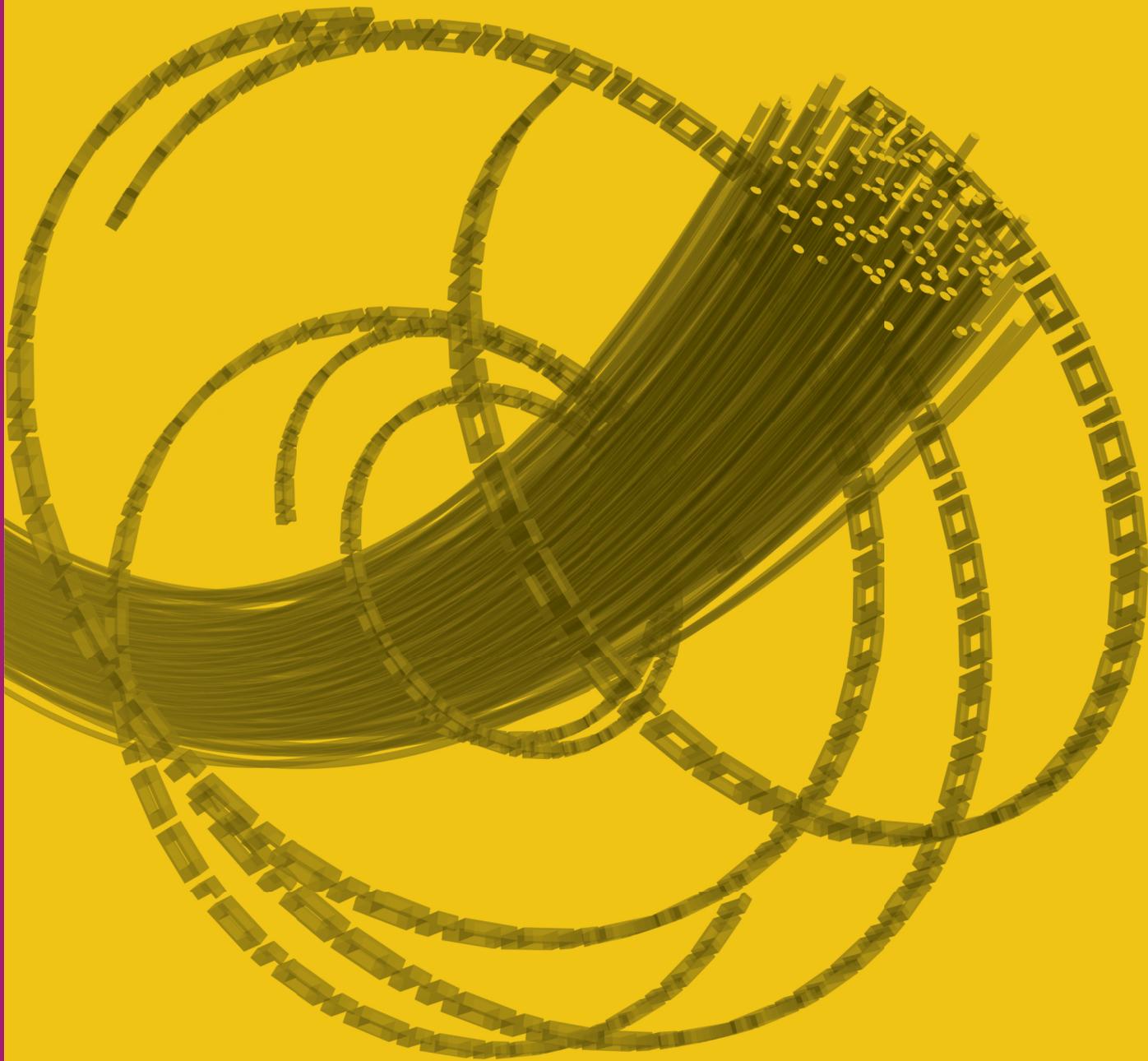


SWOT 2

Analysis and Planning for Cross-border Co-operation in Northern Europe



ISIG Institute of
International
Sociology
Gorizia



Swot Analysis and Planning for Cross-Border Co-operation in Northern Europe

Prepared by

Institute of International Sociology of Gorizia (ISIG)

for the

Council of Europe



SERIES

1. Swot Analysis and Planning for Cross-border Co-operation in Central European Countries
2. Swot Analysis and Planning for Cross-border Co-operation in Northern Europe
3. Swot Analysis and Planning for Cross-border Co-operation in South Eastern Europe

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Foreword

This study has been prepared by ISIG - Istituto di Sociologia Internazionale di Gorizia (Institute of International Sociology of Gorizia), Italy at the request of the Council of Europe. Its purpose is to provide a scientific assessment of the state of cross-border co-operation between European states in the geographical area of Northern Europe. It applies the so-called SWOT methodology according to the specific parameters developed by ISIG to assess the extent and depth of cross-border co-operation thus giving both a quantitative and qualitative appraisal. This is followed by the identification of the most appropriate “strategy” recommended in order to achieve the best possible cross-border co-operation (removing obstacles, skipping threats, exploiting opportunities, healing weaknesses).

The interest of the Council of Europe for transfrontier co-operation dates back to the 1980’s with the adoption of the European Outline Convention on Transfrontier Co-operation between Territorial Authorities or Communities (Madrid Convention). In the subsequent years, the Council of Europe, through its intergovernmental committees – the European Committee on Local and Regional Democracy (CDLR) and the Committee of Experts on Transfrontier Co-operation (LR-TC) – and various assistance and capacity building activities has actively promoted the adoption of the most suitable measures and policies to encourage and facilitate cross-border co-operation between local and regional authorities.

A first SWOT analysis of cross-border co-operation between South-eastern European states was published in 2005, in the framework of the Stability Pact for South-Eastern Europe. (An updated version is being prepared and will be published shortly in this series.) It was made possible by a voluntary contribution from Belgium.

Subsequently, it was felt appropriate that a similar study of cross-border co-operation between Central European states be prepared and further on another study of cross-border co-operation between Northern European states was launched, also at the request of the Council of Europe. This latter study has benefitted from a financial contribution of Lithuania.

This report is based on data collated in 2007-2008 and analysed in 2009. Prior to its publication, it has been circulated among the members of the CDLR for comments and revised in the light of the remarks made. However, the report has not been approved or validated by any Council of Europe intergovernmental body. Its contents and opinions therefore are those of its authors and not those of the Council of Europe.

In releasing this report, the Council of Europe wishes to put at the disposal of its member states an additional tool for assessing the state of cross-border co-operation between themselves and thus taking the appropriate policy measures in order to achieve the goal of a “ever closer union” between them that the Statute of the Council of Europe, to which they have subscribed, advocates (Article 1).

Swot Analysis and Planning for Cross-Border Co-operation in Northern Europe¹

¹ The relationships between Poland and Belarus and Poland and Ukraine are examined in another SWOT analysis entitled “SWOT Analysis and Planning for Cross-Border Co-operation in Central European Countries”.

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Part I

1. Introduction

SWOT analysis was born in the strategic planning offices established by enterprises to take a rational view of market reality, bringing together the elements that make it analytically functional and identifying the most appropriate ways of limiting the effects of negative elements and maximising the potential effects of positive ones. In the case in hand, SWOT analysis is of vital importance because it produces sets of heuristically relevant indicators from cross-border cooperation processes. The elements of the up-to-date analytical scenario thus developed can be modified so as to positively influence future scenarios. Cross-border cooperation is bound to benefit from careful strategic planning and from practical actions organised by a Euroregion body set up in the cross-border context.

The main purpose of SWOT analysis is therefore to determine in rational terms a cross-border area's future prospects, situated between an operational present (*current scenario*) and a future predominantly marked by cross-border cooperation fostering local development (*latent scenario*) (Gasparini 1988). The SWOT method involves analysing both what occurs and, above all, how we want it to occur, between time t_0 and time t_1 .

This being the case, cooperation might well result from the ideology of empathic and expressive action, which commonly leads to higher expectations of a common relational and networking effort. However true this may be (*ideological matrix*), SWOT analysis, action and strategies within the Euroregion all in fact challenge the ideology itself by assessing the capability to bring about an ontological transformation of values and culture in practical terms. In any case, this would not be possible without a mixture of concrete action and ideological drive in order to reach, on either side of the border, the shared targets of the two cooperating regions.

Furthermore, SWOT analysis “unmasks” ideological interpretations of cross-border cooperation, given that it is based on a very concrete system of indicators: it can identify the tangible processes whereby a particular cooperation is implemented and, above all, provide reliable links between indicators and forecasts.

2. Cross-border cooperation: theoretical elements and internal/external functional aspects

Cross-border cooperation is the active outcome of the proximity of cultural diversity, that is to say it stems from the differences between distinct sovereign areas. While these divergences are usually reflected in legal, administrative and economic regulations or in the cultural and linguistic reconstruction plans of those nation-states that favour the strengthening of stereotypes in relational policies, here such factors are instead exploited with creativity, which in turn thrives on diversity itself, offering new opportunities for establishing relations and benefiting from advantages that would not exist if there were no differences between the sovereign areas.

Therefore, on either side of the border, the two sovereign areas have to partially sacrifice their autonomy and act pragmatically as regards concrete everyday economic, social or cultural issues (see Gasparini 1996). In these cross-border regions, sovereignty concerns central national issues or national politics alone, while, in regional matters, the sense of sovereignty has been lost (it is no longer possible to say “yes or no”, “all or nothing”, with respect to this or that region).

The cross-border area thereby becomes a transition area as the territory takes on a new meaning (Badie 1996), differing from that of the national system, with the result that national regulations are worth less than elsewhere in the country. Moreover, the transition is continuous, since it is based on a balance between the actions of the border population and the administrative, institutional and economic regulations, which must themselves be constantly adjusted in the light of this precarious equilibrium, made unstable by the passage of time and by changes taking place within the countries to which the two cooperating regions belong.

Cross-border cooperation is thus caught up in a perpetual instability, due to local internal factors which are constantly evolving and, remarkably, offer advantages that would not be possible without cooperation. Such cooperation has to contend with endless challenges from the countries involved (which, as legal systems, fear impending self-determination or that national borders will be redrawn as regional ones, etc.); these challenges test the border population’s will for cooperation and may well engender frustration.

Having thus defined cross-border cooperation, we can better understand its importance by distinguishing between its endogenous and exogenous dimensions (within and without the cross-border area), evaluating above all those which extend beyond the regions involved, finding their *raison d’être* in the two or three nations themselves, in their internal and bilateral policies.

Dimensions with operational implications:

1. Propensity for cross-border cooperation
2. Level of training and coordination
3. Cross-border relations in each activity sector
4. Institutional obstacles to cross-border cooperation
5. Economic obstacles to cross-border cooperation
6. Socio-cultural obstacles to cross-border cooperation
7. Institutional factors for effective cross-border cooperation
8. Administrative factors for effective cross-border cooperation
9. Economic factors for effective cross-border cooperation
10. Linguistic, cultural and historical factors for effective cross-border cooperation

2.1. *Internal dimensions and indicators*

The first endogenous (*internal*) dimensions concern the existence of a basic form of collaboration, based on products derived from *the active collaboration found in a civil society*: such collaboration is of great importance and is considered essential, as it produces results otherwise impossible to obtain. As far as this study is concerned, there are two such dimensions:

1. *Propensity for cross-border cooperation*. This is defined by indicators which refer to operators in industry (1), commerce (2), culture (3), and the institutional sector (4). In short, a high propensity for cross-border cooperation in all four types of operator means that there are realistic opportunities for developing stable cooperation.

3. *Cross-border relations in each activity sector*

These are expressed by the indicators of relations at the levels of institutions (9), planning and the environment (10), transport and telecommunications (11), work and the economy (12), tourism (13), culture and education (14), and everyday services (15). The indicators specify the links between civil societies on either side of the border. This represents the structural (but local) aspect of the propensity for cooperation indicated by dimension 1. If there is already a structural dimension of this kind (number 3), the subsequent dimensions will be easier to obtain.

A less relevant *second level* of endogenous dimensions is represented by two other dimensions, concerning the *characteristics of institutions* and the *context*.

2. *Level of training and coordination*

These indicators define the *characteristics of institutions* and their personnel. The indicators highlight the training of local élites (5), coordination between different local and national administrative sectors (6), coordination between local organisations and social and economic stakeholders (7) and coordination between central administrations (8).

9. *Economic factors for effective cross-border cooperation*

This dimension describes the context in which cross-border cooperation should take place. These indicators detect whether or not borders act as a “filter” (44), whether the economies can be integrated (45), whether economic action is not exclusively oriented towards the centre of the national system (46), whether there is significant participation in programmes such as Phare, Interreg, etc. (47), and whether road, rail and waterway networks are in good condition (48).

A *third level* of internal dimensions, still less central than the previous ones, consists of two further dimensions, which relate to the cultural *context* of the cross-border area. Such cultural dimensions are considered to be less relevant than economic policies, assuming that cross-border cooperation is predominantly linked to business interests and to basic services, rather than to cultural and linguistic ties and values (which nevertheless play a remarkably positive role). The latter may emerge later. In fact, stereotypes and linguistic issues can develop or be solved in varied and complex ways, as each national area may have to deal with its own specific issues.

6. *Socio-cultural obstacles to cross-border cooperation*

These obstacles are evaluated according to their impact on cross-border cooperation. The indicators taken into account are as follows: negative national and/or regional stereotypes (31), language barriers (32), a weak or absent response to proposals for socio-cultural cooperation (33).

10. *Linguistic, cultural and historical factors for effective cross-border cooperation*
This is another cultural dimension of the *context*. Its indicators outline a specific situation, for instance the existence of a common historical *background*, devoid of stereotypes (49), a common language or widespread knowledge of each other's language (50), the ratification of the 1995 Framework Convention for the Protection of National Minorities (51), a tradition of cooperation (52), good transboundary transport routes (geomorphology, passes, types of transportation) (53).

List 1 – SWOT analysis indicators, by conceptual dimension

1. **Propensity for cross-border cooperation**
 1. Of manufacturing industry operators
 2. Of commercial operators
 3. Of socio-cultural operators
 4. Of institutional operators
2. **Level of training and coordination**
 5. Training of local bodies
 6. Coordination between different national and local administrative sectors
 7. Coordination between local bodies and social and economic stakeholders
 8. Coordination between central administrations
3. **Cross-border relations in each activity sector**
 9. Institutional relations
 10. The environment and spatial planning
 11. Transport and telecommunications
 12. The economy and work
 13. Tourism
 14. Education and culture
 15. Everyday services
4. **Institutional obstacles to cross-border cooperation**
 16. State centralisation
 17. Lack of adequate structures for cross-border cooperation
 18. Differing competence on either side of the border
 19. Restrictive regulations on cross-border relations
 20. Lack of credibility of cooperation organisations
 21. Low mutual knowledge and trust
 22. Insufficient financial resources
 23. Different political-ideological orientation
 24. Weak or absent reaction to opportunities for cross-border cooperation
5. **Economic obstacles to cross-border cooperation**
 25. Uneven development levels or rates
 26. Technology gap
 27. Business shutdowns due to dominant competition
 28. Labour market protection
 29. Customs and tax issues
 30. Weak or absent response to opportunities for cross-border cooperation
6. **Socio-cultural obstacles to cross-border cooperation**
 31. Presence of national/regional negative stereotypes
 32. Language barriers
 33. Weak or absent response to opportunities for cross-border cooperation

7. *Institutional factors for effective cross-border cooperation*
 34. Signatory of the European Outline Convention on Transfrontier Co-operation (Madrid, 21 May 1980)
 35. Signatory of the 1995 Additional Protocol to the Madrid Convention
 36. Signatory of the 1998 Second Protocol to the Madrid Convention
 37. Internationally recognised borders
 38. Good institutional and legal framework (EU requirements)
8. *Administrative factors for effective cross-border cooperation*
 39. Official definition of cross-border areas
 40. Non-centralised countries with relevant government powers devolved to local authorities
 41. Local authorities' co-operation with foreign partners
 42. Local authorities with competent management
 43. Local authorities with autonomous financial administration
9. *Economic factors for effective cross-border cooperation*
 44. Presence of positive "filter" borders in both countries
 45. Integrable economies, characterised by complementary features
 46. Economic action not exclusively oriented towards and depending on central administration
 47. Significant participation in Interreg/Phare projects
 48. Efficient and well connected road, rail and waterway networks
10. *Linguistic, cultural and historical factors for effective cross-border cooperation*
 49. Common historical background and absence of stereotypes
 50. Common language or widespread knowledge of the neighbouring country's language, at least on one side of the border
 51. Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities
 52. Tradition of cooperation
 53. Good transboundary transport routes (geomorphology, passes, types of transport)

2.2. *External dimensions and indicators*

The exogenous (external) dimensions of cooperation in cross-border areas concern national, European and international conditions which may or may not favour the development of cooperation in a cross-border area. There are four external dimensions, which are thought to have a progressively lower degree of direct influence on a specific cooperation process. This declining impact does not stem from the essential nature of the last dimension (in the presentation) as a general (European) framework, but implies that the other dimensions are necessary so as to activate the specific mechanisms of cooperation.

5. *Economic obstacles to cross-border cooperation*

This dimension is based on countries' comparable development levels in a specific cross-border area. The selected indicators are: differing economic development levels/rates (25), technology gap (26), business shutdowns due to dominant competition (27), labour market protection (28), customs and tax issues (29), weak or absent response to opportunities for economic cooperation. All of these obstacles arise from a lack of balance between the two cross-border areas.

4. *Institutional obstacles to cross-border cooperation*

These obstacles also result from an imbalance between cross-border areas. The indicators are: state centralisation (16), lack of adequate structures for cross-border cooperation (17), differing competences on either side of the border (18), restrictive regulations on cross-border cooperation (19), lack of credibility of cooperation agencies (20), low degree of mutual knowledge and trust (21), insufficient financial resources (22), different political-ideological orientation (23), weak or absent response to opportunities for institutional cooperation (24).

8. *Administrative factors for effective cross-border cooperation*

This dimension concerns the relation between local cross-border area administrations and the powers devolved to them by central authorities. This can be seen from the relations between the two border areas and from the definition of the area, which can be contiguous to the border or broader, to the point of including several regions in order to carry out special functions (for instance macro infrastructures). The pertinent indicators for this dimension are: official definition of cross-border areas (39), non-centralised countries with local administrations granted broad decision-making powers (40), local authorities' co-operation with foreign partners (41), local authorities with competent management (42), local authorities with independent financial administrations (43).

7. *Institutional factors and international relations*

This dimension concerns the two countries' accession to international conventions and protocols, as well as clear acceptance of the status of the cross-border region. The pertinent indicators are: signature of the 1980 Madrid Convention (34), signature of the 1995 Additional Protocol to the Madrid Convention (35), signature of the 1998 Second Protocol to the Madrid Convention (36), international recognition of borders (37), a good institutional and legal framework (38)

2.3. *Measurement of indicators*

SWOT analysis is based on two sets of evaluation variables: the first concerns positive elements (*Strengths and Opportunities* for the cross-border area) or negative ones (*Weaknesses and Threats*), while the second identifies variables as either internal or external to the cross-border area. In order to locate the variables within a SWOT framework, it is first necessary to measure them, as SWOT only takes into account extreme values, whether positive (SO: strengths, opportunities) or negative (WT: weaknesses, threats).

Measurement is carried out as follows:

First, each indicator is given a score of "very high", "high", "medium", "low" or "very low"; on the other hand, relations in each activity sector (dimension 3) are evaluated as: "cooperation" in a given sector on either side of the border, "consultation", "information exchange", "no relations" or "competition". A symbol is associated with each ranking: "++", "+", "±", "-", "- -"; a numerical scale, formed by the numbers "2", "1", "0", "-1", "-2", is then applied, as a convention, to each of these symbols.

Measures of indicators:

<u>Intensity or modality</u>		<u>Symbol</u>	<u>Numerical value</u>
Very high	cooperation	++	2
High	consultation	+	1
Medium	information exchange	±	0
Low	no relations	-	-1
Very low	competition	--	-2

2.4. *SWOT analysis methodological process*

The SWOT analysis method is based on identifying the *dimensions* and *internal indicators* of a cross-border area, as well as *external* ones referring to central governments or Europe, in order to subsequently *measure* the indicators, making it possible to evaluate them as positive or negative,

according to the intensity of their presence. There are *variables*, which are self-explanatory as to their (positive or negative) presence; there is “*noise*”, which consists in existing indicators with low intensity, thus not capable of generating a context; and finally, there is *neutrality* in the presence of indicators of middling or scant relevance which, as such, have no influence on cross-border cooperation *under the current scenario as outlined by SWOT analysis*.

The SWOT variables can then be defined, and the previous table redrawn, so as to give a possible SWOT scenario outline:

Value of indicators	Cross-border cooperation area		
	Swot variables	<u>Internal</u> Strengths (S)	<u>External</u> Opportunities (O)
+ 2			
+ 1		positive context	positive context
0		“neutral” (non-relevant)	“neutral” (non-relevant)
- 1		negative context	negative context
- 2	Swot variables	Weaknesses (W)	Threats (T)

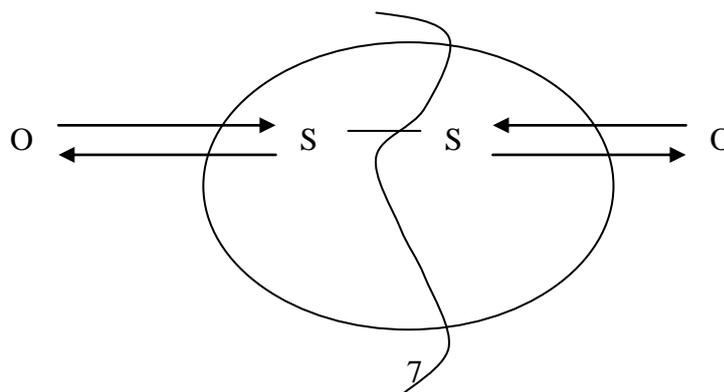
Through this complex data processing, SWOT analysis makes it possible to define the conditions of cross-border cooperation in a specific area and, at the same time, helps to highlight any potential for cooperation by working on the existing elements so as to emphasise strengths (S) and opportunities (O), while limiting the negative effects of weaknesses (W) and threats (T).

