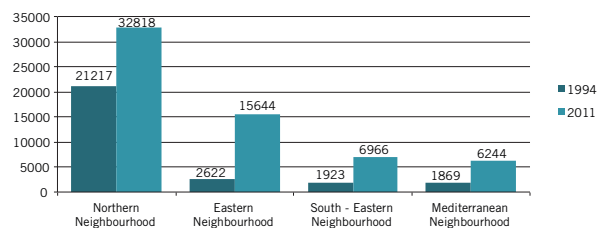
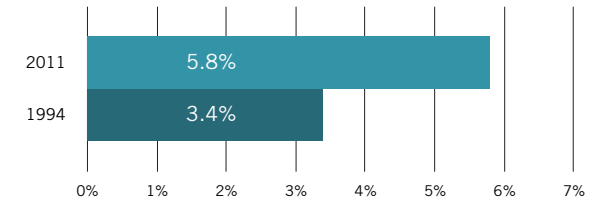
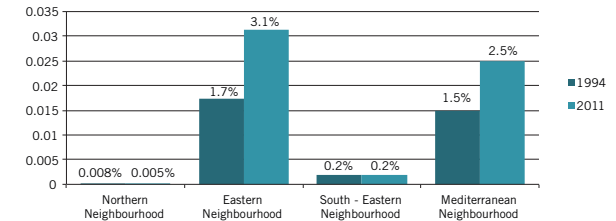


Figure 3. GDP at current prices in European Neighbourhoods in 1994 and 2011

Share of world GDP at current prices in the European Neighbourhoods



Share of world GDP at current prices by European Neighbourhood



3 People in Europe's Neighbourhoods

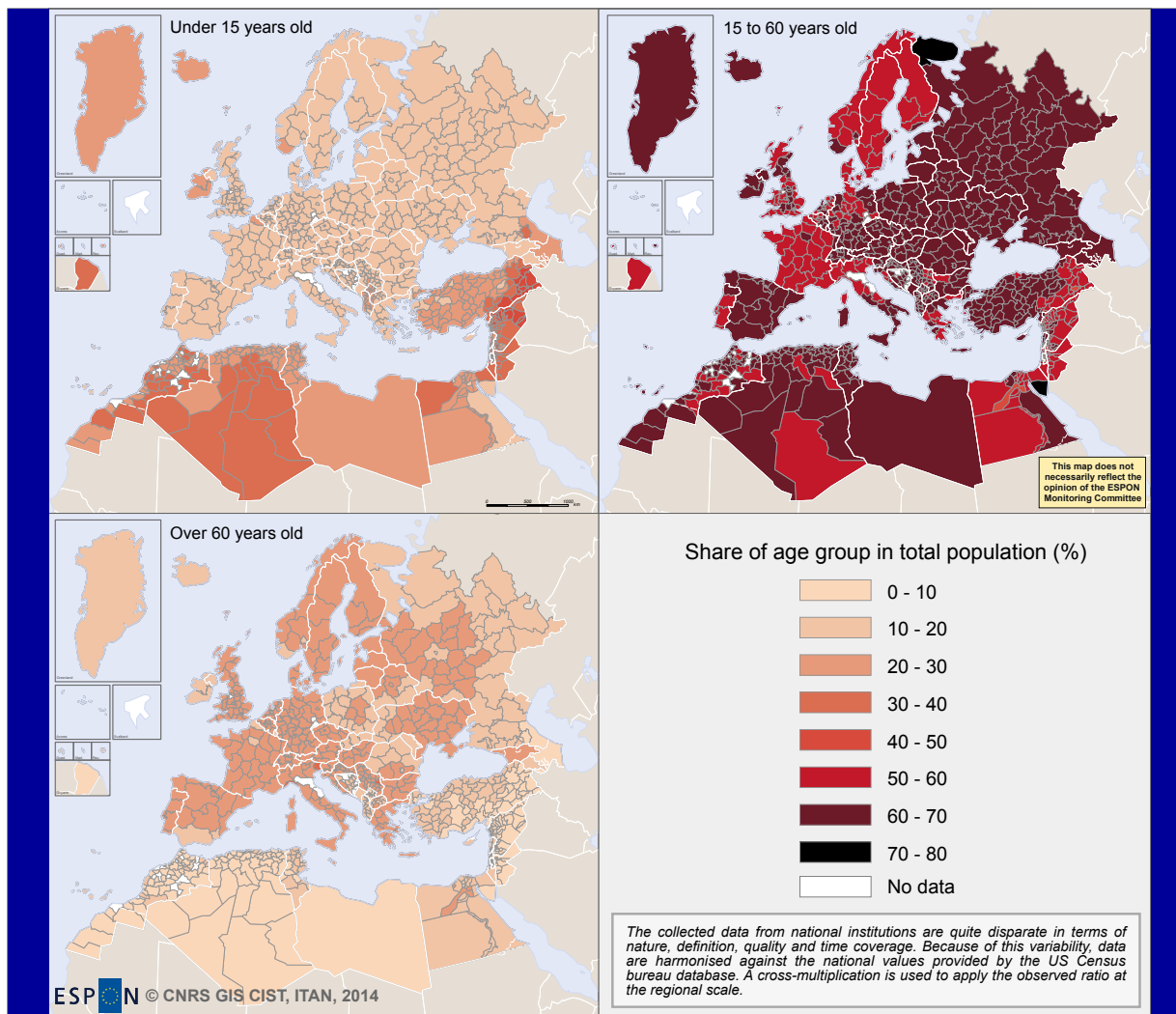
Key Messages

- Northern Neighbourhood is sparsely populated but highly urbanised, with many of the settlements dependent on extractive industries or military activity.
- Eastern Neighbourhood's dominant city is Moscow with 11 million in habitants and growing. The proportion of the population with tertiary level education is similar to that in Europe.
- South-Eastern Neighbourhood has suffered demographic decline as a consequence of wars and displacement of people. Tertiary level education participation is notably lower than in Europe.
- Mediterranean is the only Neighbourhood with growth in its population. Although there are improvements in the education of girls, the gender gap in economic activity remains very wide.

As many people in the EU as in its Neighbourhoods.

There were 504 million inhabitants in the Neighbourhood countries in 2011, very similar to the then EU 507 million (plus EFTA 13 million). Its share of the world's population is decreasing. However there are significant demographic differences within and between Neighbourhood countries. In particular, the Mediterranean Neighbourhood has a notably younger population and at present higher fertility rates than the other Neighbourhoods (see Map 2).

Map 2. Age groups in Europe and its Neighbourhoods, 2010



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Regional level: NUTS 2 & SNUTS 0-1-2-3
 Source: ESPON project ITAN, CNRS GIS CIST. Data standardised by IGEAT, 2013
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3 People in Europe's Neighbourhoods

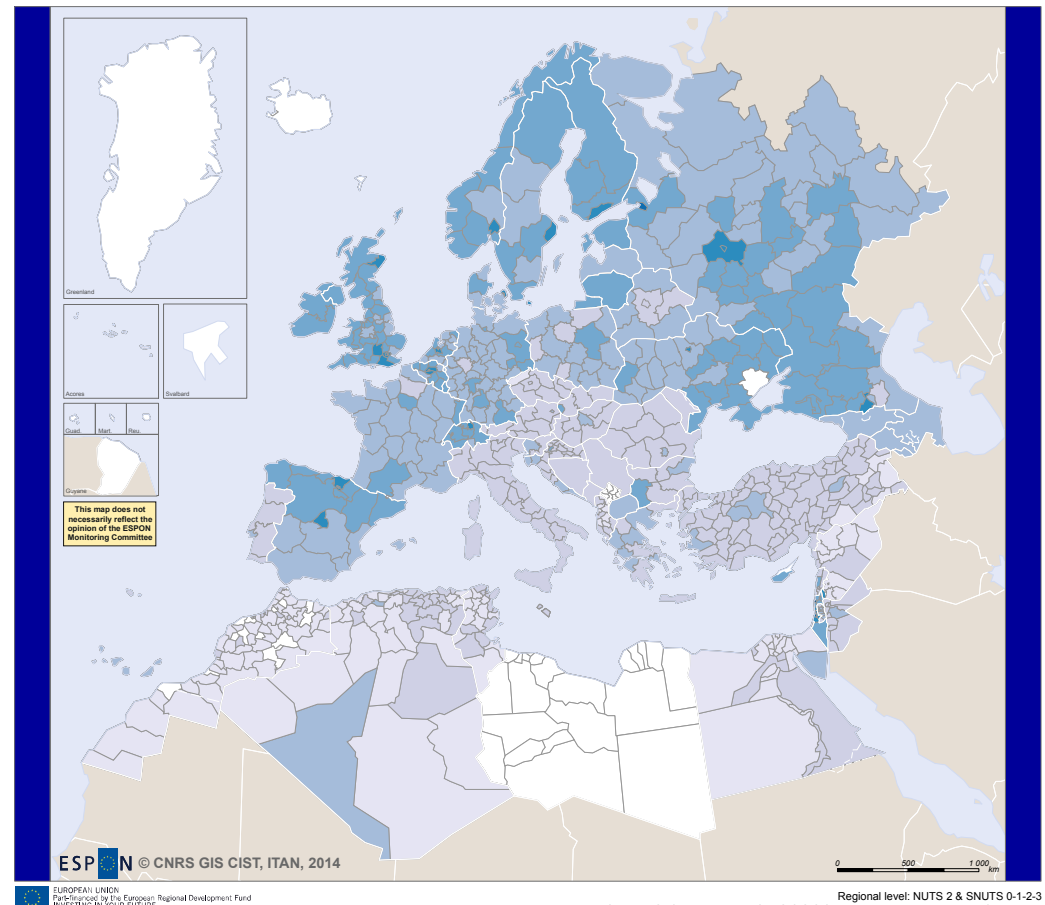
Highly educated Neighbours in the East. Education levels tend to be higher in Europe's Eastern and Northern Neighbourhoods than in the Southern Neighbours (see Map 3). In particular, the Eastern Neighbourhood, and especially its large cities, has the highest proportions of its population with a high level of education. However, there are wide divides within and between the Neighbourhoods in education levels.