2.5. Action strategies

An action strategy needs to be identified within the framework of a scenario for the future whereby, starting from the current situation, the area can establish effective cross-border cooperation. The chosen *strategy*, considered to be the most appropriate to attaining a specific future objective, is the primary tool for action, and the general frame within which decisions are made. On the other hand, when dealing with several realistic options for cross-border cooperation, it becomes necessary to devise differing action strategies. In this study, *five types of strategies* are taken into account.

a) First strategy: Strengthening strategy. This strategy is based on the strengthening of positives, both internal and external to the cross-border area, assuming that, by doing so, negatives will be critically abated and bypassed or absorbed by positives.

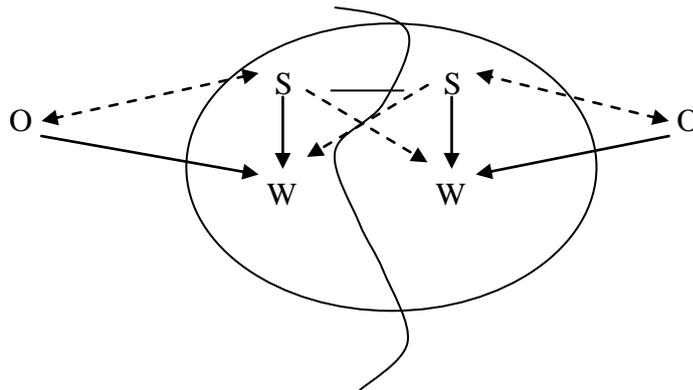
This strategy can be illustrated as follows:



Such a strategy should be applied where it is possible to act on already significant, stable strengths (S) and opportunities (O), so as to spur the rest of the system, transforming or mitigating the impact of a limited number of non-relevant weaknesses (W) and threats (T).

b) Second strategy: Overcoming strategy. This strategy is more cautious and systemic, and less expansionist than the first. Applying a reverse logic, it acts on positives (strengths and opportunities), in order to decrease, if not deactivate, internal negatives (weaknesses). The aim of this strategy is to preserve and balance stakeholder participation, preventing major internal divisions.

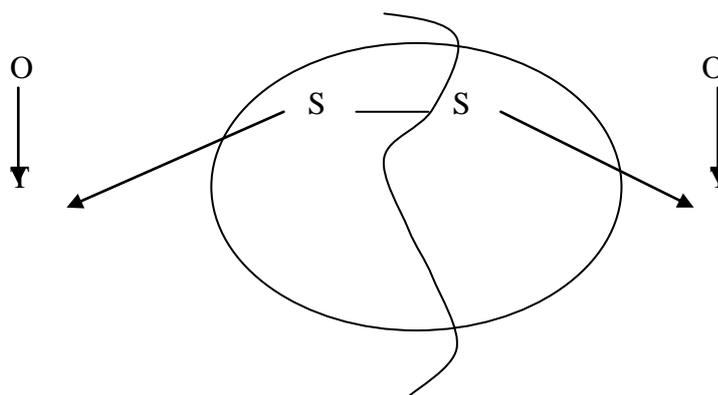
This strategy can be illustrated as follows:



Apart from its application to a rational development plan, backed by political will, this strategy is more generally appropriate where, alongside obvious, substantial obstacles, there are also enough widespread strengths (S) and opportunities (O) to overcome the existing weaknesses (W).

c) Third strategy: Mobilisation strategy for context control. This strategy emphasises the effect of strengths (S) and opportunities (O) on the negative (T) context, which poses serious challenges to the establishment of a positive system.

This strategy can be illustrated as follows:

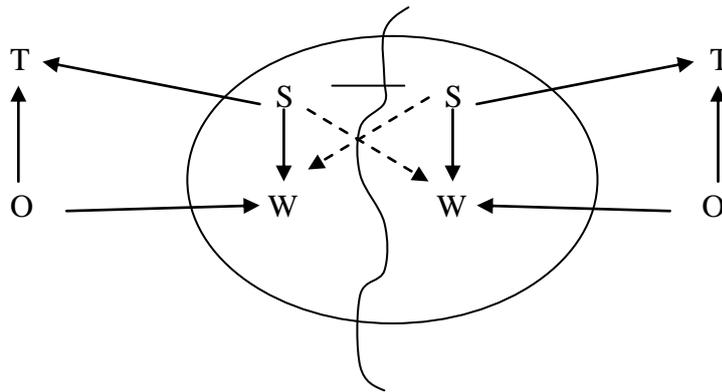


This strategy is appropriate where external threats (T) are so dominant or widespread that it becomes necessary to exploit strengths and opportunities in order to limit the influence of external threats (T).

d) Fourth strategy (combining the second and third strategies): Negatives control strategy.

This strategy is based on the joint action of strengths and opportunities (O) in decreasing weaknesses (W) and threats (T) and thus abating overall negatives.

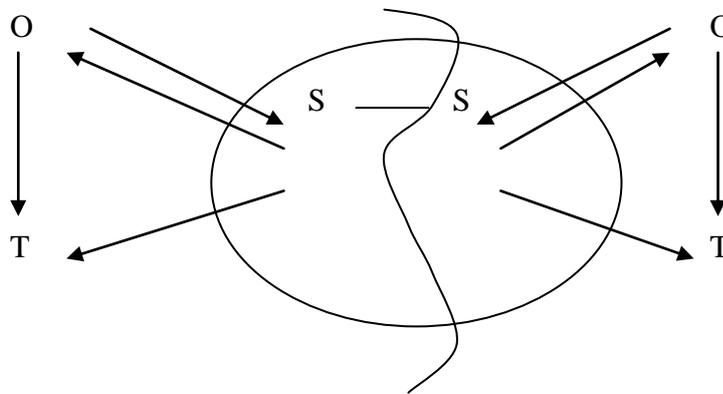
This strategy can be illustrated as follows:



This strategy is suitable where both weaknesses (W) and threats (T) are strong. In this markedly negative environment, all the available, albeit limited, resources, have to be utilised to tackle the heavy imbalance and counteract negatives.

e) Fifth strategy (combining the first and third strategies): Joint internal-external coalition for context control. This strategy consists in utilising available strengths (S) and opportunities (O) of a sufficient level to counter consistent threats (T); this is made possible by the absence of influential weaknesses (W) in the cross-border area.

This strategy can be illustrated as follows:



This strategy is applied where there are plenty of positive strengths and opportunities (O) (more specifically, if pro-activeness is widespread), and weaknesses (W) concern non-relevant elements. In this case, the strategy focuses on decreasing those threats (T) which might affect the existing positives.

2.6. Euroregions

The Euroregion is an action strategy frame involving a single institutional actor with a specific administrative system. As such, it goes *beyond* a network of connected relations, involving many actors operating according to a transparent context of action and planning, shared among and pursued by the actors themselves.

While there are still legal issues surrounding the creation of actual Euroregions, it has already been shown that, according to its function, a Euroregion can take one of three forms, possibly one existing within the other. The *Cross-border Euroregion* carries out cooperation functions between contiguous border areas. The *Functional Network Euroregion* cooperates with distant operators, linked by networks of resources and interactions, and therefore covers a wider area than the former Euroregion. The *Macro Infrastructures Euroregion* is made up of several cross-border regions and focuses on local development by providing macro infrastructures for transport and technology and macro organisations for general social functions (schools, large enterprises, and so on).

Our aim here is to assess to what extent the measurement of the 53 indicators of the 10 conceptual dimensions of cross-border cooperation offers insights for the creation of one, two or three cross-border area Euroregions, institutionalising the forms of cooperation taken into account. The final number of Euroregions will be determined according to which functions are most needed in order to implement overall cooperation. There are 46 indicators pertinent for the Cross-border Euroregion, 34 for the Functional Network Euroregion, and 12 for the Macro Infrastructures Euroregion. Euroregions are most needed where the total indicator score is particularly low.

3. Measurement of the conceptual dimensions of cooperation in the fourteen cross-border areas of the Northern European region.

Each of the ten dimensions (both internal and external to the cross-border area) is intersected with each of the fourteen cross-border areas, resulting in a decimal score (from 1 to 10) representing each of the ten dimensions. Tables and diagrams are used to gauge cross-border cooperation standards in the fourteen Baltic areas. Table 1 sets out the marks obtained on intersecting the conceptual dimensions and cross-border areas. This table makes it possible to create the graphic framework in which the data are inserted. Diagram 1 gives detailed marks (1 to 10) for each of the ten dimensions, according to existing strengths and weaknesses (SW) within the cross-border area and existing external opportunities and threats (OT), assessing the extent to which they favour the establishment of cooperation. Diagram 2 ranks each area on a scale from 1 to 10. The marks in the two diagrams are dimension and area averages. Finally, diagrams 3 to 12 situate each of the ten dimensions in a geographical frame, including all 14 areas, highlighting the variables within each cross-border area (strengths and weaknesses, opportunities and threats).

Data analysis and geographical positioning make it possible to develop multiple insights into the cross-border areas of the Baltic region. A few are listed here:

1) The ten dimensions indicate an overall *positive situation* in the fourteen cross-border areas, with an average mark of 5.5 on a scale from 1 to 10. Table 1 shows which dimensions score below average marks: 1) economic obstacles (dimension 5) score 4.2; 2) institutional obstacles (dimension 4) score 4.3; 3) socio-cultural obstacles (dimension 6) score 5. As all three marks are related to obstacles, that is negative factors by definition, cross-border cooperation policies are not able to tackle these issues very effectively.

This is a consequence of centralised administration's scarce interest for the cross-border area concerned. Moreover, the two bordering areas have similar economic systems (dimension 5), institutions (dimension 7), and socio-cultural contexts (dimension 6), resulting in reduced opportunities for cross-border cooperation. However, most of the conceptual dimensions related to cross-border cooperation score positive marks, including several top marks.

Propensity for cooperation (dimension 1, average mark 7.9) and linguistic, cultural and historical factors (dimension 10, average mark 7.8) attain among the best marks, as a shared linguistic and historical background is a unique factor and fosters a high propensity for cooperation. A positive vision of an area's common history and a common regional identity further enhance cooperation. Pearson's coefficient (r) confirms the correlation between the two areas (0.80). As far as common historical and linguistic backgrounds are concerned, the highest scoring cross-border areas are Latvia-Poland (7.6), Estonia-Finland (7.5) and Russia-Ukraine (7.0)

The lowest scores (marks) concern economic, institutional and cultural obstacles, while the highest ones represent propensity and people's positive historical and cultural bonds. Among the positive marks, Table 1 brings to light cross-border relations in each production sector (6.8), training and coordination (6.7), administrative factors (6.2) and economic factors (6.0). Such positive marks are key to the development of cooperation and to the training of adequate human resources. The fourteen areas boast high averages in cross-border relations in each production sector and in training and coordination levels (correlation = 0.81 with $p > 0.001$). Generally, increasingly intense cross-border relations have generated higher training standards and more awareness of training's social and economic relevance.

So far each dimension has been taken individually, but the mark for each dimension represents an average of several marks within one cross-border area. Looking at individual marks, it is possible to gauge the gaps between different regions in specific dimensions: the highest standard deviation mean stands at $\sigma = 2.69$, and the lowest at $\sigma = 1.52$. The highest standard deviation ($\sigma = 2.69$) concerns socio-cultural obstacles to cooperation (dimension 6), corresponding to the existence of negative stereotypes, linguistic barriers and an overall lack of interest for cross-border cooperation. This conceptual dimension represents a cultural and empathic propensity for cooperation, and the score varies considerably depending on the area concerned.

The highest marks are attained in the cross-border areas of Estonia-Finland (9.3), Russia-Ukraine (9.3), Estonia-Latvia (7.8) and Lithuania-Kaliningrad/Russia (7.8). The lowest marks correspond to the Belarus-Russia cross-broader area (1.0), Belarus-Latvia and Latvia-Lithuania (1.8). It is clear to see how positive and negative stereotypes and common linguistic backgrounds, as well as the propensity for cooperation, all vary greatly from one region to another.

Among these three indicators the most relevant are certainly stereotypes and linguistic factors, which are among the key factors for the development of cross-border cooperation. Local positive stereotypes (often regional or national) are strong, with elective affinities between all the above-mentioned areas (Estonia-Finland, Estonia-Latvia, Lithuania-Kaliningrad/Russia and Russia-Ukraine). Stereotypes play a negative role between Belarus and Russia, as a consequence of a troubled historical background. The same factor influences relations between Lithuania and Latvia (which used to be called the Duchy of Curland, a fiefdom of the Grand Duchy of Lithuania) and between Latvia and Belarus.

With a 1.52 standard deviation (σ), dimension 7 shows the highest degree of convergence. Dimension 7 relates to accession to the Council of Europe's international treaties and to the Madrid Convention and its protocols, as well as mutual acknowledgment of national borders. The average mark, 6.7, represents full adherence to the required international conventions or an established acceptance of official borders. Here, low marks are scored by Belarus-Latvia, Estonia-Russia and Belarus-Russia, primarily with regard to political issues and on-going discussion on the drawing of borders, as is the case in Estonia-Russia and Russia-Belarus.

Diagram 1 shows all the marks for all the dimensions in each cross-border area, on a scale from 1 to 10. From Estonia-Latvia to Finland and Russia-Ukraine the marks are .../ Contd p17

Diagram 1 – Scores for the conceptual dimensions in cross-border areas. The ovals represent marks from 4 to 10

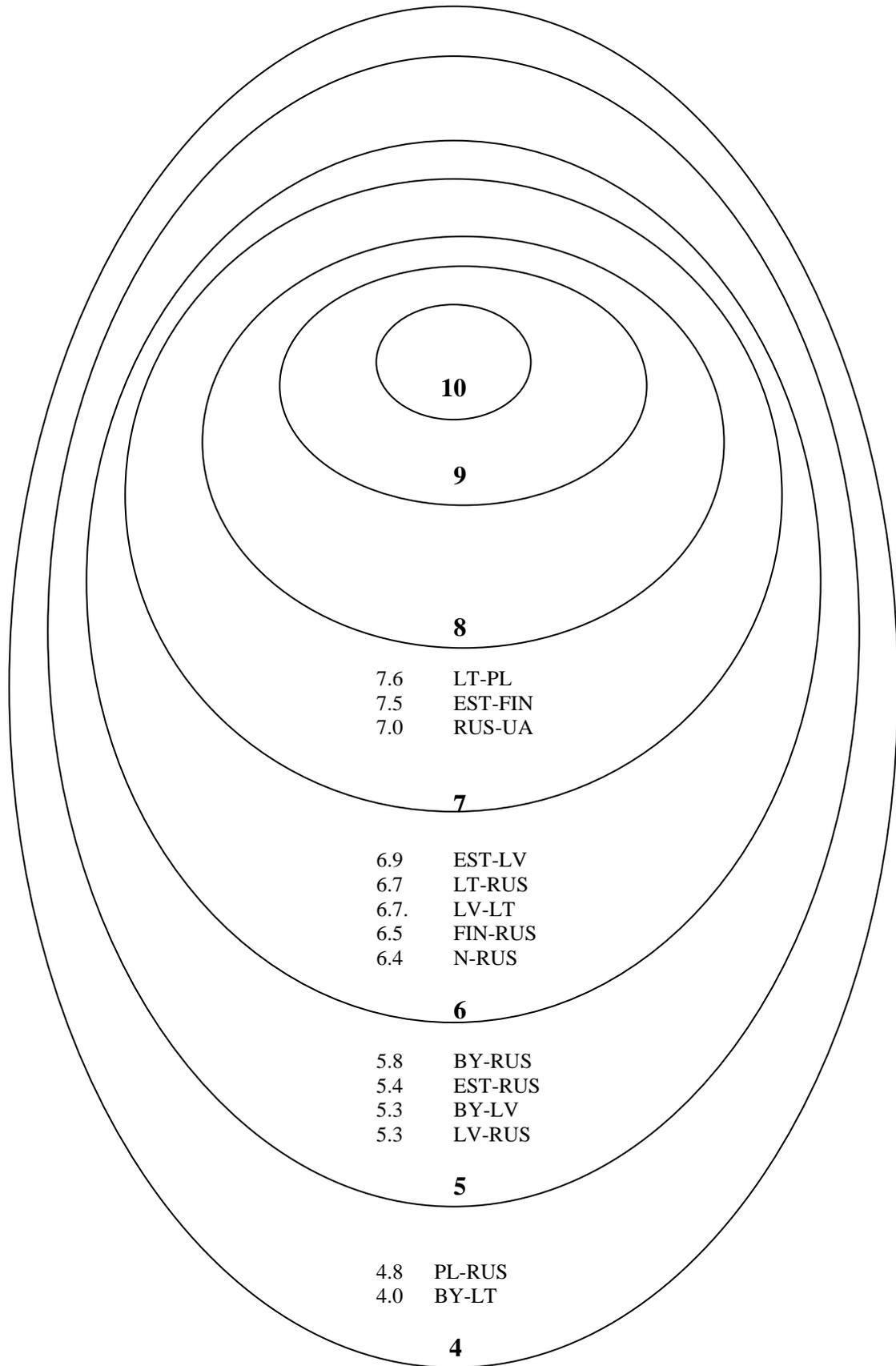


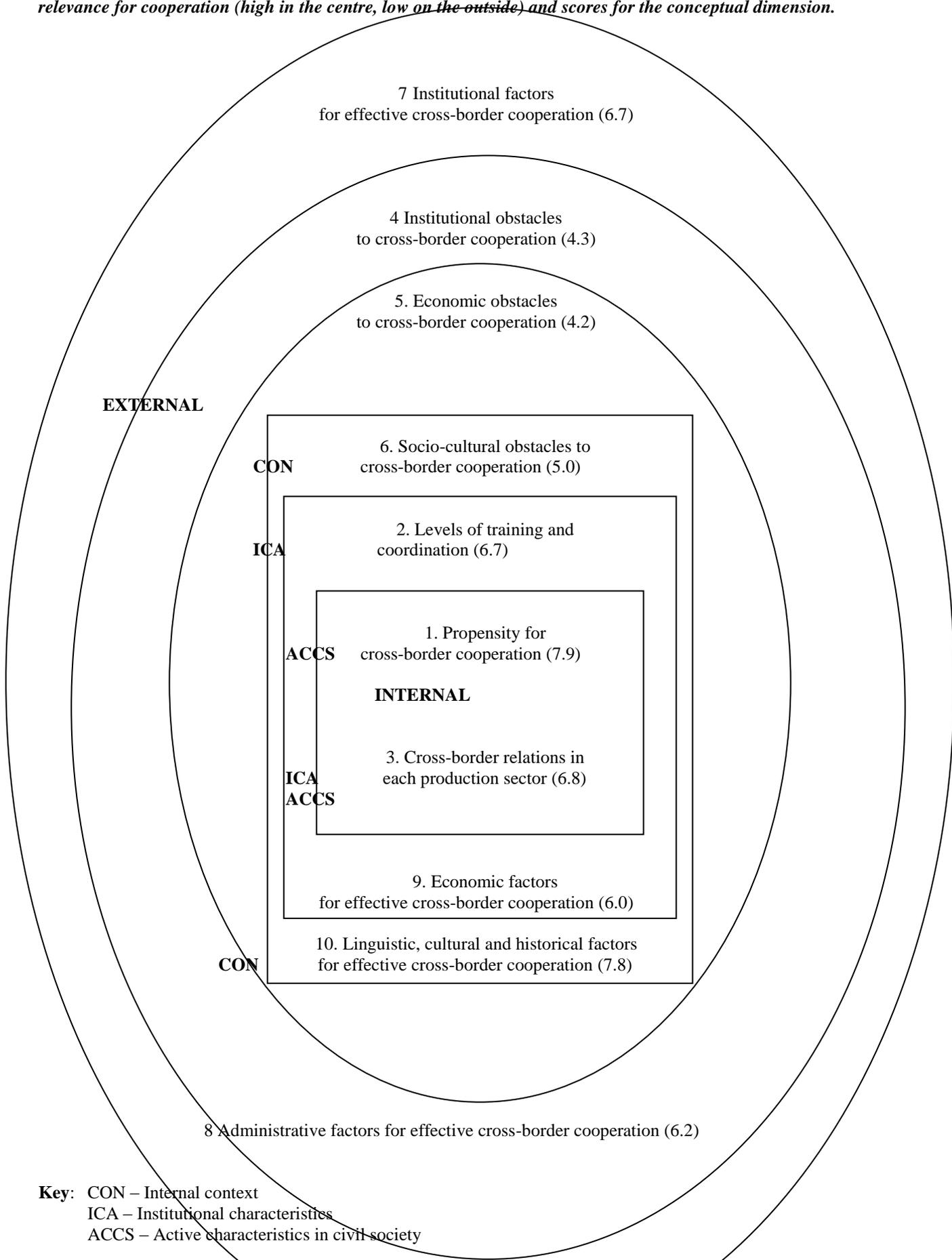
Table 1 – Scores (1 to 10) for the conceptual dimensions of cross-border cooperation in cross-border areas

Conceptual dimensions of cross-border cooperation

Cross-border areas:	Internal						External				Area mean
	I	III	II	IX	VI	X	V	IV	VIII	VII	
Belarus-Latvia (BY-LV)	7.8	5.5	3.8	4.6	1.8	7.8	5.5	<u>8.0</u>	4.2	4.2	5.3
Belarus-Lithuania (BY-LT)	6.1	2.9	4.9	1.5	4.0	5.1	2.5	2.8	4.6	6.0	4.0
Belarus-Russia (BY-RUS)	8.9	7.8	7.2	7.3	1.0	<u>8.7</u>	4.0	3.8	4.6	5.1	5.8
Estonia-Latvia (EST-LV)	9.4	<u>9.0</u>	<u>8.9</u>	<u>8.7</u>	<u>7.8</u>	<u>9.1</u>	1.4	1.8	6.0	6.4	6.9
Estonia-Finland (EST-FIN)	<u>10.0</u>	<u>10.0</u>	<u>8.9</u>	<u>9.6</u>	<u>9.3</u>	<u>10.0</u>	2.1	1.8	<u>8.2</u>	5.5	<u>7.5</u>
Estonia-Russia (EST-RUS)	5.5	4.9	5.5	4.2	6.3	6.9	5.1	<u>7.8</u>	3.7	4.2	5.4
Finland-Russia (FIN-RUS)	9.4	7.8	<u>8.9</u>	7.3	4.8	7.3	2.9	2.0	<u>8.2</u>	6.3	6.5
Lithuania-Poland (LT-PL)	8.3	8.4	8.3	7.8	5.5	6.9	<u>7.8</u>	6.3	<u>8.2</u>	<u>8.2</u>	<u>7.6</u>
Lithuania-Russia (Kaliningrad) (LT-RUS)	7.8	6.1	6.1	6.9	<u>7.8</u>	<u>9.1</u>	4.4	3.5	6.9	<u>8.7</u>	6.7
Latvia-Lithuania(LV-LT)	9.4	<u>9.4</u>	8.3	7.3	1.8	<u>10.0</u>	2.5	2.5	7.3	<u>8.7</u>	6.7
Lithuania.-Russia (LV-RUS)	4.4	3.9	4.4	5.1	4.8	5.5	5.5	<u>7.5</u>	3.7	7.8	5.3
Norway-Russia (N-RUS)	8.9	6.8	<u>8.9</u>	6.4	2.5	7.3	4.8	2.8	7.3	<u>8.2</u>	6.4
Poland-Russia (Kaliningrad) (PL-RUS)	5.5	4.2	4.4	2.4	3.3	5.1	4.4	3.8	<u>8.2</u>	6.9	4.8
Russia-Ukraine (RUS-UA)	8.9	8.1	5.5	4.2	<u>9.3</u>	<u>10.0</u>	<u>5.9</u>	5.5	5.1	7.8	7.0
Mean (m)	7.9	6.8	6.7	6.0	5.0	7.8	4.2	4.3	6.2	6.7	6.1
Standard deviation(σ)	1.72	2.14	1.89	2.27	2.69	1.70	1.70	2.21	1.73	1.52	0.95

Key: marks in bold indicate the lowest means ($< m - 1\sigma$)
marks in underlined italics indicate the highest means ($> m + 1\sigma$)

Diagram 2 – Internal and external conceptual dimensions of cross-border cooperation according to their relevance for cooperation (high in the centre, low on the outside) and scores for the conceptual dimension.