Educational divides between the Neighbourhoods. Within the South-Eastern Neighbourhood, Albania, Bosnia and Herzegovina and Kosovo (under the UN Security Council resolution 1244/99) are weaker than their Neighbours on indicators of education attainment. However, there can still be a skills mismatch, with qualified people opting to migrate or to operate in the informal economy. Twenty years after the fall of the socialist regimes, the Western Balkans have very little in common with the former socialist countries of Eastern Europe. Similarly, the Mediterranean Neighbourhood countries contrast sharply with Europe on tertiary level education attainment.

Although girls' participation in secondary and tertiary education has been improving, rates of female economic activity remain very low, and educated young women find it difficult to access appropriate employment.

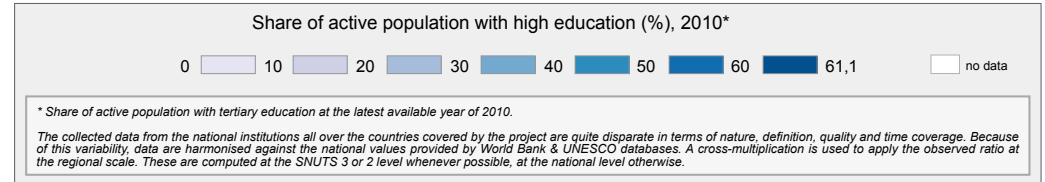
In the following, the picture will be somewhat more nuanced looking at it for each Neighbourhood separately.

Map 3. Active population with high education, 2010



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Regional level: NUTS 2 & SNUTS 0-1-2-3
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Origin of data: EUROSTAT (2013), National Institutes of Statistics (2000-2011), World Bank & UNESCO, 2013
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3 People in Europe's Neighbourhoods

3.1 Northern Neighbourhood

Population decline and urbanisation in the North.

Few people live in the sparsely populated Northern Neighbourhood, and they are increasingly concentrated in urban centres. Most regions have experienced a population decline over the past decade. People are moving towards the larger urban centres and regional nodes, but there is also out-migration.

The drivers of migration are the harsh climate, limited job opportunities and (in rural areas) limited educational opportunities. Jobs are often linked to extractive industries, notably oil and gas in northern Russia, e.g. in the Nenets Autonomous Okrug oil and gas accounts for some 99% of all industrial activity. This means that workers and even towns may be only temporary. It also creates a gender imbalance amongst those of working age, with relatively few female job opportunities.

A few key aspects concerning future population development are: (a) high mortality rates amongst males mean that females dominate the older age groups; (b) overall relatively young age profile, due to high mortality rates and out-migration of retired people; (c) low life expectancy and high birth rates of indigenous populations across this Neighbourhood; (d) Female out-migration constitutes an increasing challenge for the future population development in these regions, not least on Greenland.

While urban centres are dispersed, there are some significant cities. The largest urban centres are all in Russia. Arkhangelsk, Murmansk, Petrozavodsk and Syktyvkar each have over 200,000 people. Across this Neighbourhood the urban centres are important sources of female employment.

Cooperation opportunities along the north-eastern border

Low levels of accessibility (global, national and regional) are a fundamental feature of eastern Finland and its neighbouring region the Russian Republic of Karelia. Distance from the major population centres and markets in the EU and in Russia is a shared handicap, and the secondary road network is poor on the Russian side. There are only two crossing points along a border of around 200 km. Cooperation and integration could improve prospects on both sides of this border. Investments in physical infrastructure, modernisation of border crossings and opening as well as improvement of passenger railway and freight transport connections are promising elements.

An aging population in a sparsely populated region poses problems for the effective delivery of health and social services. However, this is also an opportunity – to achieve economies of scale through cross-border cooperation and building innovation networks that engage public and private health providers and medical researchers.

3.2 Eastern Neighbourhood

Demographic decline and aging, but growth in the big cities. Moldova, Belarus and Ukraine exhibit general demographic decline. In Russia the population is 143.1 million, 80% of it in its European part. However, between 1994 and 2009, Russia experienced a decrease in population of 11.9 million due to natural change, though immigration reduced the net loss to 6.7 million. Northern territories and the most rural regions have suffered the sharpest loss of population, along with border regions. However, Moscow and St. Petersburg are growing, as are the capitals of Belarus

and Ukraine. Moldova loses people through migration to Turkey and the EU. Overall, the Eastern Neighbourhood has an aging demographic structure.

Moscow a mega city in the Eastern Neighbourhood.

Moscow with more than 11 million inhabitants is the dominant city in this Neighbourhood. St. Petersburg has 5 million, Kiev 2.8 million and Minsk 1.9 million. Most of the large cities are located in a north-east / south-west corridor. The larger cities, major sources of economic development, employment and education, also tend to have the population structure that is most balanced in terms of gender. Life expectancy is also higher in the capital cities. The North Caucasus region, rural and religious, has high fertility rates: here war has increased mortality for all age groups, especially the elderly.

3.3 South-Eastern Neighbourhood

There has been serious loss of population. Between 1991 and 2011 this region lost 2 million inhabitants, almost 10% of its population. Kosovo (under the UN Security Council resolution 1244/99) and Albania record high densities, 156 and 97 inhabitants/km² respectively, inherited from a high population growth. Elsewhere, in the mountains the region is sparsely populated. Montenegro records the lowest density with 45 inhabitants/km². In general population is concentrated in and around capital cities, in coastal plains and along the main rivers.

Wars have led to displacement of populations. In the period since 2001 there has been political stabilisation and a return to economic growth. Some people displaced by the wars have returned to their home areas. Bosnians in particular suffered from forced migrations. In general countries in the region have seen out-migration, declines

in fertility, and an aging population. Although Albania records the highest rates of natural increase in Europe, its population is thought to be still in decline: here as elsewhere in the region data may not be reliable because of boycotts of censuses by ethnic groups.

3.4 Mediterranean Neighbourhood

Europe's largest Neighbourhood, with 285 million inhabitants. The predictions are for very substantial demographic growth. In 2025 the number could be around 340 million, and 460 if the Arabian peninsula and Iraq are added. In contrast the EU population is expected to be relatively static. These differences indicate the scale of the opportunities – in markets and labour – that stronger integration with this Neighbourhood offers in the long term, if current political instability in some of the countries can be overcome.

Youthful and growing population in the Mediterranean Neighbourhood. This is sometimes described as the “demographic gift” phase, during which a country benefits from a large number of young adults who are available for their country's development without bearing the burdens on health and pensions spending that come with an aging population. However, there is clear evidence of a demographic transition in North Africa, which is moving countries towards a demographic future similar to that in Europe today.

Accelerating urbanisation in the Mediterranean. The region is already predominantly urban, but urbanisation is continuing and expected to reach 75% by 2025. Combined with the growth in population this implies that a very substantial amount of urban development is already taking place and will continue well into the future.

4 Trade and Energy

Key Messages

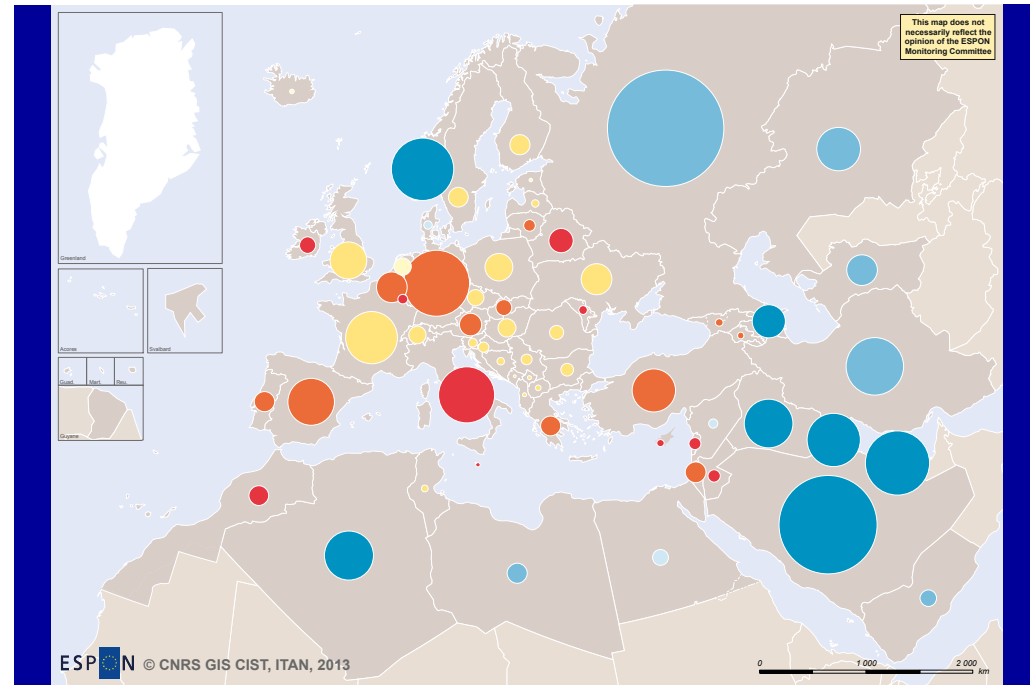
- Northern Neighbourhood is a resource rich region with high GDP per capita.
- Eastern Neighbourhood is energy rich and a major supplier of Europe's hydrocarbons and coal.
- South-Eastern Neighbourhood needs Foreign Direct Investment to deliver economic development.
- Mediterranean Neighbourhood offers significant opportunities for cooperation in the field of energy.