Key: CON – Internal context
ICA – Institutional characteristics
ACC'S – Active characteristics in civil society

Table 2 – Matrix of the correlation coefficients between the conceptual dimensions

<i>Dimensions:</i>	1	3	2	<i>Dimensions:</i>			5	4	8	7
1.	--	.90*	.79*	.74**	.15	.80*	-.34	-.57***	.50***	.38
3.		--	.81*	.85*	.52***	.83*	-.15	-.44	.51***	.18
2			--	.82*	.15	.49	-.37	-.66**	.62**	.25
9				--	.25	.66**	-.24	-.39	.45	.15
6					--	.36	.06	-.09	.12	.11
10						--	-.27	-.31	.17	.11
<hr/>										
5							--	.78*	-.16	.18
4								--	-.61***	-.24
8									--	.45
7										--

Key: * = $p \leq .001$; ** = $p \leq .01$; *** = $p \leq .05$

Contd /... remarkably high (compared with an overall maximum of 7 across the fourteen areas), as these countries share a history of privileged communication channels. The lowest marks (4) are to be found in Belarus-Lithuania and Poland-Kaliningrad (Russia): these areas are affected by both practical (economic, institutional) factors and cultural ones (see Table 1).

Other dimensions score an average of 6 or 5 out of 10.

Medium-high positive marks of about 6 are scored by the areas between Estonia and Russia (Kaliningrad), including Latvia and Lithuania, as well as those Russian territories bordering with Norway and Finland. In these areas, Russia's cross-border policies differ considerably from those applied to former Soviet Republics.

Medium-low negative marks (average 5) mainly concern inner ex-USSR borders, between now independent former Soviet Republics: Russia with Estonia, Latvia and Belarus, Belarus with Latvia and Russia.

These areas demand special planning in order to develop specific strategies for cross-border cooperation.

2) Cross-border cooperation can be analysed with a focus on *internal or external SWOT indicators*. Table 2, Table 3 and Diagram 2 show these parameters.

(2.1) *Internal* conceptual dimensions are generally positive, with a good 6.8 average mark (Table 3); however, the top 7.9 and 7.8 marks represent a propensity for cooperation (dimension 1) and historical, linguistic and cultural factors (dimension 10). The historical and cultural background of two countries is an essential ingredient for further development, regardless of the fact that more practical cooperation indicators, such as relations between sector operators (dimension 3), coordination levels (dimension 2) and economic factors (dimension 9), score lower, more realistic marks (6.8, 6.7 and 6.0).

Socio-cultural obstacles (dimension 6), especially negative regional or national stereotypes, score a rather low 5 in almost all the cross-border areas except for Estonia-Finland, Russia-Ukraine, Latvia-Russia and Estonia-Latvia, as previously mentioned.

The total dimension marks score an average 6.8. The highest mark is attained by Estonia-Finland (9.7), followed by Estonia-Latvia (8.9), while the lowest are scored by Belarus-Lithuania (3.9), Poland-Russia (Kaliningrad) and Latvia-Russia (4.6). This means that in the first two areas cooperation is fostered by locally adequate resources, while in the last three cases national and international policies are needed to integrate existing resources.

Table 2 and Diagram 2 show more relations between the six internal dimensions of the cross-border areas. The analysis of the correlations among dimensions is extremely useful: it makes it possible to assess (Table 2) how dimension 1 (propensity for cooperation) correlates with operators (dimension 3), training and coordination levels (dimension 2), economic factors (dimension 9) and linguistic, cultural and historical factors (dimension 10).

The only dimension not correlated to propensity ($r = 0.15$, non relevant) is dimension 6, representing linguistic barriers and negative stereotypes, which means that such factors are not influential in determining the propensity for cooperation. This type of assessment is very useful as it reveals that in these countries the propensity for cooperation is not undermined by the presence of negative stereotypes or linguistic obstacles. These issues are in fact linked to the development of relations between economic, social and cultural operators: $r = 0.52$, as the correlation coefficient

shows that the absence of cultural and linguistic barriers favours the growth of cross-border relations. Moreover, the correlation matrix shows how high (or low) levels of relations between operators are tightly linked to coordination levels, economic factors, the absence of negative stereotypes, and linguistic, cultural and historical background (dimension 10).

(2.2) In comparison with the internal dimensions, the four *external* dimensions of a specific cross-border area (see Diagram 2) require a different approach. The 5.1 overall mark is definitely negative. This means that the national and international context of these areas has prevalently negative effects on cooperation, entailing risks and posing threats. Among these dimensions institutional factors (dimension 7) score highest (6.7), reflecting accession to Council of Europe conventions on cross-border cooperation and their protocols, as well as mutual acknowledgment of official borders. Administrative factors (dimension 8), mainly devolution of powers and financial autonomy in local cooperation organisations, score a positive 6.2 (Table 1).

As far as external dimensions are concerned, the highest scoring areas are Lithuania-Poland (7.2) and Estonia-Russia (6.6); the average mark is 5.1: this means that policies based on external opportunities (especially in Latvia-Russia), rather than on internal strengths, are more likely to be successful. A negative example of the same scenario is Estonia-Latvia, a cross-border area with marked internal strengths (8.9), coexisting with an external context of widespread threats (3.4) (Table 3).

Another approach focuses on the correlation matrix (see Table 2). Correlation of the four external dimensions is sporadic and essentially reflects, in some of the fourteen areas, the tendency of institutional (dimension 4) and economic (dimension 5) obstacles to foster each other ($r = 0.78$). Where, instead, obstacles are mainly institutional (centralised administration, low mutual knowledge, inadequate cooperation management on either side of the border, dimension 4), the most effective approach is to grant managerial and financial autonomy (dimension 8) to local administrations ($r = -0.61$). Finally, there is no significant correlation between accession to Council of Europe conventions on cross-border cooperation and their protocols (dimension 7) and other external dimensions.

(2.3) The distance between the *external* and *internal* dimensions offers further insights into the dimensions.

The analysis has already shown internal dimensions to be markedly positive (average 6.8), while external dimensions are negative (5.1) (Table 3). According to these data, the areas have their own resources with which to develop cooperation, an undoubtedly positive factor: root-based socio-economic processes are more likely to be effective than the imposition of policies by national administrations.

There is of course an average internal/external ratio for each border area. Table 3 shows how, in the Estonia-Finland area, positives are close to the maximum mark (9.7), while Estonia-Latvia scores another high mark (8.9). On the other hand, opportunities afforded by the external context are scarce, and its marks negative: 3.9 for Estonia-Finland, 3.4 for Estonia-Latvia. For these two areas the internal/external ratio stands at 2.49 and 2.62.

In other cases the internal and external dimensions are balanced: this corresponds to a ratio of 1.0. As far as the development of cross-border cooperation is concerned, where the ratios are based on low marks, cross-border policies become complex to devise, as they need to tackle local and international issues simultaneously; ratios corresponding to average or high scores offer more opportunities to focus on specific action. An example is the ratio (1.08) between the internal and

external scores (3.9 and 3.6) of Belarus-Lithuania, as opposed to the ratio (1.07) between the internal and external scores (7.7 and 7.2) of Lithuania-Poland. Obviously, the first area requires more careful, more complex action and planning than the second.

Table 3 indicates a third scenario, where there are more positive marks in the external dimensions than in the internal ones. This is the case of Latvia-Russia (0.73 ratio), Poland-Russia (Kaliningrad) (0.78 ratio), and Estonia-Russia (0.82 ratio). How should one interpret the presence of external positive factors coexisting with prevalently negative internal ones? External intervention is required in these cases, in order to enhance the internal dimensions.

In addition, internal and external dimensions can be compared using the correlation matrix (see Table 2), which highlights the internal and external dimensions to be correlated in five specific dimensions: active civil society (dimensions 1 and 3) and coordination and training levels (dimension 2), both internal, are linked to institutional obstacles to cooperation (dimension 4) and administrative factors (dimension 8), which are external. What is implied by this correlation? It can be interpreted as a synergy between the internal and external dimensions, linking a high propensity for cooperation to relations between operators on either side of the border, better coordination, and the implementation of external policies in order to mitigate institutional obstacles while strengthening effective local administrations. Nevertheless, a high correlation might mean the opposite, or else that, where there is no propensity for cooperation, obstacles and negative factors cannot be overcome.

(2.4) Regardless of whether the dimensions are positive or negative, and external or internal, *each of them has a specific impact* on cross-border cooperation.

Diagram 2 suggests that the dimensions representing civil society (CIA) (3 and 1, cross-border relations between operators and propensity for cooperation) are the most influential, followed by the institutional aspects (CIA) (dimensions 2 and 9, coordination and training, economic factors). Lastly, the dimensions representing cultural contexts (CON) (dimensions 10 and 6, linguistic, cultural and historical factors, presence of negative stereotypes and linguistic barriers) can be seen to have a lesser impact on cooperation.

In the Baltic region the relevance of the conceptual dimensions is confirmed by the correlation matrix (Table 2). Even though all the dimensions are well interconnected, with the exception of socio-cultural obstacles (dimension 6), the specific dimensions related to civil society, that is relations among cross-border operators (dimension 3) ($r = 0.78$) and propensity for cooperation (dimension 1) ($r = 0.68$) play a key role in relation to economic factors (dimension 9) ($r = 0.66$) and coordination and training between areas (dimension 2) ($r = 0.61$). Moreover, these dimensions are influenced by both local culture and agents of change in the historical and cultural background (dimension 10) ($r = 0.63$).

The study showed the presence of well-integrated dimensions, both positive and negative, and a stable and unitary drive towards cooperation, regardless of civil society being the main available resource. The only marginal dimension concerns negative stereotypes and linguistic barriers (dimension 6), whose correlation with the other internal dimensions has no statistical relevance ($r = 0.29$). It is likely that cross-border cooperation in the Baltic region takes place regardless of the existence of negative stereotypes and linguistic barriers, in fact proving how cooperation can be an effective tool in reducing such barriers.

Diagram 2 analyses the probability that such an intertwined set of dimensions (average correlation between all dimensions: $r = 0.61$) can generate effective cooperation in the Baltic region instead of

representing an obstacle. Here, it is necessary to look at the six internal dimensions. Their above average marks indicate good opportunities to implement cooperation processes. Propensity for cooperation (dimension 1) scores a top mark of 7.9, followed by cultural and historical factors (dimension 10) (7.8), relations between operators (dimension 3) (6.8) and coordination and training levels (dimension 2) (6.7).

Slightly lower marks were scored for economic factors (dimension 9) (6.0) and a markedly negative mark (5.0) for stereotypes and linguistic barriers. Nevertheless, it has already been shown that these negative factors do not affect the development of cooperation, at least in the short term.

While the internal dimensions boast strong positives and integrated dimensions, the external ones present polarised values as a result of the national and international context.

Although correlations (Table 2) between the four external dimensions are sporadic and erratic, as in the case of institutional obstacles (dimension 4), which are tightly bound to economic obstacles (dimension 5) ($r = 0.78$) but not to the other dimensions, the same dimension 4 is correlated with positive administrative factors (non-centralised state, autonomous local administration, skilled management, financial autonomy) (dimension 8) ($r = -0.61$). On the other hand, dimension 7, representing signatories of Council of Europe conventions and protocols, is not correlated to any other dimension (internal or external): accession to international treaties does not have any significant impact, positive or negative, on cross-border cooperation, which confirms that the assessment of dimension 7 as marginal in Diagram 2 is correct.

Another cause of low external scores can be identified looking at the individual marks (Diagram 2). Economic and institutional obstacles (dimensions 5 and 4) are markedly negative (4.2 and 4.3): an effective national and international system is missing, and it is needed in order to overcome such obstacles. However, dimension 7, which represents accession to international conventions and protocols, has a decidedly positive mark (6.7), but it has been pointed out that it is of little relevance for cross-border cooperation, as it has no significant correlations ($r = 0.23$) with other internal or external dimensions. The external context is therefore scarcely influential as far as cooperation is concerned, and it does not contribute to the structuring and development of cooperation.

3) Finally, the conceptual dimensions can be analysed in the light of the *homogeneity of cooperation and cross-border policies of the national governments*. The data cannot give a thorough grasp of these matters because, even though a country may be oriented towards the development of integrated policies, practical results are influenced by political compromises and the complex international context with each neighbouring state. Nevertheless, politics and policies are partly subject to the positive drive of local civil society, which represents a firm foundation for development and a valuable resource.

Tables 4 and 5 and diagrams 3 to 12 present sets of data affording a deeper insight into the matter.

Table 3 – Mean marks (1 to 10) for the internal and external conceptual dimensions in cross-border areas and SW/OT ratio

	Conceptual dimensions		SW/OT Ratio
	Internal (SW)	External (OT)	
Belarus-Latvia (BY-LV)	5.5	5.9	0.92
Belarus-Lithuania (BY-LT)	3.9	3.6	1.08
Belarus-Russia (BY-RUS)	7.2	4.3	1.67
Estonia-Latvia (EST-LV)	<u>8.9</u>	3.4	<u>2.62</u>
Estonia-Finland (EST-FIN)	<u>9.7</u>	3.9	<u>2.49</u>
Estonia-Russia (EST-RUS)	5.4	<u>6.6</u>	0.82
Finland-Russia (FIN-RUS)	7.7	4.5	1.71
Lithuania-Poland (LIT-PL)	7.7	<u>7.2</u>	1.07
Lithuania-Russia (Kaliningrad) (LT-RUS)	7.2	5.4	1.33
Latvia-Lithuania (LV-LT)	8.2	4.7	1.74
Latvia-Russia (LV-RUS)	4.6	6.3	0.73
Norway-Russia (N-RUS)	6.9	5.2	1.33
Poland-Russia (Kaliningrad) (PL-RUS)	4.2	5.4	0.78
Russia-Ukraine (RUS-UA)	7.6	6.0	1.27
Mean (m)	6.8	5.1	1.33
Standard deviation (σ)	1.95	1.41	0.57

Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Table 4 – Mean marks for conceptual dimensions of cross-border cooperation in cross-border areas for each country

Mean marks for each country with bordering countries:	Internal						External				Country mean	Internal/external ratio
	I	III	II	IX	VI	X	V	IV	VIII	VII		
Belarus	7.6	5.4	5.3	4.5	2.3	7.2	4.0	4.9	4.5	5.1	5.0	1.17
Estonia	8.3	8.0	7.8	7.5	<u>7.8</u>	8.7	2.9	3.8	6.0	5.4	6.6	<u>1.78</u>
Finland	<u>9.7</u>	<u>8.9</u>	<u>8.9</u>	<u>8.5</u>	7.1	8.7	2.5	1.9	<u>8.2</u>	5.9	<u>7.0</u>	<u>1.87</u>
Latvia	7.8	7.0	6.4	6.4	4.1	8.1	3.7	4.0	5.3	6.8	6.1	1.32
Lithuania	7.9	6.7	6.9	5.9	4.8	7.8	4.3	3.8	6.8	<u>7.9</u>	6.3	1.18
Poland	6.9	6.3	6.4	5.1	4.4	6.0	<u>6.1</u>	<u>5.1</u>	<u>8.2</u>	7.6	6.2	0.87
Norway	8.9	6.8	<u>8.9</u>	6.4	2.5	7.3	4.8	2.8	7.3	<u>8.2</u>	6.4	1.17
Russia	7.7	6.7	6.7	5.8	4.8	7.6	4.7	4.9	5.4	6.6	6.1	1.20
Russia (Kaliningrad)	6.7	5.2	5.3	4.7	5.6	7.1	4.4	3.7	7.6	7.8	5.8	1.06
Ukraine	8.9	8.1	5.5	4.2	<u>9.3</u>	<u>10.0</u>	<u>5.9</u>	<u>5.5</u>	5.1	<u>7.8</u>	<u>7.0</u>	1.26
Mean (m)	8.2	7.0	6.9	6.0	5.3	7.9	4.3	4.0	6.4	6.8	6.3	1.31
Mean standard deviation (σ)	0.89	1.28	1.25	1.56	2.52	1.24	1.22	1.10	1.26	1.12	0.65	0.37

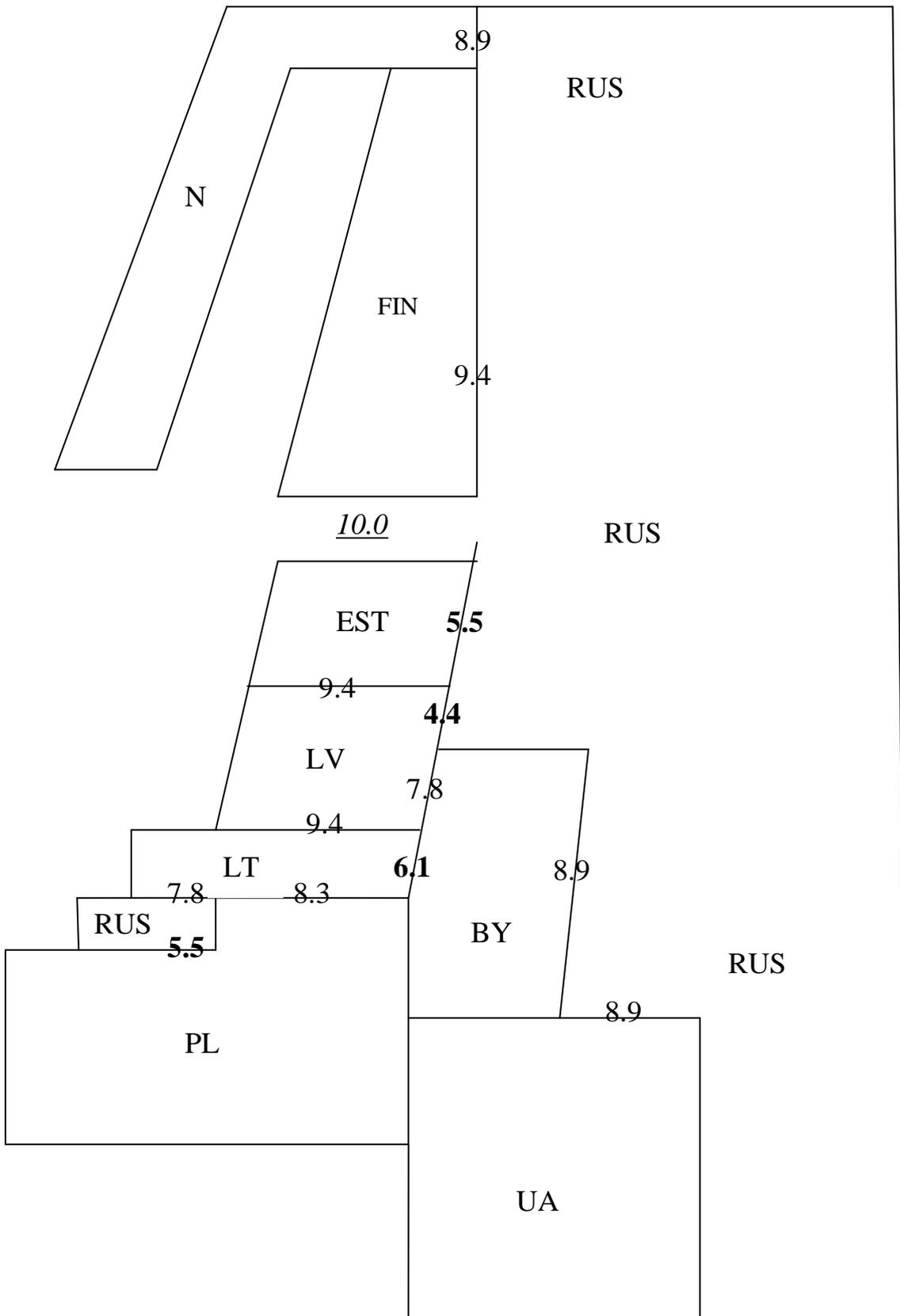
Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Table 5 – Mean marks of cross-border areas in each country in descending order according to internal and external conceptual dimensions of cross-border cooperation areas

	no. of border areas	<u>Conceptual dimensions</u>		total	Internal/external ratio
		internal	external		
Finland	2	<u>8.6</u>	4.6	<u>7.0</u>	<u>1.87</u>
Estonia	3	<u>8.0</u>	4.5	6.6	<u>1.78</u>
Ukraine	1	7.7	<u>6.1</u>	<u>7.0</u>	1.26
Norway	1	6.8	5.8	6.4	1.17
Lithuania	4	6.7	5.7	6.3	1.18
Latvia	4	6.6	5.0	6.1	1.32
Russia	6	6.6	5.5	6.1	1.20
Poland	2	5.9	<u>6.8</u>	6.2	0.87
Russia (Kaliningrad)	2	5.7	5.4	5.8	1.06
Belarus	3	5.4	4.6	5.0	1.17
Total	28				
Mean (m)		6.8	5.4	6.3	1.31
Standard deviation (σ)		1.19	0.77	0.65	0.37

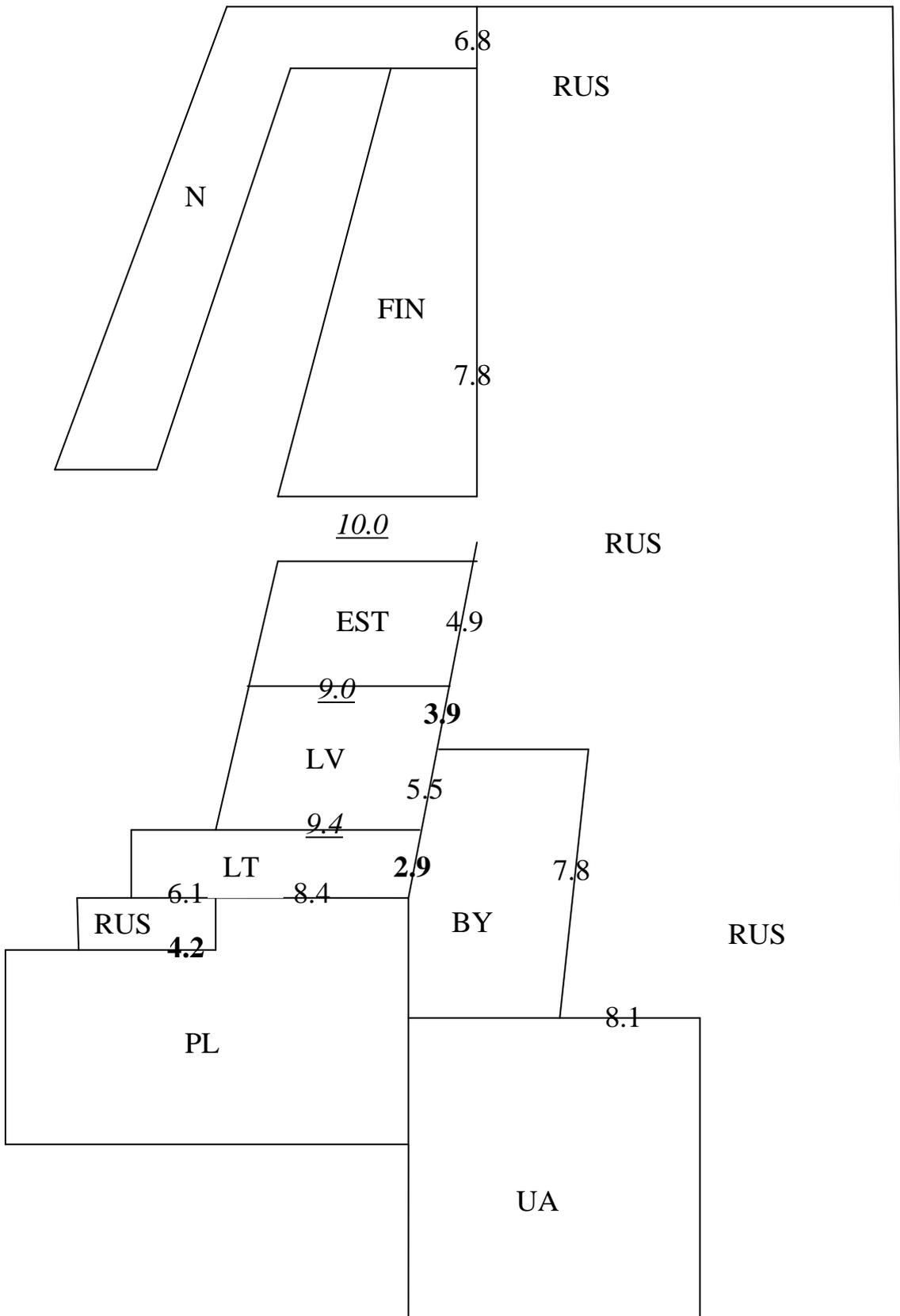
Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Diagram 3 – 1/SW dimension – Propensity for cross-border cooperation



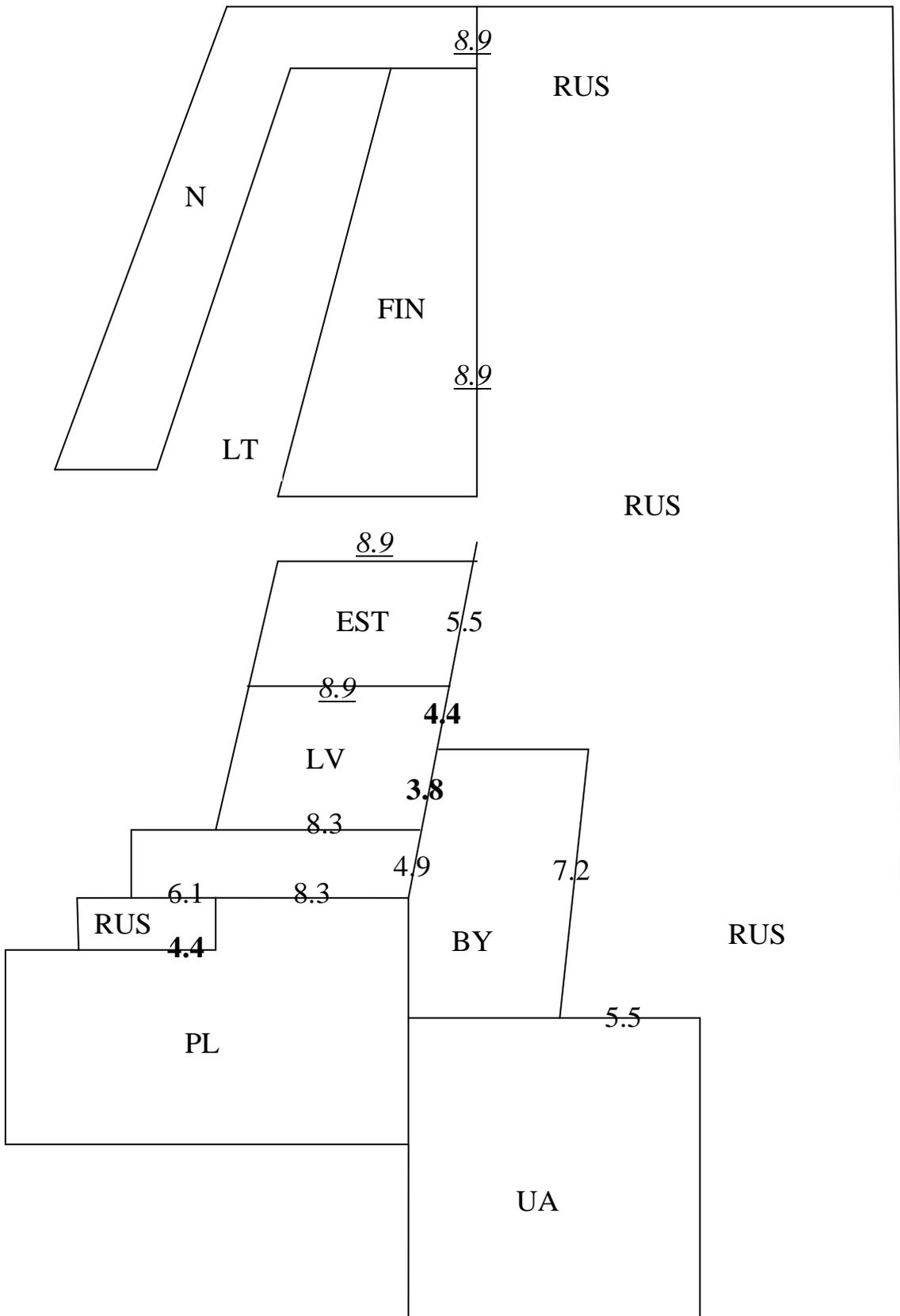
Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Diagram 4 – 3/SW dimension – Cross-border relations for each production sector



Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Diagram 5 – 2/SW dimension – Levels of training and coordination



Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Diagram 6 – 9/SW dimension – Economic factors for effective cross-border cooperation

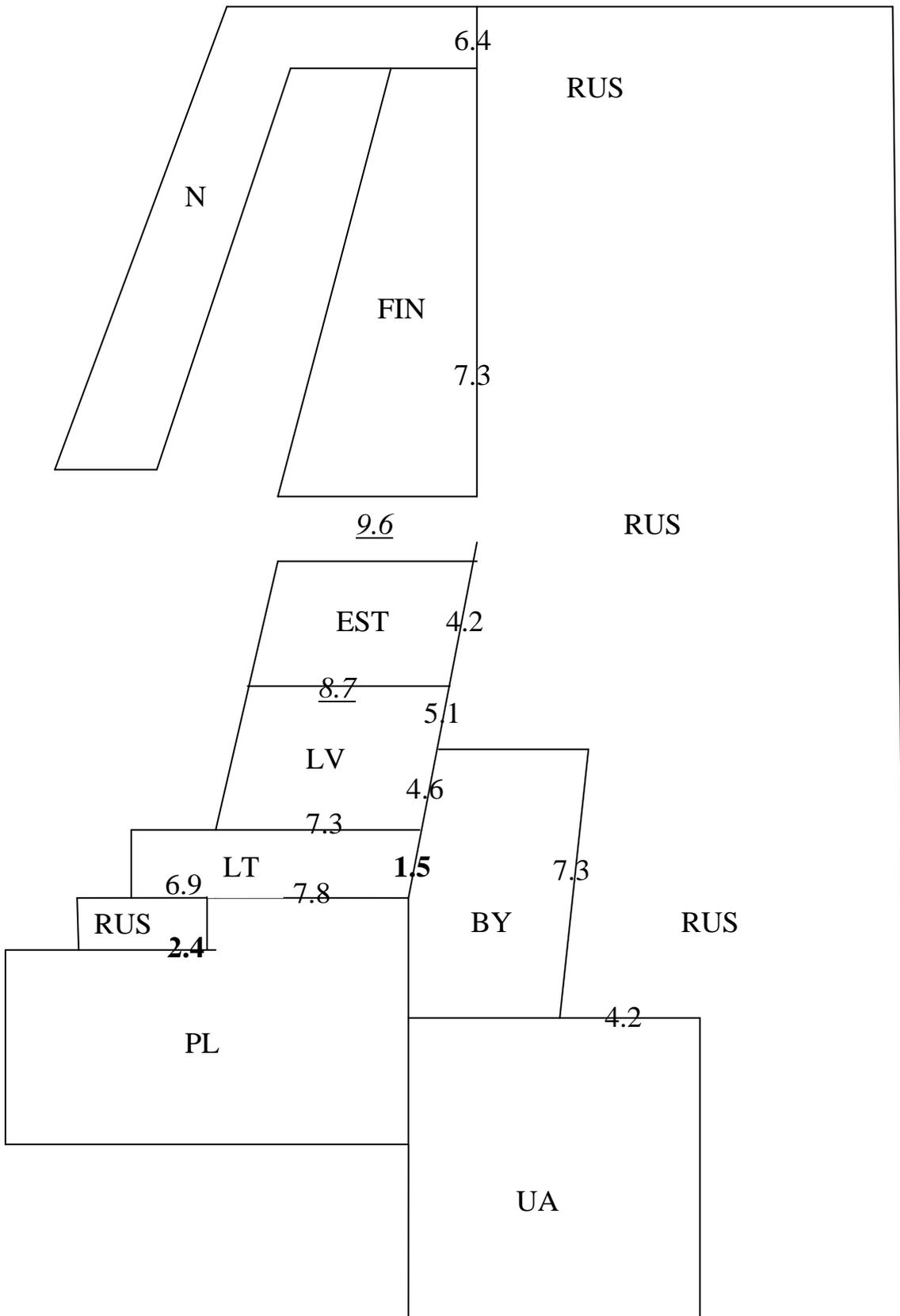


Diagram 7 – 6/SW dimension – Socio-cultural obstacles to cross-border cooperation

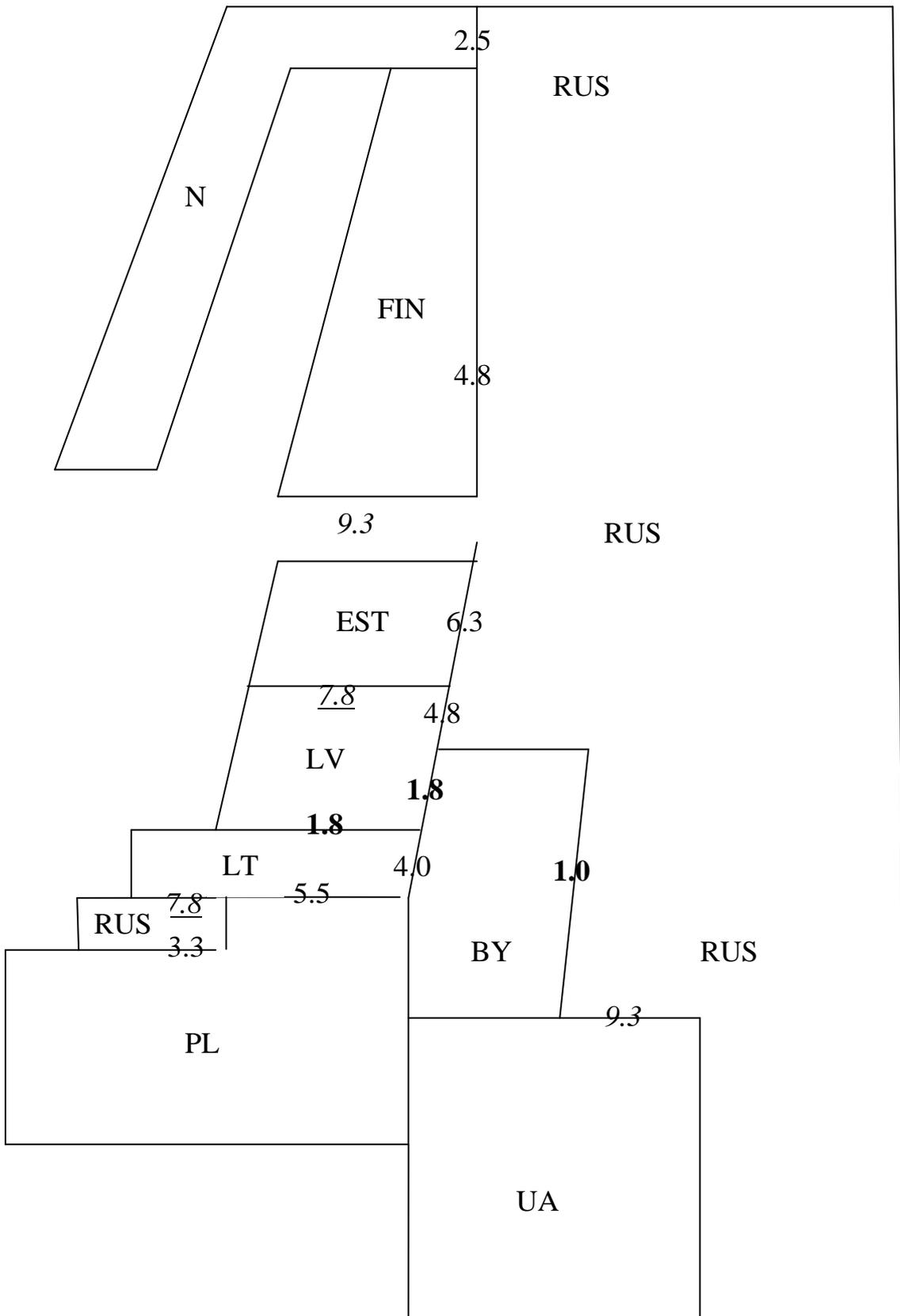
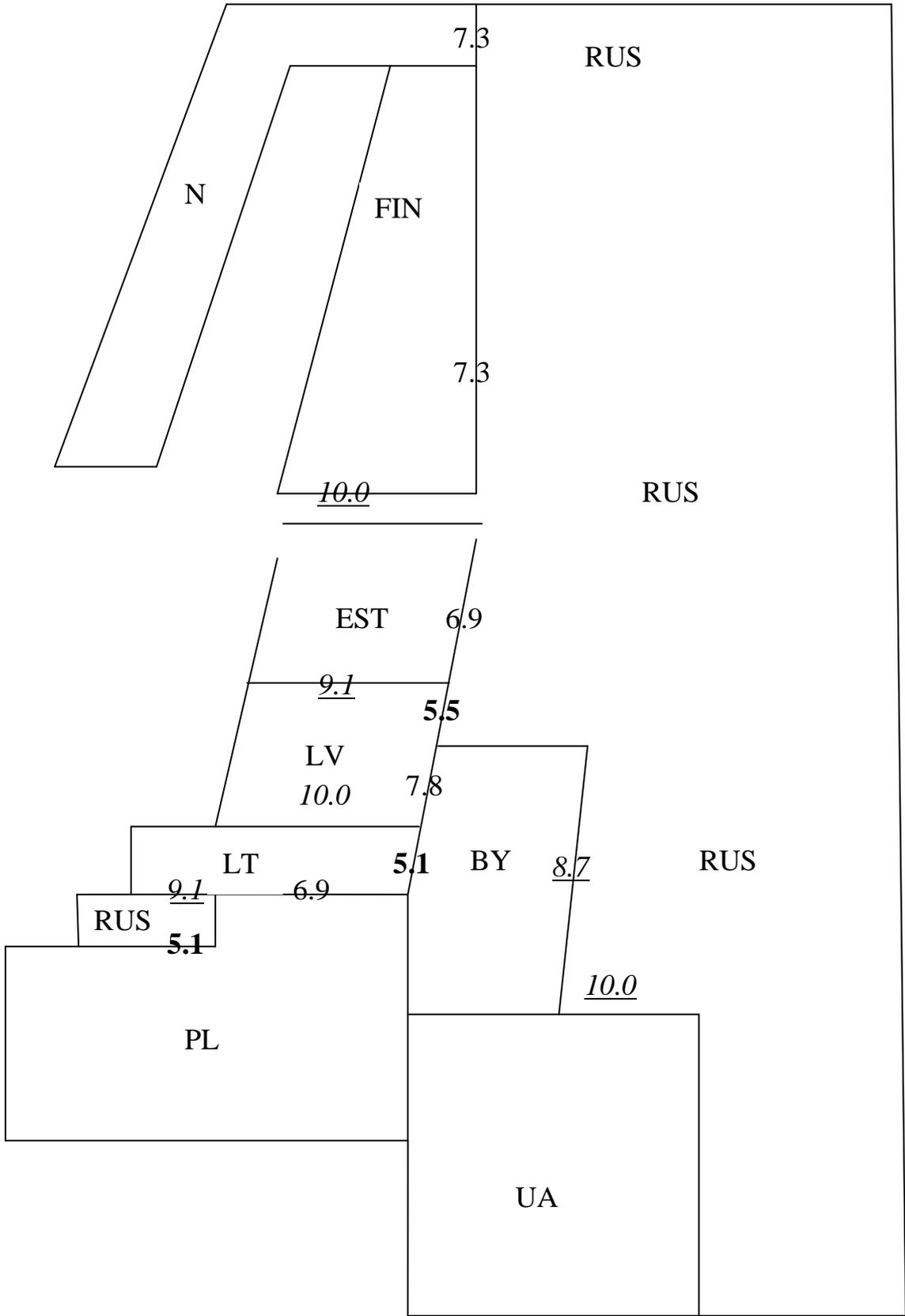
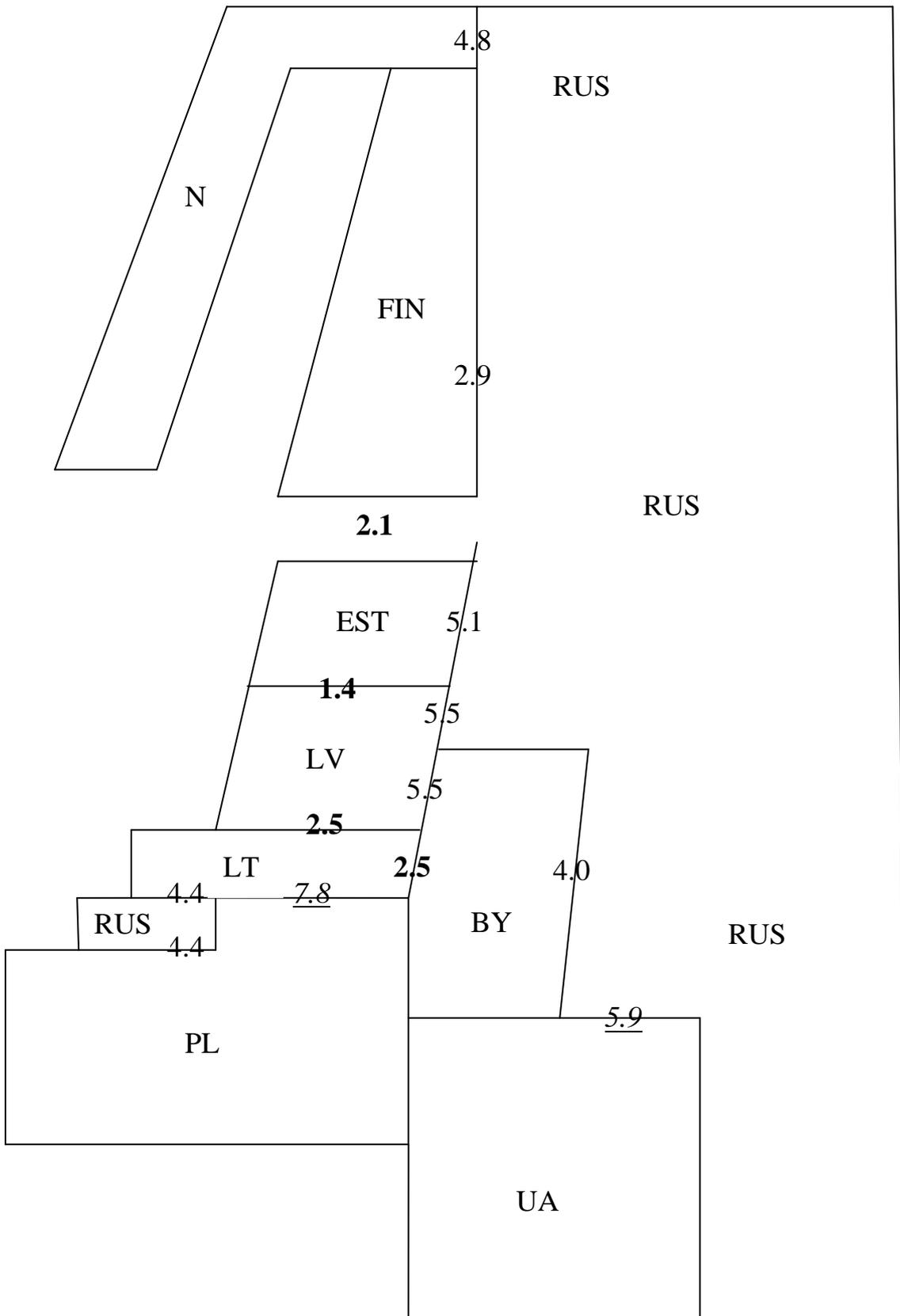