The Neighbourhoods are important markets for Europe. In terms of trade and market opportunities the Neighbourhoods represent 11% of Europe's potential growth market for the coming decade. Apart from the Western Balkans the Neighbourhoods have shown strong economic growth over the past decade.

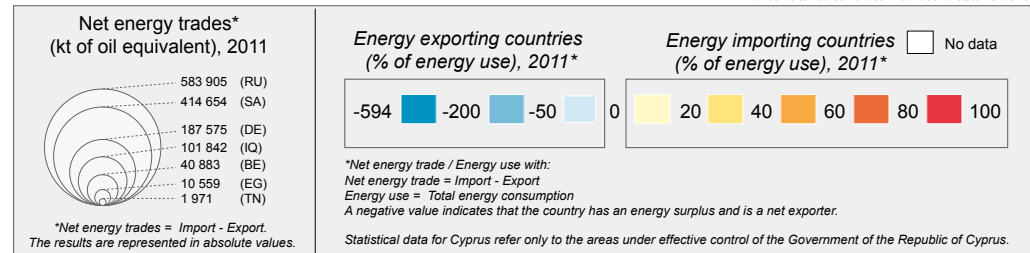
Europe's role in trade with its Neighbourhoods is declining. Europe accounts for a declining proportion of the exports and imports in all the Neighbourhoods. In the 1960's today's EU Member States were mainly surrounded by countries exporting mining and agricultural products and energy to some degree, whereas Europe exported products and services higher up the value chain. Today, the EU Member States are surrounded by countries mainly exporting energy, and a few countries with export profiles covering several sectors or a focus on the textile industry. However, the profiles of these few countries stand increasingly in direct competition to some sectors within the EU and to countries in other parts of the world.

Energy of major importance in trade with our Neighbours. Relations with the Neighbourhoods are crucial for Europe's energy strategy. EU energy

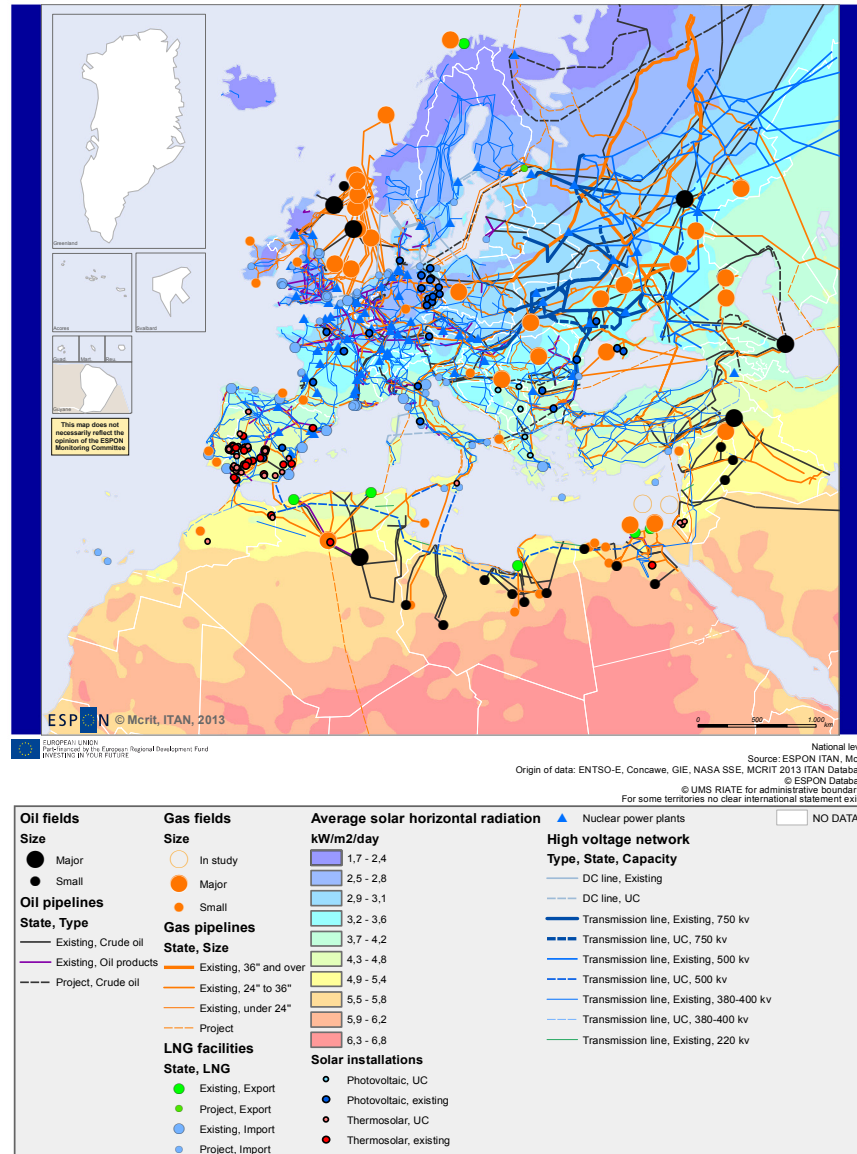
Map 4. Net energy trades, 2011



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Map 5. Energy networks, 2010



dependency will reach 65% by 2025, and 80% for gas. Cooperation is necessary for energy security. In addition, there needs to be a common approach to energy transition and reduction in greenhouse gas emissions.

Europe is largely surrounded by energy exporting countries, while with the exception for Norway all EU and EFTA countries need to import energy to keep their economy going as shown in Map 4. While Russia had the highest total energy export figures in Europe's Neighbourhoods in 2011, the countries of Algeria, Saudi Arabia, Iraq, Kuwait and the United Arab Emirates and Azerbaijan had the highest shares of energy export in relation to their own use.

Today, the European Neighbourhood countries producing energy or serving as transit countries are similarly dependent on the European consumer markets while a substantial rise of energy demand is expected in the Southern Neighbourhood in the coming decades.

The energy trade is also tightly linked to the energy networks. The main networks connecting Europe and its Neighbourhoods, and the main gas and oil fields as well as solar installations are displayed in Map 5. There is good network connection in the North Sea. Also east-west networks are well elaborated, while energy networks with the Southern Mediterranean are rare.

4.1 Northern Neighbourhood

Extractive industries + few people = high per capita GDP. GDP and GDP per capita are fairly high in the Russian parts of the Neighbourhood as is the share of the active population. The situation is slightly different in Greenland and the Faroe Islands, although this may change as the opportunities for greater oil, gas

and mineral exploitation open up on Greenland. Long term, however, there are questions to solve about the sustainability of the extractive industries.

Major natural resources in the North. The Northern Neighbourhood hosts large deposits of oil and gas, but also rare materials and timber. Particularly large oil and gas reserves can be found in the Barents Sea shelf. The Stockman gas field in the north-western part of the South Barents Basin is one of the world's largest natural gas fields. In the south-eastern part of the Barents Sea lies an oil field, the Timan-Pechora Basin. Pechora Basin has also large coal deposits.

Other regions with large deposits of oil and gas are Yamalo-Nenets Autonomous Okrug (accounts for more than 90% of Russia's natural gas production today) and Nenets Autonomous Okrug. Murmansk Oblast ranks high in terms of mineral reserves. The Kola Peninsula is rich in ore deposits, phosphorus, titanium, apatite, nickel, nepheline and other rare metals. Greenland has large reserves of rare materials, such as zinc, gold, diamonds, platinum, but also coal and iron ore.

4.2 Eastern Neighbourhood

Globally important trading partner in the East. For the EU Member States, Russia is the third main partner in goods trade worldwide. The main imports from the EU to Russia are manufactured goods, some services and agricultural products. Russia is primarily exporting oil and gas to the EU. It offers opportunities to EU companies to outsource their production to do labour intensive operations at lower costs.

Russian energy resources. Russia holds 32% of the world's proven natural gas reserves, 12% of the proven

oil reserves and 10% of explored coal reserves. It is an extremely important supplier of hydrocarbons and coal to Europe. Russian firms own one third of Estonia's and Latvia's and 37% of Lithuania's energy firms. In the Baltic States 100% of natural gas and almost all oil imports come from Russia. In addition there are hydrocarbon resources in Turkestan and Azerbaijan. Belarus has large deposits of potassium salt, non-ore materials and peat. The Donets Basin in Ukraine is an important coal mining area. The country is also rich in uranium, iron ore and nickel. The reserves of sulphur in Ukraine are considered to be the largest in the world.

The Black Sea: a strategic region for energy supply to Europe

The territory around the Black Sea is important for Europe's energy security. Russia is the main energy producer and uses energy as a tool of foreign policy. Though Russia's share in the external trade of its Neighbours is never more than one third of the total, its exports to them are of great strategic importance. Next to the actual provision of gas and oil, also the control of the gas pipelines and transit routes to Western European markets are a crucial issue which requires cooperation.

4.3 South-Eastern Neighbourhood

South-Eastern Neighbourhood displays low international openness. The South-Eastern neighbouring countries present different profiles of trade: size matters but also their geographical situation and their political status. Integration into the Central European Free Trade Area (CEFTA) is uneven, ranging from 10% for Albania to 48% for Montenegro, and between 21% and 32% for the other states. Serbia (not a member) contributes 10 times more than Albania to the intra-CEFTA trade.

Investment needs. Foreign Direct Investments (FDI) are of utmost importance for the South-Eastern Neighbourhood countries to develop their economies. The old regimes left few savings; wars have degraded infrastructures and industries; obsolete technologies needed to be updated. For the period 2008-2012, the average annual share of FDI inflows in GDP was from 3% in Bosnia and Herzegovina to 8% in Albania; Montenegro was far ahead with 20%. In Bulgaria which entered the EU in 2007, FDI inflows represented 31% of the GDP, up from 6% in 2000.

In Croatia, on the eve of its EU integration, the share of FDI in the GDP was 2.2%. Privatisations are the main driver of FDI and European countries are the main sources of FDI. Markets are small in this Neighbourhood, and the financial crisis had little impact here.

Energy networks are dated and not well connected. The South-Eastern Neighbourhood is not an energy provider but is situated at the crossroads of energy lines from Russian and Caspian fields to Europe. Overall the countries are less energy dependent than EU countries are.

4.4 Mediterranean Neighbourhood

Mediterranean Neighbourhood fuels Europe. This Neighbourhood supplies a third of the oil and a quarter of the gas used in Europe. It also provides transit for oil and gas into Europe. However, Europe is also the main market for the Mediterranean energy suppliers, taking 70% of North Africa's oil and 90% of its gas exports.

There are huge potential opportunities for European energy companies in these rapidly growing markets. It will require to make supplies and markets secure,

promote industrial and technological development by sharing the value chain, and to promote energy transition. Electricity grids need to be a major component of territorial development.

Morocco increasing competition and cooperation potentials

Only 15 km of water divides Gibraltar from Morocco, but the gap in GDP per capita is 7 to 1. The Moroccan economy has become increasingly open. A growing number of Spanish firms have settled in Northern Morocco since the mid-1990s, while more than 500.000 Moroccans moved to live in Spain between 1998 and 2008. There is also a growing competition in a number of sectors which are strategic for both shores, like tourism and logistics, sectors allowing for possible synergies in the future; and both shores of the Mediterranean share an important part of their cultural history and heritage.

Since 2000, the region of Tanger-Tétouan has become a priority for industrial and logistic development in Morocco, due to its proximity to Europe and location on the global shipping route between Asia and Europe. The Moroccan government is committed at creating a global logistic hub in the area supported by the establishment of large foreign and national industrial developments. Competition or cooperation of TangerMED with the port of Algeciras (traditionally the major Spanish hub for transshipment) will be a key factor in the development of international relationships between economic zones on both sides of the Gibraltar Strait.

Important to connect electricity grids. The Mediterranean electricity loop will interconnect the electricity grids of all the countries bordering the Mediterranean. At present there are only 3 interconnected zones – Europe/Turkey, Europe/Morocco/Algeria and Tunisia, and a south eastern one from Libya to Syria.

Diminishing European investments. Except for Turkey and Israel, countries in this Neighbourhood remain very far from the European investment average per capita, and investment rates have diminished since the Arab Spring. Turkey and Israel are economic drivers, but wars and unrest continue to hold back the economies of the Arab countries. As a proportion of GDP, investment in Mediterranean Neighbourhood countries remains lower than in India and much lower than in China; nevertheless, the amount has doubled during the 2000s.

5 Connectivity and Accessibility

Key Messages

- Northern Neighbourhood will benefit economically from the opening up of inter-continental transport routes as a consequence of global warming.
- Eastern Neighbourhood – the Baltic Sea Region could become a transport gateway to and from the EU, Russia and the Far East markets. However, infrastructure and border crossings need to be improved.
- South-Eastern Neighbourhood transport networks, especially roads, of regional and international importance are limited and need improvement to reach European speed and safety standards.
- Mediterranean Neighbourhood transport and electricity networks are incomplete but developing, and there are market opportunities.

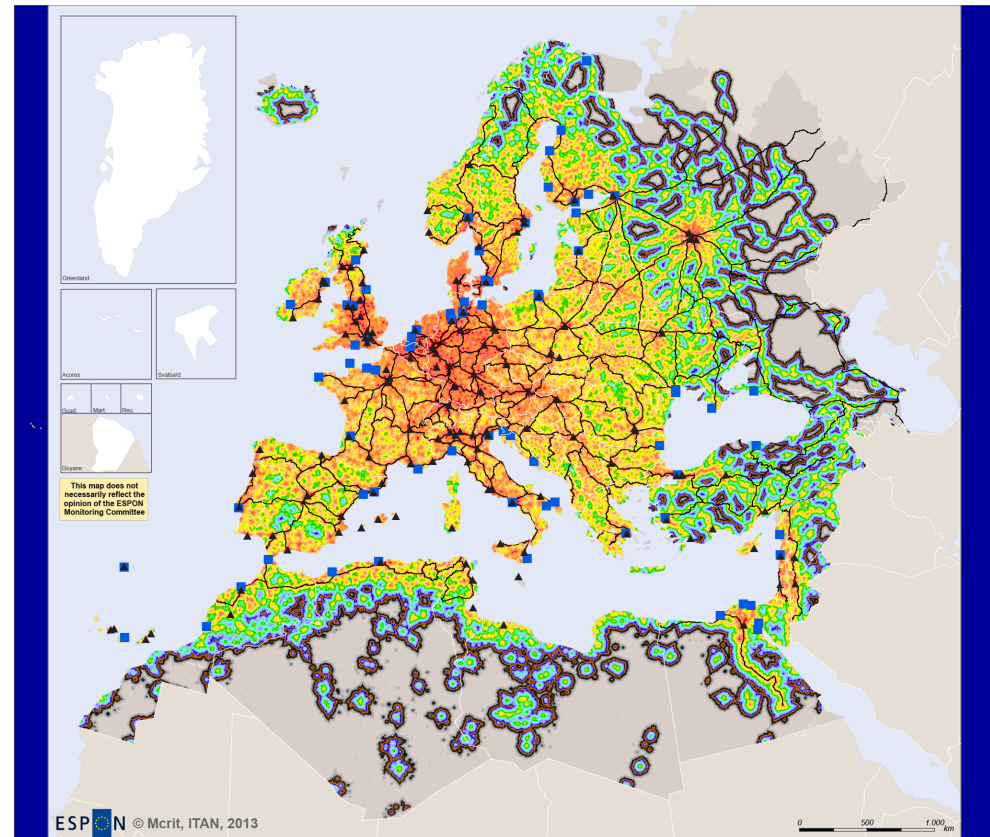
Transport links are key for integration of markets.

Increasing accessibility is one of the key challenges to be overcome if there is to be greater integration between Europe and its Neighbourhoods. It is not only the connections between Europe and its Neighbours that are poor: there are significant defects in the quality and efficiency of transport networks within each Neighbourhood. For example, changes in gauge on railways and customs delays prolong trip times.

Growth in Turkey, Russia, Ukraine and North Africa is expected to increase the demand for short-sea shipping. Road congestion is also expected to increase the competitiveness of shipping. However, the limited progress towards cross-border harmonisation remains a challenge identified by the industry.

At the same time, in large parts of the European Neighbourhood, connectivity to the main transport networks (road, rail and air) is rather limited. In the

Map 6. Territorial connectivity to road, rail and airports, 2010



ESPON © Mcrit, ITAN, 2013
 NATIONAL LEVEL
 Source: ESPON ITAN, Mcrit.
 Origin of data: ESRI, WP1-NGA, MCRT 2013 ITAN Database
 © ESPON Database
 © UMS RIATE for administrative boundaries
 For some territories no clear international statement exists

Legend

Connectivity (time in minutes)

0 - 10	101 - 110
11 - 20	111 - 120
21 - 30	121 - 130
31 - 40	131 - 140
41 - 50	141 - 150
51 - 60	151 - 160
61 - 70	161 - 180
71 - 80	> 180
81 - 90	NO DATA
91 - 100	

- Main railways
- ▲ Larger airports (over 2 million passengers/year)
- Larger sea ports (World Port index classification)

Raster cell information at 5x5km, complemented with national sources in the ESPON Space. In Neighbouring countries connectivity calculated according to ICON indicator (distance to closer airports, railway stations and roads weighted by their relative passenger traffic).

The connectivity map has been produced using an indicator of the accessing time from any point on the territory to the main transportation network. This indicator is called ICON which has been calculated within the ITAN project by measuring the time needed to get to the main transport network (main roads, railway stations and airports), using the relative passenger traffic as weight (high passenger traffic tends to imply better transport performance). Thus as a location is much nearer to a road, station or airport with high passenger counts, its connectivity measured in time is much better.

The ICON indicator is calculated for each one of the 5x5km cells of the grid with the main assumption that the territory has a constant travel speed where there is no network on the GIS.

Mediterranean Neighbourhood especially, only the areas very close to the main ports have good connectivity which can be seen in Map 6. The picture is somewhat different for Israel. In the Eastern and South-Eastern Neighbourhoods the overall connectivity is slightly better, albeit with a strong focus on larger urban areas.