Diagram 8 – 10/SW dimension – Linguistic, cultural and historical factors for effective cross-border cooperation



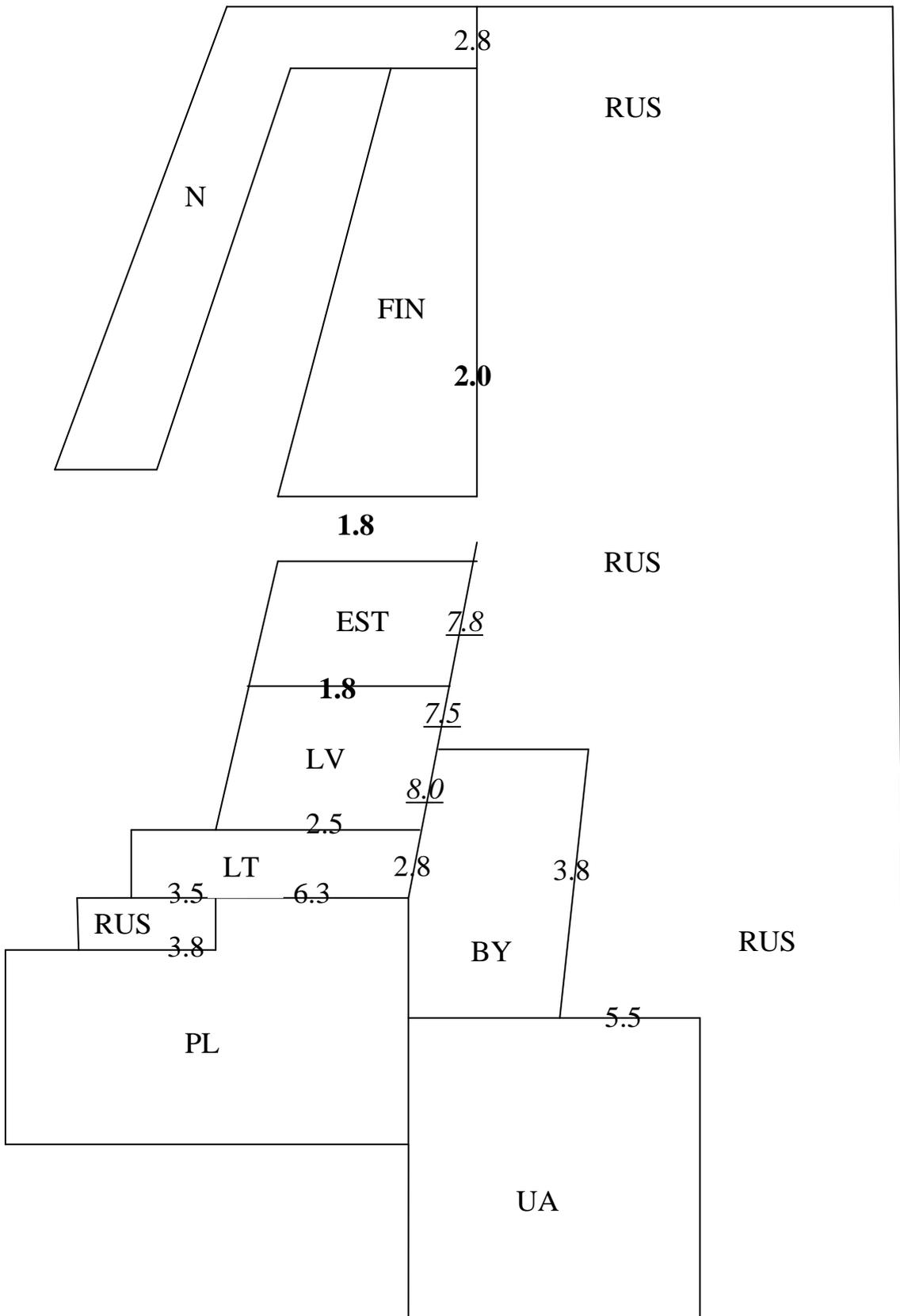
Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Diagram 9 – 5/OT dimension – Economic obstacles to cross-border cooperation



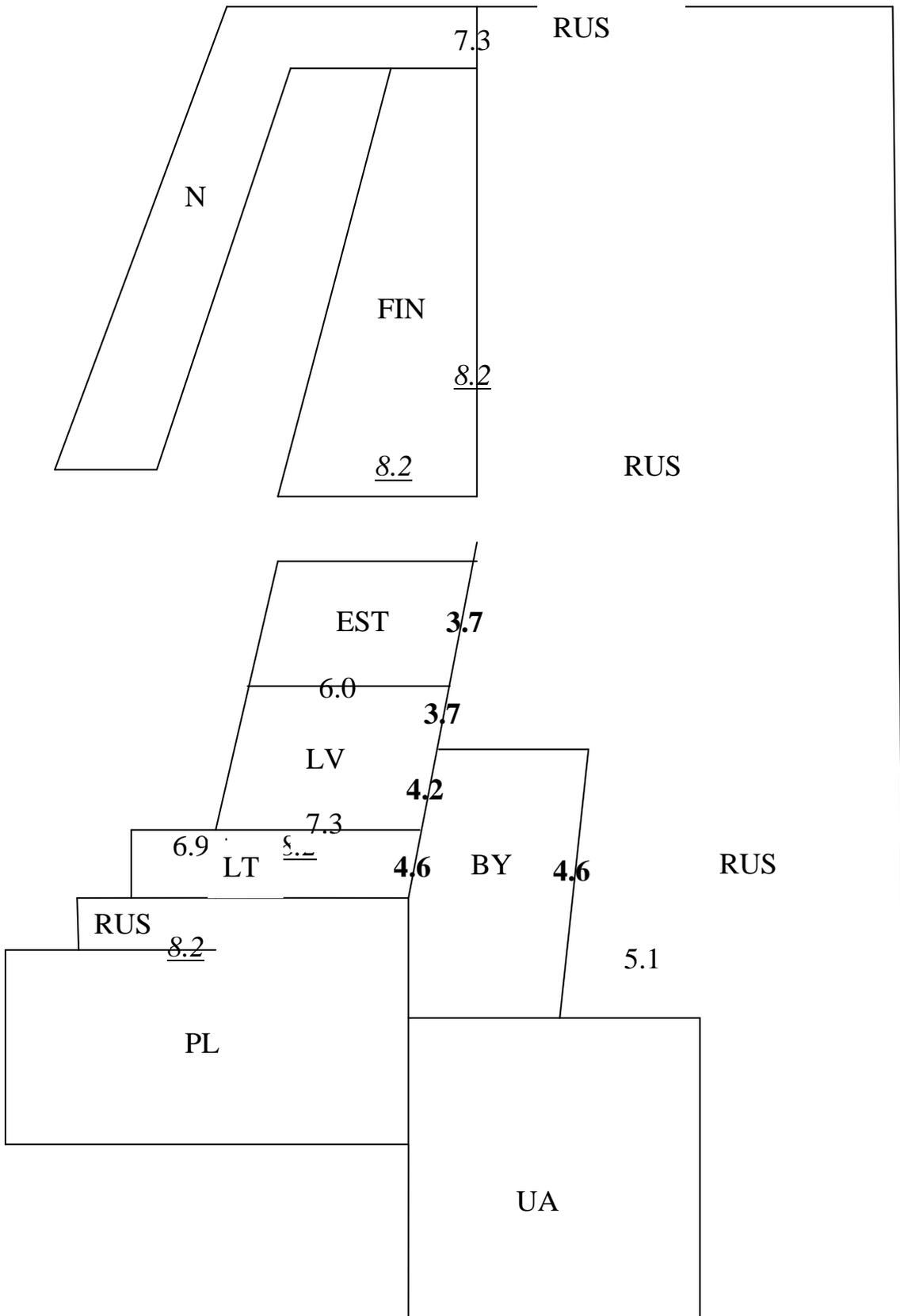
Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Diagram 10 – 4/OT dimension – Institutional obstacles to cross-border cooperation



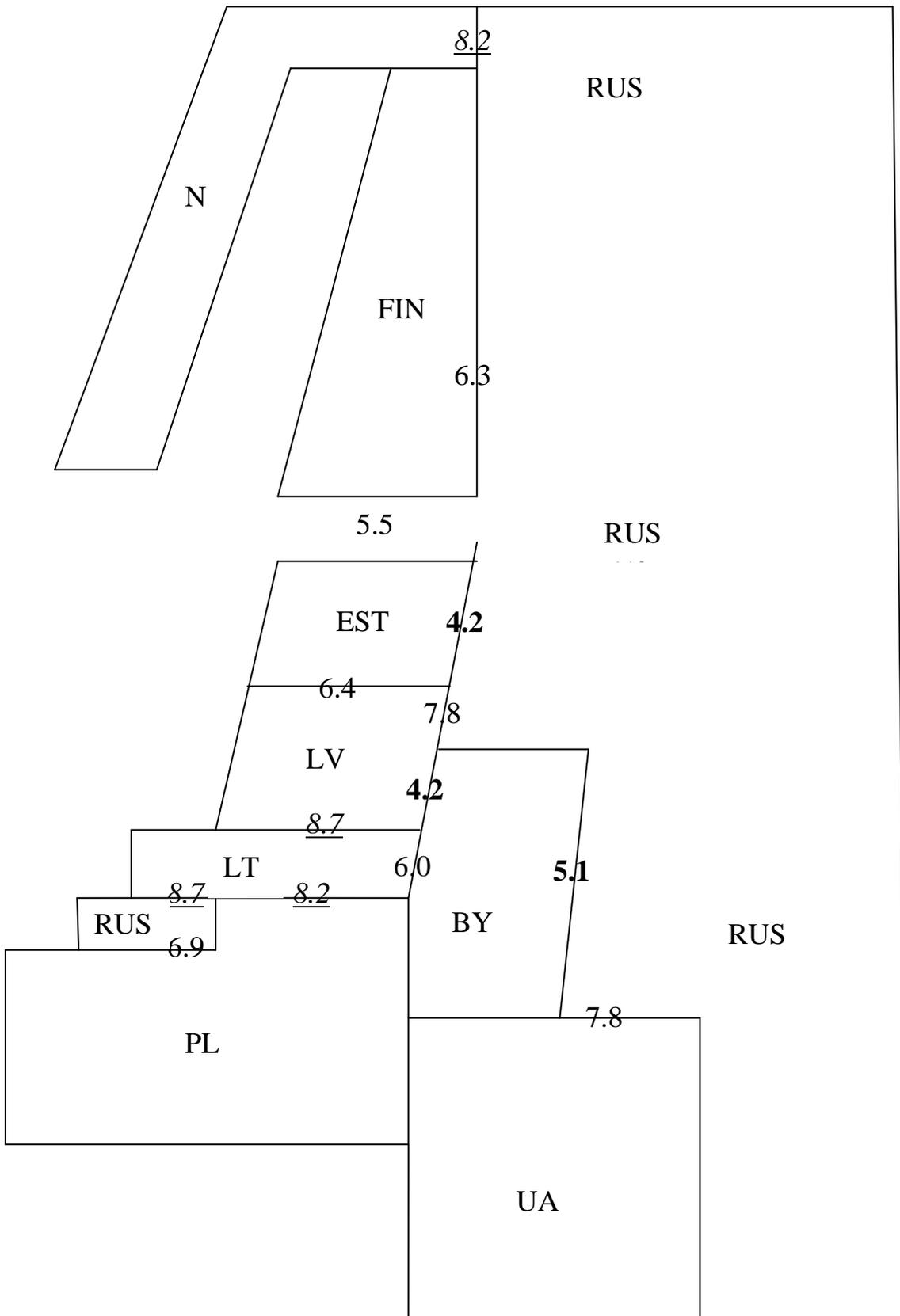
Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Diagram 11– 8/OT dimension – Administrative factors for effective cross-border cooperation



Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

Diagram 12 – 7/OT dimension – Institutional obstacles to cross-border cooperation



Key: marks in bold indicate the lowest means ($< m - 1 \sigma$)
marks in underlined italics indicate the highest means ($> m + 1 \sigma$)

In Table 5 the relation between the external and internal dimensions shows how internal positives (6.8) generally prevail over external negatives (5.4). Our analysis can focus on the top and bottom marks scored by certain countries (Tables 4 and 5).

The highest marks for internal dimensions are found in *Finland*, where the internal average is 8.6 and the external average 4.6. The gap between the two is wide (ratio = 1.87). High marks concern all the internal dimensions (above all, propensity for cooperation, dimension 1) (9.7), while only one mark is above average among the external dimensions (administrative factors, dimension 8) (8.2). National cross-border cooperation policies are rather weak, while the action of civil society is clearly effective in the areas bordering with Estonia and Russia.

A similar scenario concerns the borders between *Estonia* and Finland, Russia and Latvia: the only difference is in the lower average marks for the internal (8.0) and external (4.5) dimensions.

Even though *Ukraine* is only taken into account for its Russian border, the marks scored by this area, however low (7.7 for internal dimensions and 6.1 for external ones), follow a similar pattern. The positive traits of these internal values had already been assessed in a previous study of cross-border cooperation in Central Europe.

Norway too is only considered for its border with Russia; the internal marks are quite high (6.8), except for negative stereotypes and linguistic barriers (dimension 6) (2.5).

Russia has six border areas (with Ukraine, Belarus, Estonia, Latvia, Finland and Norway), excluding two other borders (the Russian Oblast' of Kaliningrad). In all of the areas the internal and external marks are balanced (6.6, 5.5).

The *Kaliningrad Oblast'* of Russia scores low marks, primarily because they are an average between Lithuania's high ones (7.2, see Table 3) and Poland's negative ones (4.2, see Table 3). In this Russia border, the external score is the same both with Lithuania and with Poland (5.4).

Finally, *Belarus* scores negative internal marks with Latvia, Lithuania and Russia (5.4), as well as in the external dimensions (4.6). The three cross-border areas' specific marks include Russia's, the highest at 7.2 and Latvia's, the lowest at 3.9.

In the Baltic region, cooperation policies seem to be quite well-integrated, with strong positive values in the internal dimensions. National policies seem to be integrated more in their strong negative dimension marks, which represent obstacles to the development of effective cooperation systems.

4. SWOT variables for the fourteen cross-border areas of the Northern European region.

After comparing cross-border cooperation in the fourteen areas, so far analysed using ten dimensions, it is now necessary to consider each area individually, describing in detail the cooperation previously analysed with the SWOT method, in order to outline strategies and measures appropriate to the development of positive cross-border cooperation.

The area-based analysis takes into account: 1) the distribution of indicators according to whether they correspond to *SWOT variables*, *halo* (positive or negative), or *non-relevant* indicators; 2) the SWOT positive/negative and internal/external categories; 3) and the SWOT variables by denomination.

These data make it possible to identify the most effective action strategy for each individual cooperation process.

4.1 Prospects for “good” cross-border cooperation between Belarus and Latvia

The 53 cross-border analysis indicators listed by type:

		n.	%
– <i>SWOT variables</i> indicators		17	32.1
– <i>Halo effect</i> indicators	positive	13	
	negative	<u>16</u>	54.7
– <i>Non-relevant</i> indicators		<u>7</u>	<u>13.2</u>
		53	100.0

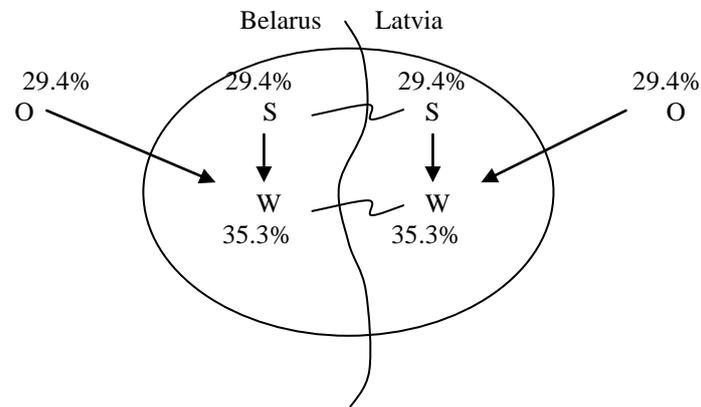
The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	5	5	10	58.8
Negative (WT)	6	1	7	41.2
Total	11	6	17	
%	64.7	35.3		100.0

Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
1. Propensity for cross-border cooperation of manufacturing industry operators	+++	1	x			
2. Propensity for cross-border cooperation of commercial operators	+++	1	x			
12. Cross-border relations for the economy and work	+++	3	x			
6. Coordination between different national and local administrative sectors	++	2		x		
8. Coordination between central administrations	++	2		x		
44. Presence of “filter” borders (free movement of people and goods) with positive effects for both countries	++	9		x		
31. Presence of negative national and/or regional stereotypes	+	6		x		
32. Linguistic barriers	+	6		x		
50. Common language or widespread knowledge of the neighbouring country’s language, in at least one country	+	10	x			
52. Tradition of cooperation	+	10	x			
53. Good transboundary transport routes (geomorphology, passes, types of transport)+		10		x		
External variables						
29. Customs and tax issues	+++	5			x	
18. Differing competence on either side of the border	++	4			x	
19. Restrictive regulations on cross-border relations	++	4			x	
23. Different political-ideological orientation	++	4			x	
36. Signatory of the 1998 Second Protocol to the Madrid Convention	+	7				x
51. Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10			x	
		<u>5</u>	<u>6</u>	<u>5</u>	<u>1</u>	

The SWOT analysis shows that the situation of the cross-border area between Belarus and Latvia is dominated by an extended *halo*, as more than half of the indicators form the context of the cooperation. As far as SWOT variables are concerned, strengths (S) and opportunities (O) prevail (total 58.8%), although there are many negative internal variables (weaknesses – W) (35.3%). This suggests that use should be made of the *second strategy*, focusing on overcoming internal weaknesses.



This strategy entails implementing a set of specific actions aimed at overcoming such negative factors. The main guidelines are:

- (1) Vocational training courses for local organisation staff and coordination between local administrations on either side of the border, and between local and central administrations;
- (2) Cultural programmes aimed at fostering mutual knowledge and understanding of each other's history, in order to tackle negative stereotypes;
- (3) Implementation of practical action to improve mutual knowledge of each other's language, in order to eliminate communication barriers;
- (4) Policies aimed at easing customs policies, promoting free movement of goods and people;
- (5) Investments to improve transboundary communication and transport routes, in order to further integrate cross-border areas.

To support this action strategy, the *Cross-border Euroregion* and the *Functional Network Euroregion* constitute essential tools for implementing the five above-mentioned action guidelines.

4.2. Prospects for “good” cross-border cooperation between Belarus and Lithuania

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		15	28.3
– Halo effect indicators	positive	4	
	negative	<u>22</u>	49.1
– Non-relevant indicators		<u>12</u>	<u>22.6</u>
		53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	-	2	2	13.3
Negative (WT)	7	6	13	86.7
Total	7	8	15	
%	46.7	53.3		100.0

Denomination of SWOT variables:

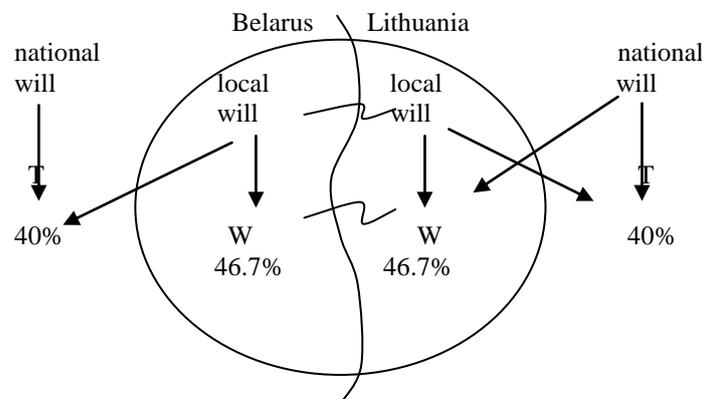
Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
14. Cross-border relations for education and culture	+++	3		x		
15. Cross-border relations for everyday services	+++	3		x		
8. Coordination between central administrations	++	2		x		
44. Presence of “filter” borders (free movement of people and goods) with positive effects for both countries	++	9		x		
45. Integrable economies, characterised by complementary features	++	9		x		
46. Economic action not exclusively oriented towards and depending on central administration	++	9		x		
48. Good road, rail and waterway networks and transport connections	++	9		x		

External variables

25. Uneven development levels or rates	+++	5	x
28. Labour market protection	+++	5	x
29. Customs and tax issues	+++	5	x
17. Lack of adequate structures for cross-border cooperation	++	4	x
18. Differing competence on either side of the border	++	4	x
23. Different political-ideological orientation	++	4	x
39. Official definition of cross-border areas	++	8	x
37. Internationally recognised borders	+	7	x

- $\frac{7}{2}$ $\frac{6}{6}$

The SWOT analysis shows that the situation of the cross-border area between Belarus and Lithuania is dominated by an extended *halo*, as almost half of the indicators (49.1%) form the context. In addition, this context *halo* is strongly negative (22 out of 26 indicators are negative). Similarly, negative SWOT variables prevail – also in terms of weaknesses (W) and threats (T). In this context cooperation is not attainable with any of the five strategies because of the lack of internal positive conditions: here, it is suggested to put in place the *sixth strategy*, already found in the Balkan-Danube areas. Under this action strategy, positives are a result not of pre-existing internal situations, but of local and national willingness.