5.1 Northern Neighbourhood

Low connectivity in the North. Long distances and physical barriers between communities, along with the harsh climate, make accessibility and communication difficult. The transport networks are much less dense than in the EU or even in the Nordic countries. There are no high speed rail links and few main railways.

No large airports exist, though Murmansk is a large sea port of strategic importance for Russia as a year-round ice-free port. There are also no motorways and a limited number of main roads. In Greenland the road system is very limited and local (a few hundred kilometres) and most travel between settlements is by plane, boat or dog sled. Air transport is very important. In the Arctic air routes mainly connect the peripheral areas with the largest urban centres, while accessibility of/to small settlements remains extremely limited. The low accessibility reduces market access and is an obstacle to achieving critical mass.

Future global trade corridors in the North. Global warming looks likely to open up globally significant transport corridors - the Northwest Passage and the Northeast Passage. When Arctic ice disappears the new shipping will reduce the maritime distances between the continents of Europe and Asia, providing strategic alternatives to other countries such as Japan. Human activity will increase as the region becomes more

accessible via maritime transport, commercial shipping, tourism and fisheries.

5.2 Eastern Neighbourhood

Density of the transport network is rather low in the East. This reflects the relatively low population density in Russia outside the metropolitan areas and big urban centres. Moscow and St. Petersburg are important hubs. The road network density is considerably higher in proximity to the EU border. The westernmost regions of Ukraine and Belarus are comparable to the Baltic States in terms of road network density.

Rail transport density is higher in the capital regions. Ukraine stands out amongst the Eastern Neighbourhood countries in terms of the high density of its rail network. In Russia, the most important railway junctions are Moscow Oblast and Kursk Oblast. The latter lies in the south-west of European Russia and borders Ukraine. In general, rail transport is fairly developed in the central and southern regions of European Russia, where the population density is higher. The accessibility of the northern regions of the Eastern Neighbourhood by rail transport is rather poor.

The quality and efficiency of transport infrastructure (both north-south and east-west) hinders regional integration within the Baltic Sea Region. The Baltic Sea Region has great potential as a transport gateway to and from the EU, Russia and the Far East markets. Maritime transport has great potential to increase in future. However, connectivity problems include fragmented motorway sections and a lack of electrified double-track railway lines, which restrict mobility of goods and persons. In addition, institutional obstacles at the border crossings impede integration of Northwest Russia and

Belarus with their EU Neighbours. Visa-free movement between Kaliningrad and the EU would strengthen economic and cultural exchange in the region, but has been discussed for a long time without resolution.

5.3 South-Eastern Neighbourhood

Need for transport investments. Transport networks, especially roads, of regional and international importance are limited and need improvement to reach European speed and safety standards. High speed road networks do not connect across borders (between Serbia and Bulgaria, Serbia and the former Yugoslav Republic of Macedonia) or are simply non-existent (see Map 7). There is no motorway in Bosnia and Herzegovina, Montenegro or Albania. With the increase in road traffic and controls at EU borders, congestion often arises at checkpoints.

Countries are not well connected by rail. The railway network in the Neighbourhood has both a low density and a lack of hierarchy. Maintaining the network and the rehabilitation of railway lines after the wars – the destruction of the rail network is estimated to be 80% in Bosnia and Herzegovina – needs subsidies, but countries focus investment on road networks. Zagreb and Belgrade are the main nodes.

The inland waterway connection Rhine-Danube remains in the new European transport priority as a major axis. The river flows through the cities of Novi Sad, Belgrade and Pančevo in Serbia.

Poor air connectivity. Only Zagreb and Belgrade have airports with traffic over 2 million passengers per year. Main sea ports are situated in Croatia (Rijeka and Split).

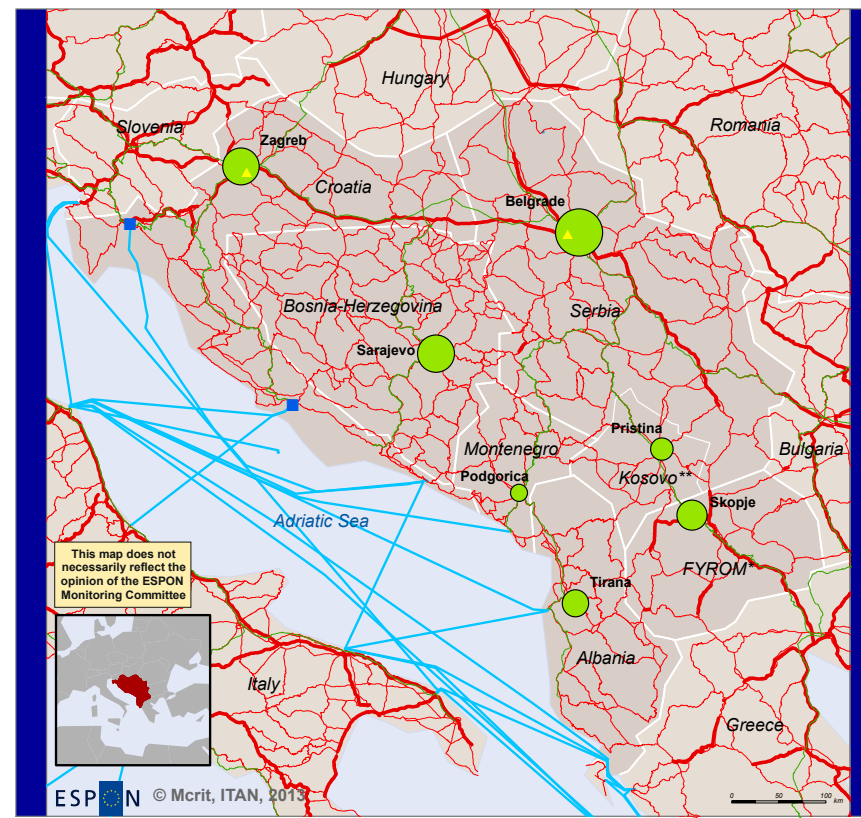
5.4 Mediterranean Neighbourhood

Connections and borders in the Western Balkans

Since 1989 and the dismantling of the Socialist Federal Yugoslav Republic, the Western Balkans countries have created international borders, both within the Neighbourhood and externally. The external border controls with EU countries have been strengthened by the EU following the 2004 and 2007 Enlargements and the development of the Schengen area. The visa regime and controlled circulation led to a perception of borders as barriers rather than contact points. For Bosnia and Herzegovina, Kosovo (under the UN Security Council resolution 1244/99) and Montenegro, access to the EU requires crossing through another country.

The EU's TEN-T core network Orient-East Med is expected to join the ports of Athens-Piraeus and Thessaloniki (Greece) on the Mediterranean shore, and the port of Burgas on the Black Sea (Bulgaria) to Budapest among others via Sofia, Craiova and Timisoara. Cities in the South-Eastern Neighbourhood such as Skopje and Niš were nodes on the historical route from the Mediterranean Sea to Central Europe, but now will be bypassed. This is likely to create a serious loss of traffic and economic development opportunities.

Map 7. Transport networks in the Western Balkans, 2010



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National level
 Source: ESPON ITAN, Mcrit.
 Origin of data: ESRI, WPI-NGA, MCRIT 2013 ITAN Database
 © ESPON Database
 © UMS RIATE for administrative boundaries

- ▲ Larger airports (over 2 million passengers/year)
- Larger sea ports (World Port Index classification)
- High speed rail
- Main railways
- Motorways
- Main roads
- Main ferries lines