With this emergency strategy the main guidelines are:

- (1) Create vocational training courses and, more broadly, common cultural and information channels in order to enhance the credibility of cooperation organisations and mutual knowledge and trust;
- (2) Encourage relations between production sectors on either side of the border (including spatial planning, transport and telecommunications, tourism, education and culture, everyday services, as well as the economy and the labour market);
- (3) Plan administrative strategies to improve the competences of local authorities, enhance administration skills and increase financial independence in local organisations;
- (4) Policies aimed at the integration of local economies and access to European projects;
- (5) Promote communication infrastructures, such as transport routes and road, rail and waterway networks;

- (6) Improve transboundary routes and transport links to enhance freedom of movement of people and goods.

In this context, where the central administrations prove willing to cooperate, there is an urgent need to implement such action strategies. In the short term it is very important to enable the *Cross-border Euroregion* and enhance the *Macro Infrastructures Euroregion*. In the medium term it will also be necessary to enable the *Functional Network Euroregion*.

4.3. Prospects for “good” cross-border cooperation between Belarus and Russia

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		18	34.0
– Halo effect indicators	positive	17	
	negative	<u>10</u>	50.9
– Non-relevant indicators		<u>8</u>	<u>15.1</u>
		53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	9	-	9	50.0
Negative (WT)	4	5	9	50.0
Total	13	5	18	
%	72.2	27.8		100.0

Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
1. Propensity for cross-border cooperation of manufacturing industry operators	+++	1	x			
3. Propensity for cross-border cooperation of socio-cultural operators	+++	1	x			
10. Cross-border relations for the environment and spatial planning	+++	3	x			
44. Presence of “filter” borders (free movement of people and goods) with positive effects for both countries	++	3	x			
46. Economic action not exclusively oriented towards and depending on central administration	++	9		x		
47. Significant participation in Interreg/Phare projects	++	9	x			
48. Good road, rail and waterway networks and transport connections	++	9	x			

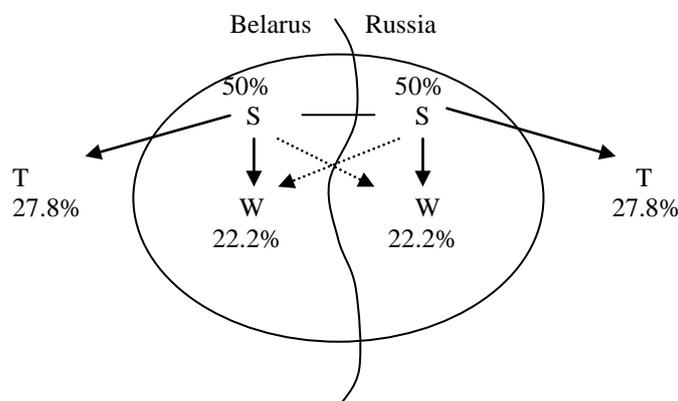
31. Presence of negative national and/or regional stereotypes	+	6		x
32. Linguistic barriers	+	6		x
33. Weak or absent response to socio-cultural opportunities for cross-border cooperation	+	6		x
49. Common historical background and absence of stereotypes	+	10	x	
50. Common language or widespread knowledge of the neighbouring country's language, in at least one country	+	10	x	
52. Tradition of cooperation	+	10	x	

External variables

30. Weak or absent response to economic opportunities for cross-border cooperation+++				x
17. Lack of adequate structures for cross-border cooperation	++	4		x
19. Restrictive regulations on cross-border relations	++	4		x
41. Local authorities' cooperation with foreign partners++			8	x
37. Internationally recognised borders	+	7		x
		9	4	5

The SWOT analysis shows that the situation of the cross-border area between Belarus and Russia is dominated by an extended *halo* (mostly positive), which includes almost half the indicators. The number of non-relevant indicators, especially with regard to relations between production sectors (dimension 3) and cooperation between the two sides of the cross-border area (dimension 2), is also fairly high.

The SWOT variables concern one-third of the indicators analysed (34%). The vast majority of these variables relate to internal factors (72.2%), while the ratio between positives and negatives is balanced, with all the positives concerning the internal dimensions of the area and the negatives concerning both internal and external dimensions. Moreover, the external factors are exclusively negative. This suggests that the most appropriate *strategy* would be the *fourth*, which focuses on control of negative factors.



The fourth strategy is a rather limited one due to the lack of opportunities and includes multiple action areas, among which the following:

- (1) Implementation of cultural policies to tackle regional and national negative stereotypes;
- (2) Policies aimed at easing customs policies, promoting free movement of goods and people;
- (3) Introducing open regulations in matters of transboundary relations;
- (4) Creation of cooperation infrastructures;
- (5) Planning administrative strategies to improve the competences of local authorities (especially in international relations), enhance administrative skills and increase financial independence in local organisations;
- (6) Creation of support plans for relation-building between institutions and business sectors such as tourism, the economy, education and culture, alongside access to European projects.

This set of action strategies can benefit from the support of the *Cross-border Euroregion* as well as the *Functional Networks* and *Macro Infrastructures Euroregions*.

4.4 Prospects for “good” cross-border cooperation between Estonia and Latvia

The 53 cross-border analysis indicators listed by type:

	n.	%
– SWOT variables indicators	33	62.3
– Halo effect indicators		
positive	11	
negative	<u>2</u>	24.5
– Non-relevant indicators	<u>7</u>	<u>13.2</u>
	53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	15	4	19	57.6
Negative (WT)	-	14	14	42.4
Total	15	18	33	
%	45.5	54.5		100.0

Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
1. Propensity for cross-border cooperation of manufacturing industry operators	+++	1	x			
2. Propensity for cross-border cooperation of commercial operators	+++	1	x			
4. Propensity for cross-border cooperation of institutional operators	+++	1	x			
9. Cross-border relations for institutional purposes	+++	3	x			

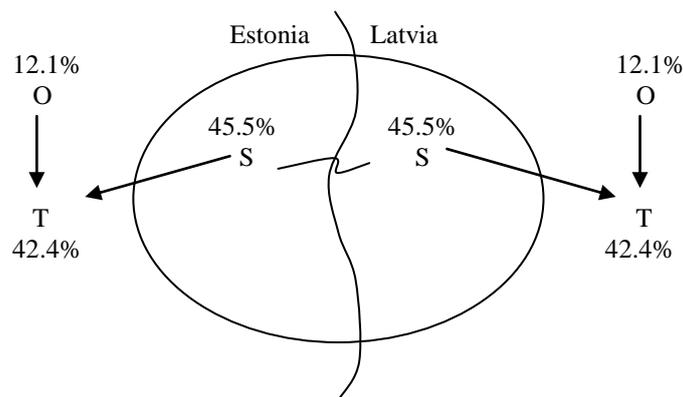
10. Cross-border relations for the environment and spatial planning	+++	3	x	
14. Cross-border relations for education and culture	+++	3	x	
15. Cross-border relations for everyday services	+++	3	x	
7. Coordination between local bodies and social and economic stakeholders	++	2	x	
8. Coordination between central administrations	++	2	x	
44. Presence of “filter” borders (free movement of people and goods) with positive effects for both countries	++	9	x	
47. Significant participation in Interreg/Phare projects	++	9	x	
33. Weak or absent response to socio-cultural opportunities for cross-border cooperation	+	6	x	
49. Common historical context and absence of stereotypes	+	10	x	
52. Tradition of cooperation	+	10	x	
53. Good transboundary transport routes (geomorphology, passes, types of transport)	+	10	x	
External variables				
25. Uneven development levels or rates	+++	5		x
26. Technology gap	+++	5		x
27. Business shutdowns due to dominant competition	+++	5		x
28. Labour market protection	+++	5		x
29. Customs and tax issues	+++	5		x
17. Lack of adequate structures for cross-border cooperation	++	4		x
18. Differing competence on either side of the border	++	4		x
19. Restrictive regulations on cross-border relations	++	4		x
20. Lack of credibility of cooperation organisations	++	4		x
21. Low mutual knowledge and trust	++	4		x
22. Insufficient financial resources	++	4		x
23. Different political-ideological orientation	++	4		x
24. Weak or absent response to institutional opportunities for cross-border cooperation	++	4		x
39. Official definition of cross-border areas	++	8	x	
36. Signatory of the 1998 Second Protocol to the Madrid Convention	+	7		x
37. Internationally recognised borders	+	7	x	

38. Institutional and legal framework (EU requirements)	+	7	x
51. Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10	x
		<hr style="width: 100px; margin: 0 auto;"/>	<hr style="width: 100px; margin: 0 auto;"/>
		15	- 4 14

The Estonia-Latvia cross-border area is characterised by the predominance of SWOT variables (62.3% of all the indicators), present to a far greater extent than both the *halo* (24.5%) and the non-relevant indicators.

This suggests that the chosen indicators are likely to give a true picture of real standards of cooperation in the specific area.

This cross-border area features polarised scores: all the internals are positive, and almost all the externals are negative, representing an unfavourable national or international context (14 out of 18). A non-collaborative external context coexists with clearly effective internal cooperation. In this situation, local cooperation is not expected to develop in the medium or even long term until political and institutional measures are taken to provide supportive regulations and structures so as to foster cross-border national and international relations. This points to implementation of the *third strategy*, aimed at environmental monitoring.



This strategy entails implementing a set of specific actions with which a cross-border area may influence central administrations. The main guidelines are:

- (1) Policy planning to decrease gaps in economic and technological development and protection of both labour markets and to deal with tax and customs issues;
- (2) Policy planning to improve regulations and the competences of local organisations, and to enhance the credibility of cooperation organisations and access to financial resources.

The most effective tools to foster cooperation under this scenario are the *Macro Infrastructures and Strategies Euroregion* and the *Functional Networks Euroregion*.

4.5. Prospects for “good” cross-border cooperation between Estonia and Finland

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		41.	72.3
– Halo effect indicators	positive	9	
	negative	<u>1</u>	18.9
– Non-relevant indicators		<u>2</u>	<u>3.8</u>
		53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	23	4	27	65.9
Negative (WT)	-	14	14	34.1
Total	23	18	41	
%	56.1	43.9		100.0

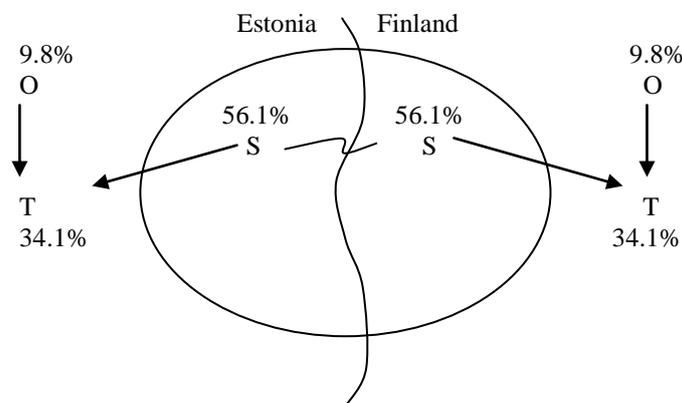
Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
1. Propensity for cross-border cooperation of manufacturing industry operators	+++	1	x			
2. Propensity for cross-border cooperation of commercial operators	+++	1	x			
3. Propensity for cross-border cooperation of socio-cultural operators	+++	1	x			
4. Propensity for cross-border cooperation of institutional operators	+++	1	x			
9. Cross-border relations for institutional purposes	+++	3	x			
10. Cross-border relations for the environment and spatial planning	+++	3	x			
11. Cross-border relations for transport and telecommunications	+++	3	x			
12. Cross-border relations for the economy and work	+++	3	x			
13. Cross-border relations for tourism	+++	3	x			
14. Cross-border relations for education and culture	+++	3	x			
15. Cross-border relations for everyday services	+++	3	x			
7. Coordination between local bodies and social and economic stakeholders	++	2	x			
8. Coordination between central administrations	++	2	x			

44. Presence of “filter” borders (free movement of people and goods) with positive effects for both countries	++	9	x	
45. Integrable economies, characterised by complementary features	++	9	x	
47. Significant participation in Interreg/Phare projects	++	9	x	
48. Good road, rail and waterway networks and transport connections	++	9	x	
31. Presence of negative national and/or regional stereotypes	+	6	x	
32. Linguistic barriers	+	6	x	
49. Common historical background and absence of stereotypes	+	10	x	
50. Common language or widespread knowledge of the neighbouring country’s language, in at least one country	+	10	x	
52. Tradition of cooperation	+	10	x	
53. Good transboundary transport routes (geomorphology, passes, types of transport)+		10	x	
External variables				
26. Technology gap	+++	5		x
27. Business shutdowns due to dominant competition	+++	5		x
28. Labour market protection	+++	5		x
29. Customs and tax issues	+++	5		x
30. Weak or absent response to economic opportunities for cross-border cooperation	+++	5		x
18. Differing competence on either side of the border	++	4		x
19. Restrictive regulations on cross-border relations	++	4		x
20. Lack of credibility of cooperation organisations	++	4		x
21. Low mutual knowledge and trust	++	4		x
22. Insufficient financial resources	++	4		x
23. Different political-ideological orientation	++	4		x
24. Weak or absent response to opportunities for cross-border cooperation	++	4		x
39. Official definition of cross-border areas	++	8		x
35. Signatory of the 1995 Additional Protocol to the Madrid Convention	+	7		x
36. Signatory of the 1998 Second Protocol to the Madrid Convention	+	7		x

37. Internationally recognised borders	+	7	x
38. Good institutional and legal framework (EU requirements)	+	7	x
51. Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10	x
		<u>23</u>	<u>14</u>
		-	4

The SWOT analysis shows that, in the Estonia-Finland cross-border area, the SWOT variables cover almost the whole range of indicators: 41 variables out of 53 indicators. However, in this case, as for Estonia-Latvia, the variables are polarised according to the same pattern of internal positives and external negatives. This points to implementation of the *third strategy*, which consists in using existing internal positives to tackle external negatives, turning them first into positive *halo* values, and then into positive SWOT variables.



This strategy entails implementing a set of specific actions with which a cross-border area may influence central administrations. The main guidelines are:

- (1) Policy planning to decrease gaps in economic and technological development and protection of both labour markets and to deal with tax and customs issues;
- (2) Policy planning to improve regulations and the competences of local organisations, and to enhance the credibility of cooperation organisations and access to financial resources;
- (3) Encourage central administration to accede to the two additional protocols (1995 and 1998) of the Madrid Convention.

The most effective tools to foster cooperation under this scenario are the *Macro Infrastructures and Strategies Euroregion* and the *Functional Networks Euroregion*.

4.6. Prospects for “good” cross-border cooperation between Estonia and Russia

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		4	7.6
– Halo effect indicators	positive	21	
	negative	<u>21</u>	79.2
– Non-relevant indicators		<u>7</u>	<u>13.2</u>
		53	100.0

The SWOT variables, to which the *halo* indicators are added, are configured as follows:

		Internal to the area (SW and <i>halo</i>)	External to the area (OT and <i>halo</i>)	Total	%
Positive	<i>halo indicators</i>	10	11		
	SO variables	=	10	2	13
				23	50,0
Negative	<i>halo indicators</i>	13	8		
	WT variables	=	13	2	10
				23	50,0
Total		23	23	46	
%		50.0	50.0		100.0

Denomination of SWOT variables (x) and *halo* indicators (x/2):

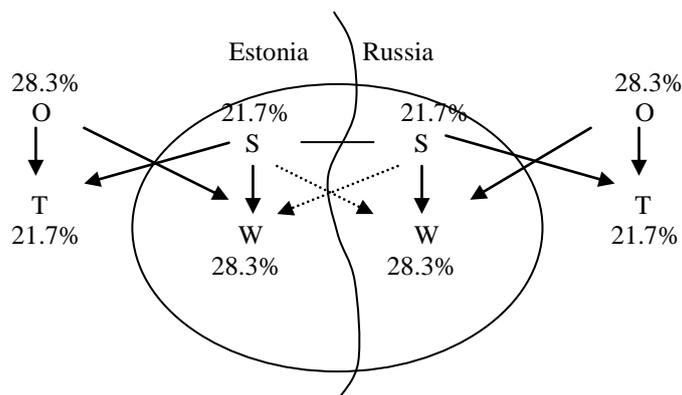
Denomination	Relevance	Dimension	S	W	O	T
Internal variables/indicators						
1. Propensity for cross-border cooperation of manufacturing industry operators	+++	1		x/2		
2. Propensity for cross-border cooperation of commercial operators	+++	1	x/2			
3. Propensity for cross-border cooperation of socio-cultural operators	+++	1	x/2			
4. Propensity for cross-border cooperation of institutional operators	+++	1		x/2		
9. Cross-border relations for institutional purposes	+++	3		x/2		
10. Cross-border relations for the environment and spatial planning	+++	3		x/2		
11. Cross-border relations for transport and telecommunications	+++	3	x/2			
13. Cross-border relations for tourism	+++	3	x/2			
14. Cross-border relations for education and culture	+++	3		x/2		
15. Cross-border relations for everyday services	+++	3		x/2		
6. Coordination between different national and local administrative sectors	++	2		x/2		
7. Coordination between local bodies and social and economic stakeholders	++	2	x/2			
44. Presence of “filter” borders (free movement of people and goods) with positive effects for both countries	++	9		x/2		
45. Integrable economies, characterised by complementary features	++	9		x/2		

46. Economic action not exclusively oriented towards and depending on central administration	++	9		x/2
47. Significant participation in Interreg/Phare projects	++	9		x/2
48. Good road, rail and waterway networks and transport connections	++	9	x/2	
31 Presence of negative national and/or regional stereotypes	+	6	x/2	
32 Linguistic barriers	+	6		x/2
33 Weak or absent response to socio-cultural opportunities for cross-border cooperation	+	6	x/2	
50 Common language or widespread knowledge of the neighbouring country's language, in at least one country	+	10	x/2	
52 Tradition of cooperation	+	10	x/2	
53 Good transboundary transport routes (geomorphology, passes, types of transport)+		10		x/2
External variables/indicators				
25. Uneven development levels or rates	+++	5		x/2
26. Technology gap	+++	5		x/2
27. Business shutdowns due to dominant competition	+++	5		x/2
29. Customs and tax issues	+++	5		x/2
30. Weak or absent response to economic opportunities for cross-border cooperation	+++	5		x/2
16. State centralisation	++	4		x/2
17. Lack of adequate structures for cross-border cooperation	++	4		x/2
18. Differing competence on either side of the border	++	4		x/2
20. Lack of credibility of cooperation organisations	++	4		x/2
21 Low mutual knowledge and trust	++	4		x/2
22 Insufficient financial resources	++	4		x/2
23 Different political-ideological orientation	++	4		x
24 Weak or absent response to institutional opportunities for cross-border cooperation	++	4		x/2
39 Official definition of cross-border areas	++	8		x
40 Non-centralised countries with relevant government powers devolved to local authorities	++	8		x/2
41 Local authorities' cooperation with foreign partners	++	8		x/2
42 Local authorities with competent management	++	8		x/2
43 Local authorities with autonomous financial administration	++	8		x/2
35 Signatory of the 1995 Additional Protocol to the Madrid Convention	+	7		x/2

36	Signatory of the 1998 Second Protocol to the Madrid Convention	+	7	x/2
37	Internationally recognised borders	+	7	x
38	Good institutional and legal framework (EU requirements)	+	7	x/2
51	Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10	x
			$\overline{10}$	$\overline{13}$
			$\overline{13(2)}$	$\overline{10(2)}$

The SWOT analysis shows that, in the Estonia-Russia cross-border area, the SWOT variables number is so low (only 4) that detailed analysis of the state of cooperation is impossible. Despite this still very low SWOT variables number, the area is clearly going through a phase of rapid development, a positive trend confirmed when positive and negative *halo effects* are added to the SWOT variables. If the *halo* indicators are also considered to constitute cooperation elements, 46 elements become relevant indicators, equally balanced between strengths (10), weaknesses (13), opportunities (13) and threats (10).

In this case, the most appropriate *strategy* is the *fourth*, bearing in mind implicit resources to be turned into SWOT variables in the short term.



Use of the *fourth strategy* in the Estonia-Russia cross-border area necessitates specific adjustments, among which:

- (1) Policy planning to strengthen the relevance of positive *halo* indicators;
- (2) Policy planning to mitigate negative *halo* indicators;
- (3) Enhancement of relations between stakeholders in sectors such as the environment and spatial planning, institutions, education and culture, everyday services;
- (4) Policy planning for devolution of powers and financial independence;
- (5) Policy planning to overcome development and technology gaps, and deal with tax and customs issues;
- (6) Access to EU programmes for which both areas are eligible;
- (7) Policies aimed at easing customs policies, promoting free movement of goods and people.

The support of all three types of *Euroregion* is required: *Cross-border*, *Functional Networks*, and *Macro Infrastructures*.