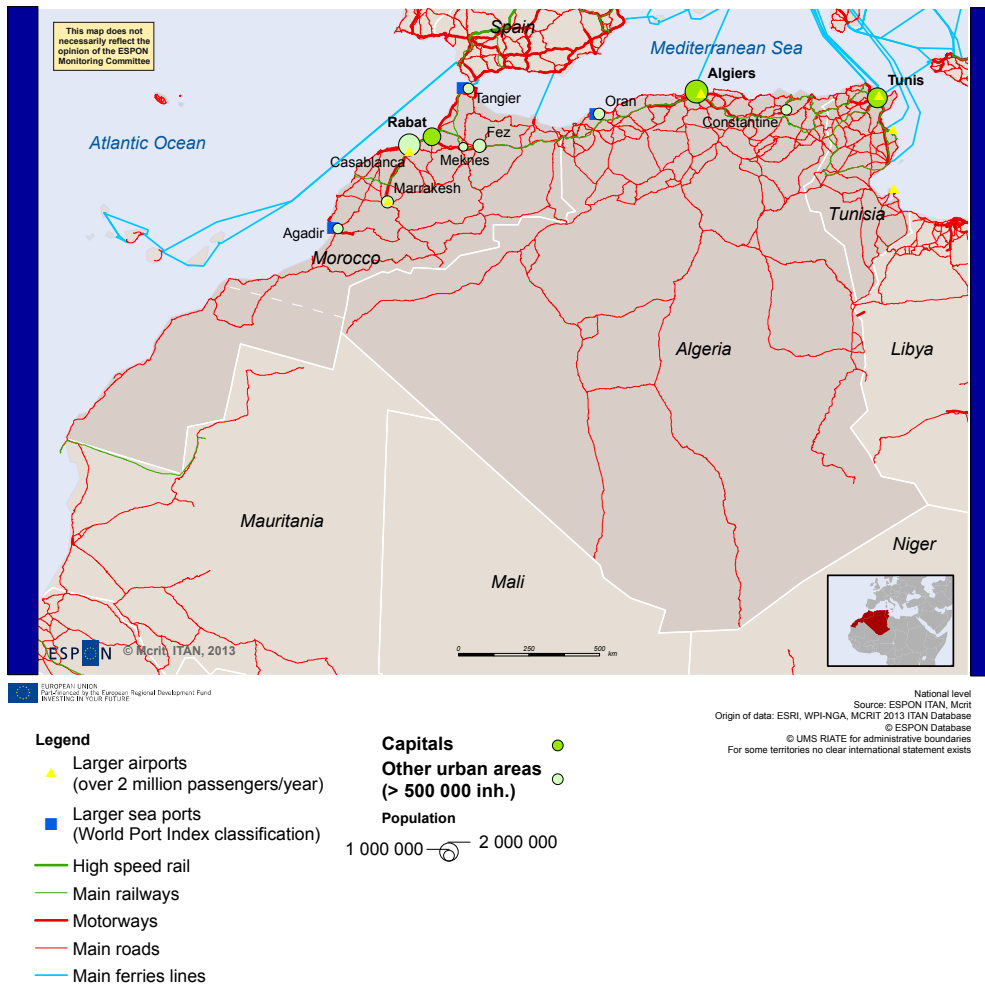
Capitals ●

Population

1 000 000
 500 000
 100 000

(*) The former Yugoslav Republic of Macedonia
 (**) Kosovo under UNSCR 1244/99

Map 8. Transport and city networks in Maghreb, 2010



Incomplete transport networks. Progress is being made, but, for example, the Maghreb coastal motorway still lacks a connection between Morocco and Algeria, and railways are limited and again fragmented as displayed in Map 8. The picture is better in Turkey where bridges link Asia and Europe, and inner Anatolia has a transport network that connects cities and links to Istanbul.

Telecommunications important for development. There are major opportunities in telecommunications markets. 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. Countries are quite well equipped when it comes to mobile phones, but internet use is less developed. The lack of fixed telephone main lines could hamper the rise of the internet and e-services, though the proportion of broadband subscribers is booming in Jordan and Turkey.

Euromed Transport Forum has 17 priority infrastructure projects. These are intermodal and emphasise ports and rail projects, rather than road projects, with international connections. The “Motorways of the Sea” concept supports pilot projects and information exchange to upgrade ports and logistics facilities. The most advanced projects are Morocco-Port Vendres, Algeria-Barcelona and Marseilles, Tunisia-Marseilles and Genoa, and Israel-Trieste.

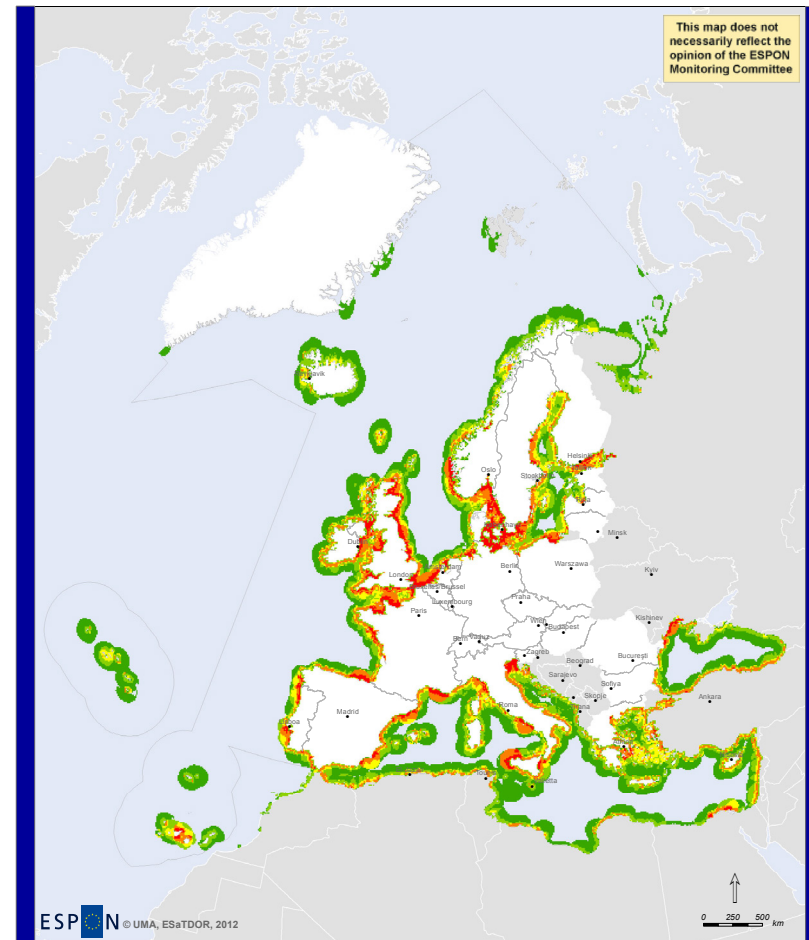
Key Messages

- Northern Neighbourhood – The threats to the Arctic from climate change are of global ecological significance.
- Eastern Neighbourhood has many environmental challenges, notably in terms of water quality and the legacy of industrial and agricultural pollution.
- South-Eastern Neighbourhood – Progress towards EU environmental standards is slow but the need for cross-border cooperation on environmental matters is now recognised.
- Mediterranean Neighbourhood – Climate change and demographic growth make water shortages both a major threat and a potential area for EU cooperation.

Variety of environmental and climate change challenges. The diverse Neighbourhoods face very different environmental threats and climate change impacts. In the Mediterranean the most pressing issue is water. In the North the concern is with ice melting. There are also threats from earthquakes in some parts of the Neighbourhood.

Many of the environmental challenges of joint concern for Europe and its Neighbourhood are linked to the shared sea basins and concern in particular coastal areas. Where the environmental pressure is particularly high is shown in Map 9. Often this can only be addressed in cooperation with stakeholders whose territories adjoin the sea basins. The major ports are focal points also for invasive species. In some coastal areas land based organic and inorganic pollution associated with farming and industrial activity is intense. Taken together these environmental pressures are most concentrated around the Atlantic, North Sea and Baltic coastlines while other hotspots are evident along the northern shores of the Mediterranean and in the Black Sea.

Map 9. Environmental pressures in coastal and maritime regions



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 EUROPEAN UNION Part-financed by the European Regional Development Fund INVESTING IN YOUR FUTURE
 Regional level: NUTS2
 Thematic data: Environmental Pressures Composite Map.
 Land boundaries: © EuroGeographics Association and ESRI.
 Sea boundaries: OSPAR Convention, EU Integrated Maritime Policy and EEZ.
 © ESPON Database

Environmental pressures in coastal and maritime regions (composite map)

- Very Low
- Low
- Medium
- High
- Very High

This map is based on three data sets: incidence of invasive species (2004-2005), organic pollution (pesticides, 1992-2001) and inorganic pollution (fertilisers, 1993-2002).

6.1 Northern Neighbourhood

Major environmental threat from a multitude of forces in the Arctic. These include climate change, pollution, industrial fishing, nuclear waste and oil spills as a result of petroleum activity or from pipelines that are poorly-maintained. Many Arctic species are found nowhere else; thus the threat to bio-diversity globally is serious.

Profound climate change effects on flora, fauna and people. Current global warming trends suggest that the Arctic region will warm more rapidly than the global mean, and that mean warming over land will be larger than over the ocean. The melting of the Arctic ice cap has severe impacts on ice-dependent flora and fauna, but also will produce significant changes in annual light, which in turn will have major consequences for polar ecosystems. Invasive species will further disrupt ecosystems. The loss of permafrost and migration of animals and fish will also have negative impacts on the indigenous populations whose cultures are linked with them.

Changes in forests are likely to impact on the water cycle. Forests are a significant part of the land cover in northern Russia. Changes could have knock-on environmental effects on forests across the Neighbourhood, potentially concerning rain and ground water levels, in turn affecting run-off into rivers, streams and reservoirs.

6.2 Eastern Neighbourhood

A number of common environmental challenges in the East. The legacy of the Chernobyl nuclear accident in 1986 remains a problem in Ukraine, Belarus, Moldova and the Bryansk Oblast of Russia. Environmental problems linked to Soviet industrial production systems

more generally include obsolete pesticides (often stored under unsustainable conditions), industrial waste and mining practices. The finance and infrastructure to manage radio-active and toxic waste is not available in some countries. The post-Soviet period has also added to high levels of industrial pollution.

Water quality issues particularly severe in the Volga Basin. The quality of the water environment is adversely affected by deficiencies in sewerage systems and wastewater treatment plants, as well as industrial discharges, agricultural pollution and soil erosion. Water quality problems are particularly severe in the Volga Basin in Russia, because of overuse, untreated sewage and heavy industry. In turn this has negative effects on the Caspian Sea, for which the Volga provides 85% of the freshwater. Pollutants have also accumulated in the Black Sea and the Sea of Azov.

Serious land degradation and desertification. The lower Volga has been degraded, and wind erosion has also affected arid parts of the North Caucasus. Soil erosion is increasing by almost 1% a year in Moldova.

This Neighbourhood has some 30% of the world's forest reserves. This is a vital resource for the mitigation of climate change. However, illegal logging is reducing the forests, and logging is likely to increase as domestic and international demand for timber products grow.

So far, climate change has mainly impacted on agriculture, water and forests. Moldova is particularly threatened as its economy is heavily reliant on agriculture. Belarus suffered a drought in 2007 that had a US\$ 1 billion impact on the economy. In Ukraine the most damaging environmental disasters have been heavy rainstorms that create mudslides and flooding.

Green growth potential in the Baltic Sea Region

When it comes to green growth, most of the experience and expertise is held by the EU countries in the Baltic Sea Region. However, the north-west region of the Russian Federation has also identified environmental protection as a key field for cooperation with the EU. The main problems on the Russian side are water and air pollution, lack of environmental infrastructure, waste management, poor regulation and low environmental awareness.

The EU has aided the development of a sewage treatment plant in Kaliningrad Oblast, and other actions are planned to improve the quality of the Baltic Sea. There is also cooperation on sustainable tourism including organic food, sustainable transport and eco-labelling.

6.3 South-Eastern Neighbourhood

Progress towards EU environmental norms is slow. National strategies and policies are still to be worked on, and no countries in this Neighbourhood have currently a regulatory framework for climate change. Where regulations have been enacted, as in Serbia in line with the Water Framework Directive and the Birds and Habitats directives, implementation has been slow because of a lack of administrative capacity. Lack of data on environmental matters is a fundamental weakness.

Waste management and water quality require action. Per capita levels of municipal waste have been increasing sharply in Montenegro and Albania (though they have been reduced in Serbia). Municipal waste collection is not universal. Landfill, illegal dumping and discharges remain the main means of waste disposal. Water supply

systems suffer in consequence, and often treatment plants are obsolete and/or inefficient. In Kosovo (under the UN Security Council resolution 1244/99) less than a third of the population has access to a sewer system; in Serbia 84% are not served by a water treatment plant.

Floods have been a frequent problem over the past decade. The river systems create strong inter-dependencies between countries in this Neighbourhood. There have also been heat waves and droughts. The need for cross-border cooperation on these natural hazards is now recognised by the countries in the Neighbourhood.

6.4 Mediterranean Neighbourhood

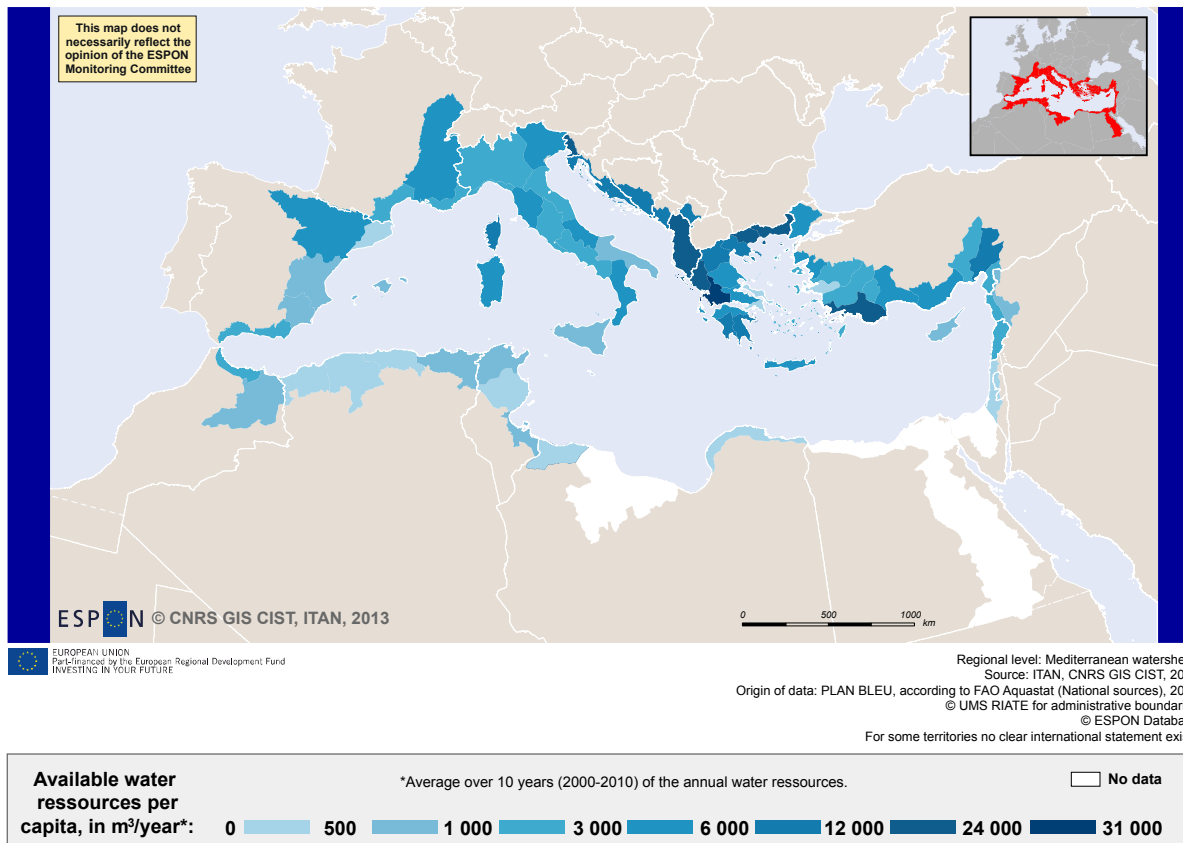
Water is both a major threat and a potential area for EU cooperation. Climate change and growing populations are likely to reduce the amount of water per capita in this Neighbourhood. Egypt which once had a water surplus is now facing a deficit and there are disputes with countries upstream on the Nile, yet there is still high wastage of water.

The Mediterranean is likely to be one of the parts of the world hardest hit by climate change. Yet there are already 35 million people in this Neighbourhood without access to sanitation and 20 million without fresh water. The impact of water shortages on agriculture is expected to create food stress. The water resources available per capita in the Mediterranean are visible in Map 10. It illustrates the difficult situation of the Mediterranean Neighbourhood and also for some Mediterranean regions in Europe. These challenges and potentials can sensibly only be addressed in cooperation.

Current solutions to the growing water crisis are not sustainable. Tunisia is one of the more efficient Arab countries in water and sewage management. However, it is taking water from non-rechargeable groundwater sources; lacks know-how on governance and technical delivery of water; and needs to invest to modernise its water and sanitation systems.

Earthquakes and tsunamis pose a threat. As the earthquake belt does not follow national boundaries or even EU/Neighbourhood borders, there is scope for cooperation in this Neighbourhood. This could cover a common alert system, shared expertise and post-disaster reconstruction.

Map 10. Water resources per capita in the Mediterranean watersheds, 2000-2010



7 Can cooperation build a more sustainable future for Europe and its Neighbours?

Europe's Neighbourhoods are very diverse. Some issues that stand out are the strong economic development in large parts of the Neighbourhoods as well as the youthful demographic structure in the Mediterranean and the access to energy resources in parts of the Neighbourhood. Furthermore, Europe shares various sea basins with its Neighbours which offer important transport connections for increasing economic development, trade and cooperation, and which bring shared environmental challenges.

Thus there is a wide range of fields for increased cooperation to the benefit of both Europe and the Neighbours. However, there are also a number of caveats to be considered.

Political instabilities and risks

Different value bases. Some of the countries in the Neighbourhood are volatile and do not share the democratic values of the EU. At the time of writing, to cite a few examples, the bloody civil war in Syria has lasted over two years; Crimea has been "reclaimed" by Russia, following the ousting of Ukraine's elected president by an uprising; and the chronic tensions between Israel and the occupied Palestinian territory continue to threaten stability in the region. There are contested territories and borders shift.

The treatment of minorities is a threat to sustainable development. To be sustainable, development must also be socially inclusive. Across the Neighbourhood there are multiple minorities, whose historic and/or ethnic alignment is not necessarily with the state in which they reside. The evidence in this Territorial Observation demonstrates how long-lasting and damaging the wars of the 1990s were for the economic development and environment of the South-Eastern Neighbourhood.

Climate change and resource shortages could increase tensions. Water shortages across North Africa and the Mediterranean could destabilise international relations, especially in river systems that cross national borders. Energy security is already a concern for the EU. The melting of the ice in the resource-rich Northern Neighbourhood is likely to see different countries contesting mineral rights.

7.1 The alternative path to development: territorial cohesion

Territorial cohesion as stimulus for cooperation. The EU's support for territorial cohesion provides a positive way to approach development in potentially turbulent Neighbourhoods. Territorial cohesion recognises the territorial dimension to development and the need for development to be balanced and sustainable. Seeking territorial cohesion means moving towards better balance between regions while making use of the diversity.

Territorial cohesion does not imply that everywhere becomes the same, rather that people's life chances are not predetermined by where they live, and that there is access to essential services. It is a precondition for harmony between peoples and between territories. It includes a relation with our environment, and can protect against market failures.

Europe's relations with its Neighbourhood is less cohesive than that in other global regions. The East Asian "Tigers" (or "Dragons"), Hong Kong, Singapore, Taiwan and South Korea, have dramatically narrowed the economic gap with Japan. China is on the same dynamic trajectory, and other developing countries in the region are also converging. In the Americas, Brazil has emerged as part of the BRICS countries (along with

Russia, India, China and South Africa), whose strong growth is rebalancing the global economic geography away from the dominance of the G7. The development gap between other Latin American countries and the USA remains wide, but is less than that between the countries of the Mediterranean Neighbourhood (apart from Turkey and Israel) and the EU.