4.7. Prospects for “good” cross-border cooperation between Finland and Russia

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		20	37.7
– Halo effect indicators	positive	17	
	negative	<u>13</u>	56.6
– Non-relevant indicators		<u>3</u>	<u>5.7</u>
		53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	8	5	13	65.0
Negative (WT)	-	7	7	35.0
Total	8	12	20	
%	40.0	60.0		100.0

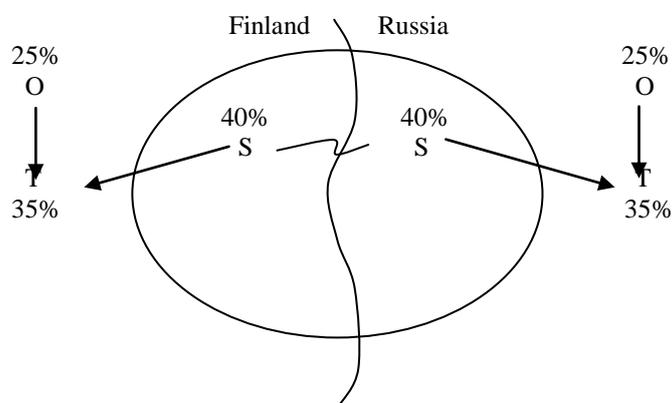
Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
1 Propensity for cross-border cooperation of manufacturing industry operators	+++	1	x			
2 Propensity for cross-border cooperation of commercial operators	+++	1	x			
4 Propensity for cross-border cooperation of institutional operators	+++	1	x			
11 Cross-border relations for transport and telecommunications	+++	3	x			
6 Coordination between different national and local administrative sectors	++	2	x			
8 Coordination between central administrations	++	2	x			
47 Significant participation in Interreg/Phare projects	++	9	x			
52 Tradition of cooperation	+	10	x			
External variables						
28 Labour market protection	+++	5				x
30 Weak or absent response to economic opportunities for cross-border cooperation	+++	5				x
16 State centralisation	++	4				x
18 Different competence on either side of the border	++	4				x

19 Restrictive regulations on cross-border relations	++	4		x
20 Lack of credibility of cooperation organisations	++	4		x
21 Low mutual knowledge and trust	++	4		x
41 Local authorities' cooperation with foreign partners	++	8		x
34 Signatory of the 1980 Madrid Convention	+	7		x
37 Internationally recognised borders	+	7		x
38 Good institutional and legal framework (EU requirements)	+	7		x
51 Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10		x
			$\overline{8}$	$\overline{5}$
			-	$\overline{7}$

The SWOT analysis shows that, in the Finland-Russia cross-border area, the number of *halo* indicators is definitely higher than the number of SWOT variables. However, positives (65%) prevail over negatives in both SWOT variables and *halo* indicators. As is often the case with countries located between the West and former Soviet Russia, negatives only concern the external context.

The most suitable *strategy* is the *third*.



This strategy entails implementing a set of specific actions with which a cross-border area may influence central administrations. The main guidelines are:

- (1) Policy planning to reduce gaps in economic and technological development and protection of both labour markets, deal with tax and customs issues and strengthen the positive response to cross-border cooperation;
- (2) Policy planning to improve regulations and the competences of local organisations, and to enhance the credibility of cooperation organisations and access to financial resources. In addition, these policies aim to strengthen mutual knowledge;
- (3) Encourage central administration to accede to the two additional protocols (1995 and 1998) of the Madrid Convention.

In this situation, the most effective types of *Euroregion* are the *Functional Networks Euroregion* and the *Macro Infrastructures Euroregion*.

4.8. Prospects for “good” cross-border cooperation between Lithuania and Poland

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		17	32.1
– Halo effect indicators	positive	24	
	negative	<u>10</u>	64.1
– Non-relevant indicators		<u>2</u>	<u>3.8</u>
		53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	8	9	17	100.0
Negative (WT)	-	-	-	-
Total	8	9	17	
%	47.1	52.9		100.0

Denomination of SWOT variables:

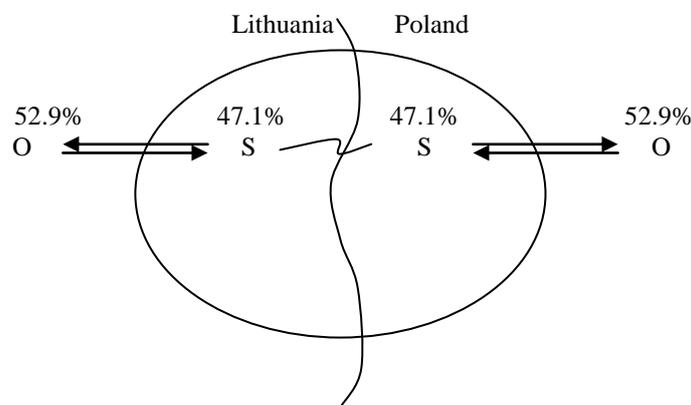
Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
2. Propensity for cross-border cooperation of manufacturing industry operators	+++	1	x			
9. Cross-border relations for institutional purposes	+++	3	x			
13. Cross-border relations for tourism	+++	3	x			
7. Coordination between local bodies and social and economic stakeholders	++	2	x			
44. Presence of “filter” borders (free movement of people and goods) with positive effects for both countries	++	9	x			
47. Significant participation in Interreg/Phare projects	++	9	x			
33. Weak or absent response to socio-cultural opportunities for cross-border cooperation	+	6	x			
52. Tradition of cooperation	+	10	x			

External variables

28. Labour market protection	+++	5	x
29. Customs and tax issues	+++	5	x
23. Different political-ideological orientation	++	4	x
24. Weak or absent response to institutional opportunities for cross-border cooperation	++	4	x
39. Official definition of cross-border areas	++	8	x
34. Signatory of the 1980 Madrid Convention	+	7	x
37. Internationally recognised borders	+	7	x
38. Good institutional and legal framework (EU requirements)	+	7	x
51. Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10	x

8 - 9 -

The SWOT analysis shows that the Lithuania-Poland cross-border area has a higher number of *halo* indicators (64.1%) than SWOT variables (32.1%). However, the SWOT variables are all positive, as are 70.6% of the *halo* indicators. Moreover, these positives are equally present in the internal and external dimensions. This suggests that the most appropriate *strategy* would be the *first*, aimed at strengthening positives.



This strategy entails implementing a set of actions to improve the positives. Some guidelines specifically aimed at reducing the effects of a negative *halo*:

- (1) Policy planning for devolution of powers and financial independence, granting autonomy and access to appropriate structures;
- (2) Implementation of cultural policies to tackle regional and national negative stereotypes;
- (3) Implementation of practical action to improve mutual knowledge of each other's language, in order to eliminate communication barriers.

In this situation, the most effective types of *Euroregion* are the *Cross-border Euroregion* and the *Macro Infrastructures Euroregion*.

4.9. Prospects for “good” cross-border cooperation between Lithuania and Russia/Kaliningrad

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		15	28.3
– Halo effect indicators	positive	16	
	negative	<u>14</u>	56.6
– Non-relevant indicators		<u>8</u>	<u>15.1</u>
		53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	8	4	12	80.0
Negative (WT)	-	3	3	20.0
Total	8	7	15	
%	53.3	46.7		100.0

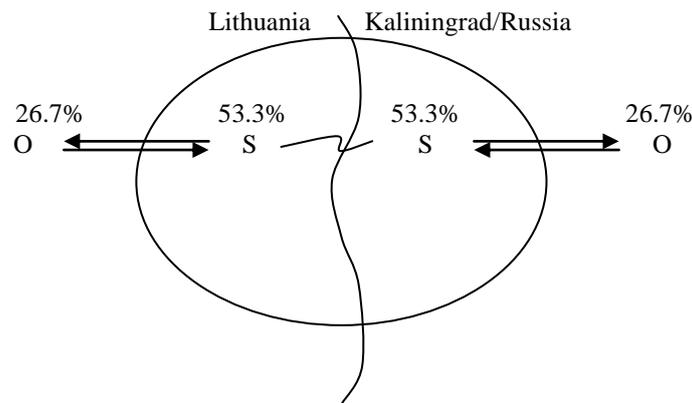
Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
1. Propensity for cross-border cooperation of manufacturing industry operators	+++	1	x			
2. Propensity for cross-border cooperation of commercial operators	+++	1	x			
47. Significant participation in Interreg/Phare projects	++	9	x			
48. Good road, rail and waterway networks and transport connections	++	9	x			
32. Linguistic barriers	+	6	x			
50. Common language or widespread knowledge of the neighbouring country’s language, in at least one country	+	10	x			
52. Tradition of cooperation	+	10	x			
53. Good transboundary transport routes (geomorphology, passes, types of transport)		+	10	x		

External variables

28. Labour market protection	+++	5	x
29. Customs and tax issues	+++	5	x
19. Restrictive regulations on cross-border relations	++	4	x
39. Official definition of cross-border areas	++	8	x
34. Signatory of the 1980 Madrid Convention	+	7	x
37. Internationally recognised borders	+	7	x
51. Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10	x
		8	-
		4	3

The SWOT analysis shows that the Lithuania-Russia (Kaliningrad) cross-border area is characterised by a far higher number of *halo* indicators (56.6%) than SWOT variables (28.3%). However, positives (52.8%) prevail over negatives as far as both SWOT variables and *halo* indicators are concerned. Moreover, these positives are equally divided between the internal and external dimensions of the area. This suggests that the most appropriate *strategy* would be the *first*.



This strategy entails implementing a set of actions to improve the positives. Some guidelines specifically aimed at reducing the effects of a negative *halo*:

- (1) Policy planning to improve regulations and the competences of local organisations, and enhance the credibility of cooperation organisations and access to financial resources. Moreover, these policies aim to strengthen mutual knowledge;
- (2) Policy planning to reduce gaps in economic development and protection of both labour markets and to deal with tax and customs issues.

In this situation, the most effective types of *Euroregion* are the *Cross-border Euroregion* and the *Macro Infrastructures Euroregion*.

4.10. Prospects for “good” cross-border cooperation between Latvia and Lithuania

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		34	64.1
– Halo effect indicators	positive	13	
	negative	<u>5</u>	34.0
– Non-relevant indicators		<u>1</u>	<u>1.9</u>
		53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	15	6	21	61.8
Negative (WT)	3	10	13	38.2
Total	18	16	34	
%	52.9	47.1		100.0

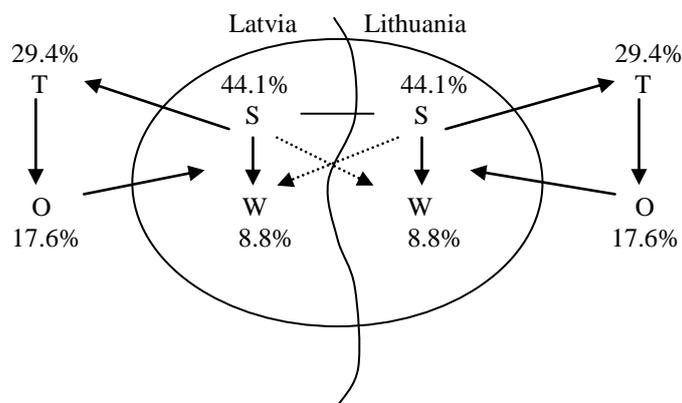
Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
1. Propensity for cross-border cooperation of manufacturing industry operators	+++	1	x			
2. Propensity for cross-border cooperation of commercial operators	+++	1	x			
4. Propensity for cross-border cooperation of institutional operators	+++	1	x			
9. Cross-border relations for institutional purposes	+++	3	x			
10. Cross-border relations for the environment and spatial planning	+++	3	x			
11. Cross-border relations for transport and telecommunications	+++	3	x			
12. Cross-border relations for the economy and work	+++	3	x			
13. Cross-border relations for tourism	+++	3	x			
8. Coordination between central administrations	++	2	x			
44. Presence of “filter” borders (free movement of people and goods) with positive effects for both countries	++	9		x		
47. Significant participation in Interreg/Phare projects	++	9	x			

48. Good road, rail and waterway networks and transport connections	++	9	x			
31. Presence of negative national and/or regional stereotypes	+	6		x		
32. Linguistic barriers	+	6		x		
49. Common historical context and absence of stereotypes	+	10	x			
50. Common language or widespread knowledge of the neighbouring country's language, in at least one country	+	10	x			
52. Tradition of cooperation	+	10	x			
53. Good transboundary transport routes (geomorphology, passes, types of transport)		+	10		x	
External variables						
25. Uneven development levels or rates	+++	5				x
26. Technology gap	+++	5				x
27. Business shutdowns due to dominant competition	+++	5				x
29. Customs and tax issues	+++	5				x
16. State centralisation	++	4			x	
18. Different competence on either side of the border	++	4				x
19. Restrictive regulations on cross-border relations	++	4				x
21. Low mutual knowledge and trust	++	4				x
22. Insufficient financial resources	++	4				x
23. Different political-ideological orientation	++	4				x
24. Weak or absent response to institutional opportunities for cross-border cooperation	++	4				x
39. Official definition of cross-border areas	++	8			x	
34. Signatory of the 1980 Madrid Convention	+	7			x	
35. Signatory of the 1995 Additional Protocol to the Madrid Convention	+	7			x	
38. Good institutional and legal framework (EU requirements)	+	7			x	
51. Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10			x	
			<u>15</u>	<u>3</u>	<u>6</u>	<u>10</u>

The SWOT analysis shows that the Latvia-Lithuania cross-border area has a very high number of SWOT variables (64.1% of the indicators), with a consequently thin *halo*. The situation is similar to that of the Estonia-Latvia cross-border area. However, there is a difference between the two border areas: whereas in the Estonia-Latvia area internal cooperation is very high and the negatives are related to the external context, in the Latvia-Lithuania area weaknesses concern internal cooperation

and the widespread presence of threats in the external context. For these reasons, the most appropriate *strategy* is the *fourth*.



This strategy entails implementing a set of actions to promote cross-border cooperation, asking central administration to enhance resources and regulations and to remove socio-cultural obstacles. The main guidelines are:

- (1) Policy planning to improve regulations and the competences of local organisations and to enhance the credibility of cooperation organisations, access to financial resources and mutual knowledge;
- (2) Policy planning to reduce gaps in economic and technological development and to deal with tax and customs issues;
- (3) Implementation of cultural policies to tackle regional and national negative stereotypes;
- (4) Implementation of practical action to improve mutual knowledge of each other’s language, in order to eliminate communication barriers.

The support of all three types of *Euroregion – Cross-border, Functional Networks, and Macro Infrastructures* – is necessary.

4.11. Prospects for “good” cross-border cooperation between Latvia and Russia

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		3	5.7
– Halo effect indicators	positive	17	
	negative	<u>25</u>	79.2
– Non-relevant indicators		<u>8</u>	<u>15.1</u>
			100.0

The SWOT variables, to which the *halo* indicators are added, are configured as follows:

		Internal to the area (SW)		External to the area (OT)		Total	%
Positive (SO)	<i>halo</i> SO variables	6	6	11	14	20	44.4
Negative (WT)	<i>halo</i> WT variables	19	19	6	6	25	55.6
Total		25		20		45	
%		55.6		44.4			100.0

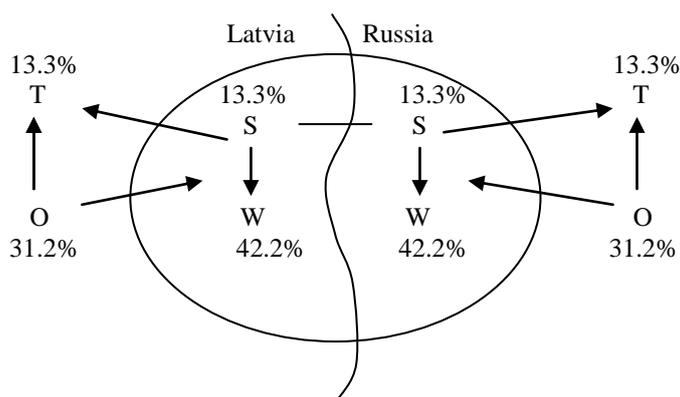
Denomination of SWOT variables (x) and *halo* indicators (x/2):

Denomination	Relevance	Dimension	S	W	O	T
Internal variables/indicators						
1. Propensity for cross-border cooperation of manufacturing industry operators	+++	1		x/2		
2. Propensity for cross-border cooperation of commercial operators	+++	1	x/2			
3. Propensity for cross-border cooperation of socio-cultural operators	+++	1		x/2		
4. Propensity for cross-border cooperation of institutional operators	+++	1		x/2		
9. Cross-border relations for institutional purposes	+++	3		x/2		
10. Cross-border relations for the environment and spatial planning	+++	3		x/2		
11. Cross-border relations for transport and telecommunications	+++	3	x/2			
12. Cross-border relations for the economy and work	+++	3		x/2		
13. Cross-border relations for tourism	+++	3		x/2		
14. Cross-border relations for education and culture	+++	3		x/2		
15. Cross-border relations for everyday services	+++	3		x/2		
5. Training of local bodies	++	2		x/2		
6. Coordination between different national and local administrative sectors	++	2	x/2			
7. Coordination between local bodies and social and economic stakeholders	++	2		x/2		
8. Coordination between central administrations	++	2		x/2		
45. Integrable economies, characterised by complementary features	++	9		x/2		

46. Economic action not exclusively oriented towards and depending on central administration	++	9		x/2
48. Good road, rail and waterway networks and transport connections	++	9	x/2	
31. Presence of negative national and/or regional stereotypes	++	6	x/2	
32. Linguistic barriers	+	6		x/2
33. Weak or absent response to socio-cultural opportunities for cross-border cooperation	+	6		x/2
49. Common historical context and absence of stereotypes	+	10		x/2
50. Common language or widespread knowledge of the neighbouring country's language, in at least one country	x	10		x/2
52. Tradition of cooperation	+	10	x/2	
53. Good transboundary transport routes (geomorphology, passes, types of transport)		+	10	x/2
External variables /indicators				
27. Business shutdowns due to dominant competition	+++	5		x/2
28. Labour market protection	+++	5		x/2
29. Customs and tax issues	+++	5		x/2
30. Weak or absent response to economic opportunities for cross-border cooperation	+++	5		x/2
16. State centralisation	++	4		x/2
17. Lack of adequate structures for cross-border cooperation	++	4		x/2
18. Differing competence on either side of the border	++	4		x/2
20. Lack of credibility of cooperation organisations	++	4		x/2
21. Low mutual knowledge and trust	++	4		x/2
22. Insufficient financial resources	++	4		x/2
23. Different political-ideological orientation	++	4		x/2
24. Weak or absent response to institutional opportunities for cross-border cooperation	++	4		x/2
39. Official definition of cross-border areas	++	8		x/2
41. Local authorities' cooperation with foreign partners	++	8		x/2
42. Local authorities with competent management	++	8		x/2
43. Local authorities with autonomous financial administration	++	8		x/2
34. Signatory of the 1980 Madrid Convention	+	7		x

35. Signatory of the 1995 Additional Protocol to the Madrid Convention	+	7	x/2
37. Internationally recognised borders	+	7	x
51. Ratification of the 1995 Framework Convention for the Protection of ethnic Minorities	+	10	x
		6	19
		14(3)	6

The SWOT analysis shows that, in the Latvia-Russia cross-border area, the SWOT variables number is so low (only 3) that detailed analysis of the state of cooperation is impossible. Despite this, the area is clearly going through a phase of rapid development, a positive trend confirmed when positive and negative *halo indicators* are added to the SWOT variables. The analysis for the cross-border area between Estonia and Russia produced similar results. This suggests that the similarity is due to the recent formation of this border between two countries formerly part of the USSR, where the primacy of Russia was clear in and out of the border areas. If the *halo indicators* are also considered to constitute cooperation elements, 45 elements become relevant indicators, with a predominance of internal weaknesses (19) and external opportunities (14). Cross-border cooperation should be launched by relying on external positives to mitigate internal weaknesses. In this case, the most appropriate *strategy* is the *fourth*, bearing in mind implicit resources to be turned into SWOT variables in the short term.



Applying the *fourth strategy* to the relations between Latvia and Russia requires a specific set of actions, among which:

- (1) Policy planning to strengthen positive *halo indicators*;
- (2) Policy planning to mitigate negative *halo indicators*;
- (3) Policy planning to strengthen the propensity for cooperation, especially between socio-cultural, industry and institutional operators;
- (4) Vocational training for local organisation staff and enhanced coordination of local organisations;
- (5) Enhancement of relations between production sectors (institutional relations, the economy and the labour market, tourism, education and culture, everyday services);
- (6) Planning strategies to enhance the independence and competences of local authorities, improve administrative skills and increase financial independence in local organisations;
- (7) Implementation of practical action to improve mutual knowledge of each other's language, in order to eliminate communication barriers.

The support of all three types of *Euroregion – Cross-border, Functional Networks, and Macro Infrastructures* – is necessary.

4.12. Prospects for “good” cross-border cooperation between Norway and Russia

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		17	32.1
– Halo effect indicators	positive	15	
	negative	<u>6</u>	39.6
– Non-relevant indicators		<u>15</u>	<u>28.3</u>
		53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	7	3	10	58.8
Negative (WT)	2	5	7	41.2
Total	9	8	17	
%	52.9	47.1		100.0

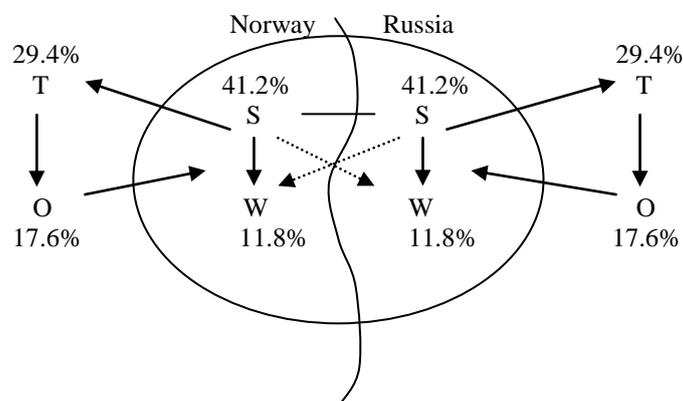
Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
1. Propensity for cross-border cooperation of manufacturing industry operators	+++	1	x			
4. Propensity for cross-border cooperation of institutional operators	+++	1	x			
9. Cross-border relations for institutional purposes	+++	3	x			
6. Coordination between different national and local administrative sectors	++	2	x			
8. Coordination between central administrations	++	2	x			
31. Presence of negative national and/or regional stereotypes	+	6		x		
33. Weak or absent response to socio-cultural opportunities for cross-border cooperation	+	6		x		
49. Common historical context and absence of stereotypes	+	10	x			
52. Tradition of cooperation	+	10	x			

External variables

30. Weak or absent response to economic opportunities for cross-border cooperation	+++	5		x
19. Restrictive regulations on cross-border relations	++	4		x
20. Lack of credibility of cooperation organisations	++	4		x
21. Low mutual knowledge and trust	++	4		x
24. Weak or absent response to institutional opportunities for cross-border cooperation	++	4		x
34. Signatory of the 1980 Madrid Convention	+	7		x
37. Internationally recognised borders	+	7		x
38. Good institutional and legal framework (EU requirements)	+	7		x
			$\overline{7}$	$\overline{2}$
			$\overline{3}$	$\overline{5}$

The SWOT analysis shows that the Norway-Russia cross-border area is characterised by few SWOT variable indicators (17 out of 53), evenly distributed among the four SWOT categories. Moreover, as regards *halo* indicators, which represent the context in which the SWOT variables act, positive indicators (15) prevail over negative ones (6). This situation, like several previous ones, suggests that the *fourth strategy* should be followed.