Non-inclusive growth undermines development within the Neighbourhoods. Internal disparities are wide in Turkey, for example, and consequently internal migration and international migration is strong. In Tunisia there are strong discontinuities between the coastal areas and the inland regions. Even in Russia, the urban-rural gap is very wide. Market fragmentation can be a consequence of territorial imbalances, creating small markets that struggle to generate the scale of economic investment needed to deliver growth. It characterises for example the Mediterranean Neighbourhood.

Territorial capital is unevenly distributed across and within the Neighbourhoods. Of course different regions have different assets, such as capital, natural resources, transport connections or skilled labour and an effective system of governance. This Territorial Observation has noted some of these differences. Regions need to play to their strengths to achieve territorial development and smart specialisation. It means analysing their assets and building partnerships both between the public sector, the private sector, universities and civil society organisations and across borders with other regions and cities exploring complementarities and building higher critical mass.

The mobilisation of territorial assets creates development dynamics. One way to gain insights into territorial dynamics is to look at the relation between

annual demographic growth and annual change in GDP for a territory. This reveals a mixed picture across the Neighbourhoods. Parts of the Mediterranean Neighbourhood show up as having both above average population growth but also above average economic growth. In contrast, many regions in the South-Eastern Neighbourhood show as below average on both. Much of the Eastern Neighbourhood is some combination between these.

7.2 Territorial cooperation as a route towards a viable future

Throughout this Territorial Observation a wide range of different fields for cooperation between Europe and its Neighbourhoods have been pointed at. Some of the main points are:

- **Linking infrastructure, regions and cities.** Plans to expand the Trans-European Networks to the European Neighbourhood area can contribute to reduced travel costs and more efficient movement of goods. Investments could help to build stronger economies in the European Neighbourhoods. This would support development potentials in regions and cities and could also lead to a shift in accessibility patterns across Europe, e.g. with the emergence of new potential locations of transport hubs and logistics centres in peripheral regions along the current outer border of the European Union.
- **Reducing administrative barriers for cross-border transport.** Not least in the Western Balkans, these investments in transport infrastructure should be accompanied by efforts to reduce administrative barriers to cross-border and transnational flows.

This could help to build stronger economies in the European Neighbourhoods. Overall, a reduction of travel costs and barriers have a positive impact on economic flows, markets and integration. Thus there is potential to increase territorial cohesion both within the EU and between the EU and its Neighbourhood.

- **Strengthening efficient port systems.** Maritime hubs may be of particular importance in this respect. Europe has strong sea transport links with the Neighbourhood. While seas can be barriers separating the Neighbourhood and Europe, through shipping they are also important channels for trade flows. Ports are important territorial infrastructures for exports and imports between Europe and its Neighbourhood. The ports around the Mediterranean, Black and Barents Seas all show up strongly. There are some synergies here, with all parties benefiting from an efficient port system. However there is also some competition between Neighbourhood ports and ports in the EU, and port developments need from the outset to be conceptualised as environmentally sustainable.
- **Strengthening trade relations.** No action does not mean no change. Europe's relationship with Russia is dynamic and multi-faceted, but also crucial for the development of the Northern, Eastern and South-Eastern Neighbourhoods. Europe's share of trade with countries in the Mediterranean Neighbourhood is in long-term decline (see Figure 4). Previous Euro-Mediterranean policy has not achieved its goals. Europe needs to be proactive in developing its relations with its Neighbours – or risks falling

behind as growth partnerships are forged in the Middle East, East Asia, the Americas and sub-Saharan Africa.

- **Securing energy resources and networks.** There is particular scope to work with countries in the Mediterranean Neighbourhood so as to rebalance Europe's energy supplies but also assist the energy transition. There are already important oil and gas flows across the Mediterranean into Europe. However, North Africa also has huge potential for solar energy. To achieve the potential will require technology, investment and security. The benefits of cooperation and integration in the energy field are great.

Hydro-carbon discoveries off Cyprus and Greece open new possibilities for upstream development: cooperation with Israel and maybe Lebanon is being considered. An undersea energy grid connecting Greece, Cyprus and Israel is also a possibility. Also in North Africa, oil and gas exploration and development is proceeding. Europe's relations with its North African Neighbourhood are of vital importance for developing the pipeline networks that ensure Europe's access to various energy markets. The security of the energy infrastructure is crucial to successful partnerships. In turn European energy policy, including targets for renewables, will impact on people and governments on the south side of the Mediterranean.

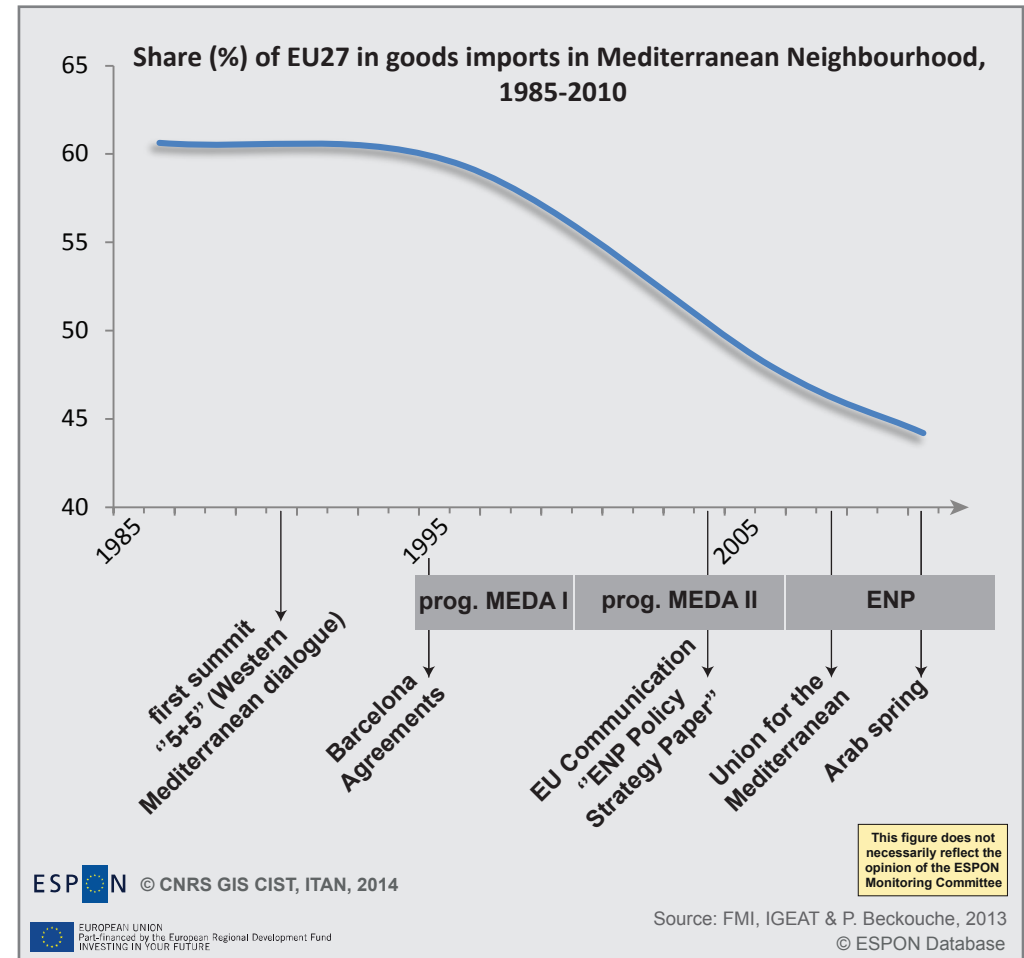
- **Meeting environmental and climate change challenges.** These challenges cannot be approached independently. Prominent examples are the pollution of the Baltic Sea but also the Mediterranean. Climate change seems likely to

7 Can cooperation build a more sustainable future for Europe and its Neighbours?

severely affect the Southern Neighbourhood. Strong increases in temperatures are anticipated across the Mediterranean region, along with sharp decreases in precipitation. This has serious implications for both the EU Member States and the countries in this part of the Neighbourhood. Climate change, and in particular future access to water, is likely to become an increasingly important shared concern.

- **Managing the marine and coastal environment.** The shared seas and maritime environments compel closer working between the EU and Neighbourhood countries. While each maritime area is unique, ecologically, economically and in terms of governance, the seas around Europe all pose significant common challenges, while also offering economic opportunities. In every case there will be a need for transnational agreements and common actions if these vital resources are to be managed effectively.
- **Approaching “Blue Growth”.** The seas that both link and divide countries can be a focus for “blue growth”, but this requires expertise and cooperation. The active involvement of Russia is crucial to successful management of the Baltic Sea as a special ecosystem, but it can also bring economic benefits. St. Petersburg is Russia’s main port, while Kaliningrad is important to Russia because it is free of ice all year, but physically separated from the rest of the Russian territory.

Figure 4. Cooperation versus real regional integration





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The ESPON 2013 Programme is part-financed by the European Regional Development Fund, the EU Member States and the Partner States Iceland, Liechtenstein, Norway and Switzerland. It shall support policy development in relation to the aim of territorial cohesion and a harmonious development of the European territory.

ESPON shall support Cohesion Policy development with European-wide comparable information, evidence, analyses and scenarios on framework conditions for the development of regions, cities and larger territories. In doing so, it shall facilitate the mobilisation of territorial capital and development opportunities, contributing to improving European

competitiveness, to the widening and deepening of European territorial cooperation and to a sustainable and balanced development.

The Managing Authority responsible for the ESPON 2013 Programme is the Ministry of Sustainable Development and Infrastructures of Luxembourg.

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