This strategy entails implementing a set of actions to promote cross-border cooperation, requesting from central administration (especially on the Russian side) devolution of powers, greater resources and specific regulations. In addition, it supports local stakeholders in overcoming socio-cultural obstacles. The main guidelines are:

- (1) Policy planning to improve regulations and the competences of local organisations and enhance the credibility of cooperation organisations, financial resources and mutual knowledge;
- (2) Implementation of cultural policies to tackle regional and national negative stereotypes.

In this situation, the most effective types of *Euroregion* are the *Cross-border Euroregion* and the *Macro Infrastructures Euroregion*.

4.13. Prospects for “good” cross-border cooperation between Poland and Russia/Kaliningrad

The 53 cross-border analysis indicators listed by type:

		n.	%
– SWOT variables indicators		18	34.0
– Halo effect indicators	positive	9	
	negative	<u>15</u>	45.3
– Non-relevant indicators		<u>11</u>	<u>20.7</u>
		53	100.0

The SWOT variables are configured as follows:

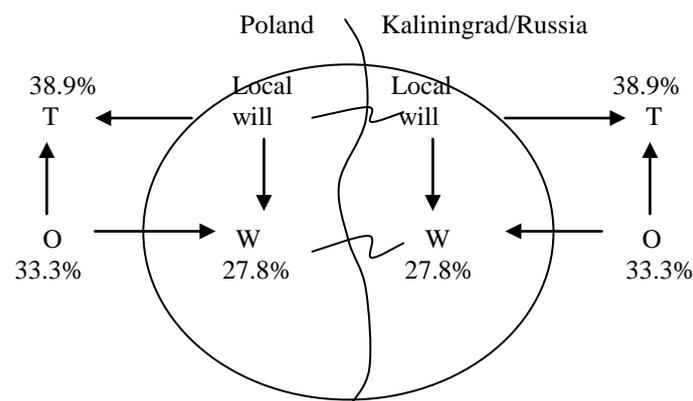
	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	-	6	6	33.3
Negative (WT)	5	7	12	66.7
Total	5	13	18	
%	27.8%	72.2%		100.0

Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
12. Cross-border relations for the economy and work	+++	3		x		
8. Coordination between central administrations	++	2		x		
44. Presence of “filter” borders (free movement of people and goods) with positive effects for both countries	++	9		x		
45. Integrable economies, characterised by complementary features	++	9		x		
31. Presence of negative national and/or regional stereotypes	+	6		x		
External variables						
27. Business shutdowns due to dominant competition	+++	5			x	
28. Labour market protection	+++	5				x
29. Customs and tax issues	+++	5				x
17. Lack of adequate structures for cross-border cooperation	++	4				x
18. Differing competence on either side of the border	++	4				x
19. Restrictive regulations on cross-border relations	++	4				x
22. Insufficient financial resources	++	4				x

23. Different political-ideological orientation	++	4		x
39. Official definition of cross-border areas	++	8		x
41. Local authorities' cooperation with foreign partners	++	8	8	x
34. Signatory of the 1980 Madrid Convention	+	7		x
37. Internationally recognised borders	+	7		x
51. Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10		x
			—	—
			5	6
			7	7

The SWOT analysis shows a clearly negative situation in the cross-border area between Poland and Russia (Kaliningrad), with all the variables corresponding to weaknesses. On the other hand, the external ratio between opportunities and threats is balanced. This means that, in this case, the values are inverted in comparison with most of the other Baltic cross-border areas: external dimensions are favourable to cooperation, while internal ones do not provide any stable basis for the establishment of cooperation. For these reasons, the most effective *strategy* is the *sixth*, with some elements of the *fourth*, in order to stimulate local willingness to enhance the basic positives, which are currently wholly unsatisfactory.



This strategy, which is more complex than the others to implement, consists in combining specific actions as it needs to address almost all of the available indicators, focusing primarily on implementing policies and providing training for:

- 1) enhancement of relations between sector operators;
- 2) overcoming negative stereotypes and
- 3) negative economic factors;
- 4) removing institutional and economic obstacles to effective cooperation.

The support of all three types of *Euroregion – Cross-border, Functional Networks, and Macro Infrastructures* – is necessary.

4.14. Prospects for “good” cross-border cooperation between Russia and Ukraine

The 53 cross-border analysis indicators listed by type:

	n.	%
– SWOT variables indicators	18	34.0
– Halo effect indicators		
positive	16	
negative	9	47.1
– Non-relevant indicators	10	18.9
	53	100.0

The SWOT variables are configured as follows:

	Internal to the area (SW)	External to the area (OT)	Total	%
Positive (SO)	10	5	15	83.3
Negative (WT)	1	2	3	16.7
Total	11	7	18	
	61.1	38.9		100.0

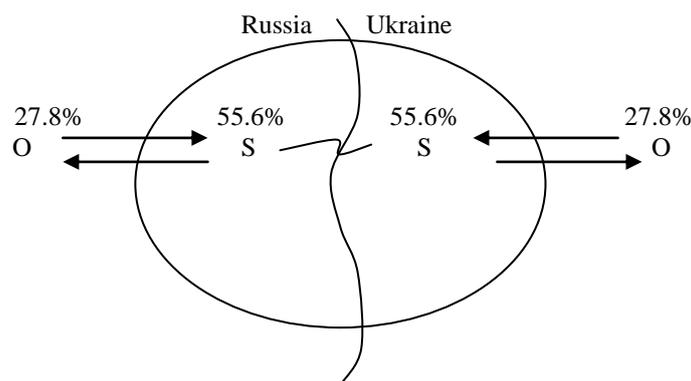
Denomination of SWOT variables:

Denomination	Relevance	Dimension	S	W	O	T
Internal variables						
3. Propensity for cross-border cooperation of socio-cultural operators	+++	1	x			
4. Propensity for cross-border cooperation of institutional operators	+++	1	X			
10. Cross-border relations for the environment and spatial planning	+++	3	x			
14. Cross-border relations for education and culture	+++	3	x			
47. Significant participation in Interreg/Phare projects	++	9		x		
32. Linguistic barriers	+	6	x			
33. Weak or absent response to opportunities for cross-border cooperation	+	6	x			
49. Common historical context and absence of stereotypes	+	10	x			
50. Common language or widespread knowledge of the neighbouring country’s language, in at least one country	+	10	x			
52. Tradition of cooperation	+	10	x			
53. Good transboundary transport routes (geomorphology, passes, types of transport)	+	10	x			

External variables

26. Technology gap	+++	5	x	
29. Customs and tax issues	+++	5		x
30. Weak or absent response to economic opportunities for cross-border cooperation	+++	5	x	
22. Insufficient financial resources	++	4		x
24. Weak or absent response to institutional opportunities for cross-border cooperation	++	4	x	
34. Signatory of the 1980 Madrid Convention	+	7	x	
51. Ratification of the 1995 Framework Convention for the Protection of Ethnic Minorities	+	10	x	
			$\overline{10}$	$\overline{1}$
			$\overline{5}$	$\overline{2}$

The SWOT analysis shows that cross-border relations between Russia and Ukraine are decidedly positive, by both internal area and external context. Such strong positives, including the *halo* indicators, are the outcome of a well-established cultural context and of institutional traditions in both central administrations. As a result, the most appropriate *strategy* is the *first*, which focuses on strengthening positives.



This strategy entails implementing a set of actions aimed at enhancing strengths and possibly redressing certain negatives:

- (1) Policy planning to bring increased financial resources to the area;
- (2) Pressurise central administrations to solve tax and customs issues;
- (3) Enable a counselling system for access to EU projects.

These kinds of specific and general actions require the establishment of a *Cross-border Euroregion*.

5. Overview of strategies and institutional policies leading to effective cross-border cooperation

The Baltic region is dominated by former USSR countries, the other independent states at the time of the USSR being Poland, Finland and Norway. The Russian Federation has five borders with the states resulting from the dissolution of the USSR: Ukraine, Belarus, Latvia, Estonia and Lithuania.

What is the situation of cross-border areas in such a specific context? Are they capable of generating effective cross-border cooperation, and thus enhancing social and economic standards?² Before analysing individual situations, a general outline can be drawn.

First, positive elements are widespread across most of the cross-border areas (including essential ones such as the propensity for cooperation and linguistic and cultural factors), especially in the dimensions related to civil society (dimensions 1 and 3), coordination (dimension 2) and economic, institutional and administrative factors (dimensions 9, 7 and 10), which prove to be closely interlinked by strong correlation coefficients. The downside of this situation is a weak responsiveness to economic, socio-cultural and institutional obstacles (dimensions 4, 5 and 6). The situation here reveals specific flaws within an overall positive scenario: it has been shown that some obstacles, such as negative stereotypes and linguistic barriers, can coexist with positive cooperation patterns.

Furthermore, in the fourteen Baltic cross-border areas, the positive elements concern internal dimensions, while the negative ones relate to external factors and to internal-external interaction. The data reveal a dynamic scenario in which local civil society willingly follows established negotiation patterns and is moving towards effective, fruitful coexistence rather than being led by national political and ideological policies. Central administrations are perceived as far-off, centralising (former Communist) systems, alien to local cross-border cooperation dynamics. In the short term, cooperation may even benefit from a rather remote central administration, but in the long run, this void can be a source of frustrations and break the dynamism of local civil society. Devolution of powers and autonomy seem to be necessary steps in order to preserve the positive elements of peripheral areas, particularly cross-border ones.

Another element concerns cross-border cooperation in Russia-Estonia and Russia-Latvia. There are few strengths (S), weaknesses (W), opportunities (O) and threats (T), that is all the SWOT variables (applied to the 53 indicators); conversely, there are many positive and negative *halo* indicators. The *halo* represents the object of the SWOT analysis and its data source: a rich *halo* indicates what could be called *implicit power*, or else an evolving scenario, an *emerging cooperation*, due to be established in the medium term, as it concerns only very recently formed cross-border areas.

An additional positive aspect revealed by the SWOT analysis is that the Baltic region boasts an overall positive score for transport routes, road, rail and waterway networks, and the free movement of goods and people. The presence of small and large communication networks, inherited from a common past, and the prevalent plain land both favour the development of cross-border transport infrastructures. Given this scenario, the Macro Infrastructures Euroregion could be an appropriate tool for the region, especially in long-term strategic planning.

Once analysis has suggested recourse to a specific type of Euroregion, the strategies provide insight into the scenario for the area in question. In the fourteen Baltic cross-border areas, the main

2. More on this topic in "Borders dividing and borders uniting Europe" by Alberto Gasparini (ISIG Journal, VIII-IX; 4, 1999-1, 2000).

strategic actions identified by the analysis are the creation of vocational training courses and the development of policies to address socio-cultural, economic and institutional issues. The action strategies are equally distributed among the fourteen areas.

One of the most frequently suggested strategies is the *fourth*, which focuses on existing positive elements in order to mitigate the effect of negatives, whether internal (weaknesses) or external (threats). Action strategies work best where they are supported by the Euroregion framework (Cross-border, Functional Networks or Macro Infrastructures). In geographical terms, the fourth strategy predominates along Russia's borders, beginning with Norway, then Estonia and Latvia, and finally Belarus. The fourth strategy also concerns the intra-Baltic area between Latvia and Lithuania. Overall scores in fourth strategy areas are largely positive (Table 1), while, upon analysing specific internal-external dynamics, particular features can be noted. Internal action is needed especially in the Russia-Latvia and Russia-Lithuania areas, the last scoring the lowest mark of all fourth strategy areas (4.6). The borders between these two republics and the Russian Federation are accordingly characterised by an *emerging cooperation*, and, more specifically, by very limited training resources as far as internal cooperation (SWOT variables plus *halo*) is concerned. Conversely, in other fourth strategy areas, internal cooperation structures are positive, notably between Latvia and Lithuania (8.2), confirming the even higher score for the area between Latvia and Estonia, and revealing a markedly positive internal scenario. Specific action is required only to a limited extent as most of the strategies belong to the fourth type and are generally implemented within the frame of the same Euroregion.

Application of the *third strategy* reveals some differences and specific characteristics in comparison with its implementation in the Central Europe and Balkan-Danube regions. The three areas concerned combine the highest marks among the fourteen Baltic areas for internal cooperation with the lowest external ones. Geographically, this zone represents the very core of the Baltic region, corresponding to the Finland-Latvia axis and its several links with Russia. The highest SWOT score is to be found in Estonia-Finland (9.7 out of 10), but similar peak scores are obtained in the surrounding area: 8.9 for Estonia-Latvia, 7.7 for Finland-Russia. However positive, this scenario requires implementation of the third action strategy in order to control the strong negative elements (T) deriving from external cooperation, resulting in scores as low as 3.9 for Estonia-Finland, 3.4 for Estonia-Latvia, and 4.5 for Finland-Russia.

It would seem that the third strategy is probably the most appropriate for tackling polarised internal and external situations by focusing on external factors to the benefit of internal cohesion. The third strategy borrows some guidelines from the first, based on the strengthening of positive elements (already close to the top of the range) within each area. The *Cross-border Euroregion* does not seem to be an appropriate choice, as cooperation is already well-established between areas, while institutional tools are missing, preventing local organisations from launching straightforward, large-scale common planning initiatives (which are the main concerns of the *Functional Networks Euroregion* and of the *Macro Infrastructures Euroregion*).

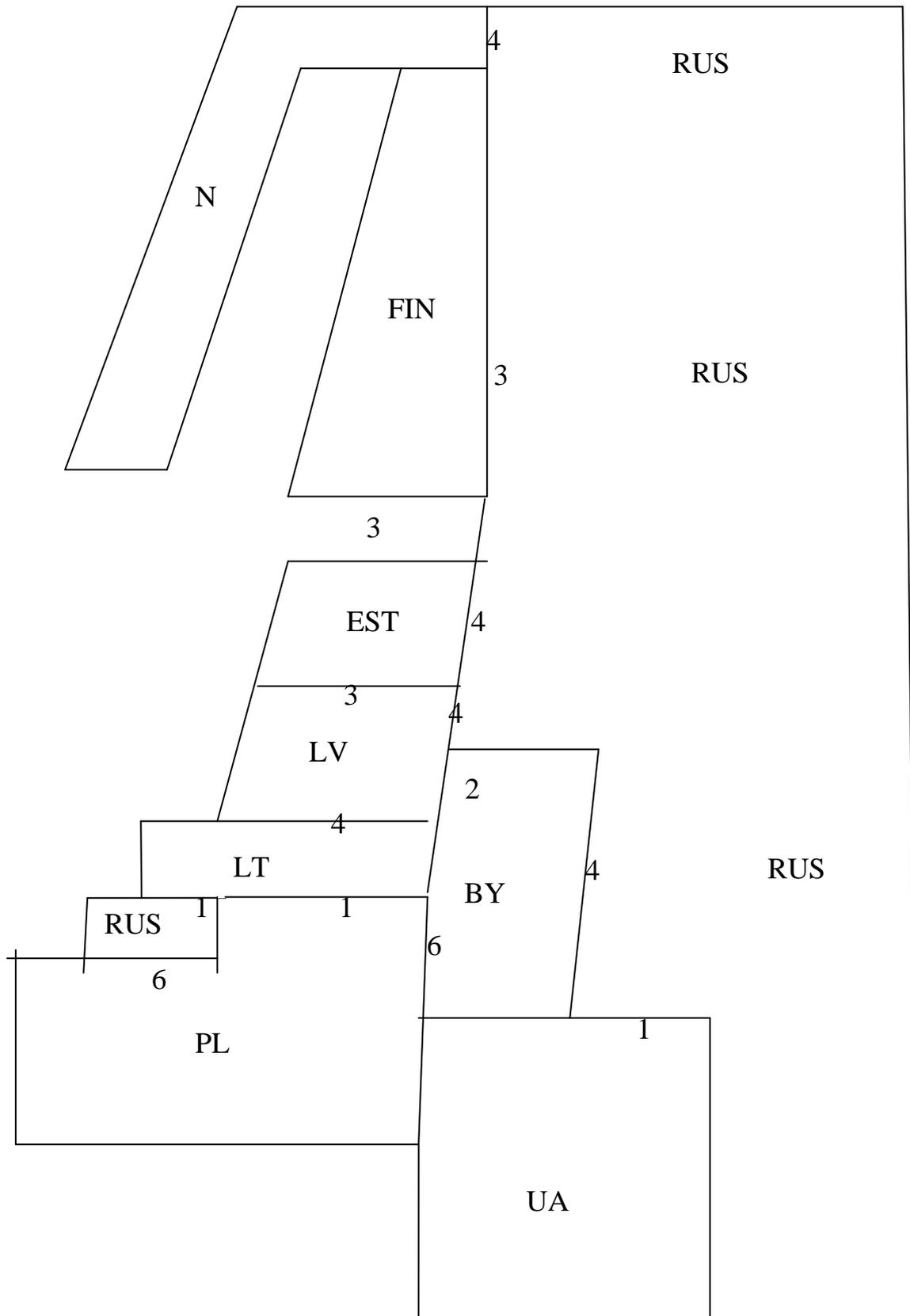
The *second strategy* applies to only one area, Belarus-Latvia, due to the need to overcome internal negatives, revealed by the prevalence of weaknesses over strengths. It can be seen that relations between Latvia and Belarus differ from those with Russia: here there are actual SWOT variables, although negative ones, which implies the existence of ongoing cooperation, albeit needing support and development. The marks give a balanced internal/external ratio (5.5, 5.9) with both values swinging between positive and negative. A combination of the Cross-border and Macro Infrastructures Euroregions should support the implementation of institutional cooperation policies.

The *first strategy* concerns three cross-border areas where weaknesses and threats are minor, and strengths and opportunities numerous. Positive internal variables are widespread, which is an essential requirement for the establishment of long-term cooperation. The situation in these areas is not unlike that of the third strategy areas, with high internal marks counterbalanced by strong external negatives. First strategy areas lie in the south-west of the Baltic region: Lithuania-Russia (Kaliningrad), Lithuania-Poland, Ukraine-Russia, all areas with a history of cooperation and cultural exchange. In these cases, the values of the SWOT external variables are parallel for both cross-border areas and their national governments, as in the case of Lithuania and Poland. The most effective Euroregions for such a scenario are the Cross-border and the Macro Infrastructures ones, the first addressing civil society, the second tackling large-scale planning.

Table 6 – Summary of SWOT analysis data

Cross-border Areas	Strategy	Euroregion			Marks for	Marks for	%
	Best	Cross-border	Functional networks	Macro-infrastructures	internal indicators	external indicators	Non-relevant indicators
LT-PL	1	X		X	7.7	<u>7.2</u>	3.8
LT-Russia (Kaliningrad)	1	X		X	7.2	5.4	15.1
RUS-UA	1	X			7.6	6.0	18.9
Total/mean		(3)	(-)	(2)	(7.5)	(6.2)	(12.6)
BY-LV	2	X		X	5.5	5.9	13.2
Total/mean		(1)	(-)	(1)	(5.5)	(5.9)	(13.2)
EST-LV	3		X	X	<u>8.9</u>	3.4	13.2
EST-FIN	3		X	X	<u>9.7</u>	3.8	3.8
FIN-RUS	3		X	X	7.7	4.5	5.7
Total/mean		(-)	(3)	(3)	(8.8)	(3.9)	(7.6)
BY-RUS	4	X	X	X	7.2	4.3	15.1
EST-RUS	4	X	X	X	5.4	<u>6.6</u>	13.2
LV-LT	4	X	X	X	8.2	4.7	1.9
LV-RUS	4	X	X	X	4.6	6.3	15.1
N-RUS	4	X		X	6.9	5.2	28.3
Total/mean		(5)	(4)	(5)	(6.5)	(5.4)	(14.7)
BY-LT	6	X	X	X	3.9	3.6	22.6
PL-Russia (Kaliningrad)	6/(4)	X	X	X	4.2	5.4	20.7
Total/mean		(2)	(2)	(2)	(4.1)	(4.5)	(21.7)
General means		11	9	13	6.8	5.1	13.6

Diagram 13 – General action strategies for improving cross-border cooperation



None of the five available action strategies based on internal and external SWOT variables can be used to support cross-border cooperation in the two cases where there is a complete lack of

variables themselves. In fact, in the Belarus-Lithuania and Poland-Russia (Kaliningrad) areas there are no positive elements on which to base cooperation. This scenario seems suitable for the *sixth strategy*, the *residual* one, which focuses on the use of *local or national willingness* to combat the existing negatives. As action entails strategic planning in all of the ten dimensions, a “propensity” of national and local stakeholders is required, especially since these areas represent the last “hard” borders between Europe and the Russian Federation/Belarus. Issues range from border policies to negative stereotypes and linguistic barriers. In this scenario, all three Euroregions seem to be essential to successful cooperation planning.

Cooperation levels can be analysed from a geographical and spatial standpoint as well. There is one *horizontal south-western region*, encompassing Lithuania-Poland, Lithuania-Russia (Kaliningrad) and Russia-Ukraine: in this cluster, the first strategy can be effectively applied to further develop existing cooperation.

The other region, a *vertical north-south* one, including Finland-Russia, Finland-Estonia and Estonia-Latvia, is markedly polarised, with strong levels of internal cooperation and very little external support; it can benefit from the third strategy as a means to control external threats. A third region consists in the relations between Russia, Belarus Estonia and Latvia. It has been shown that basic cooperation structures are still in the process of emerging in the Russia-Estonia and Russia-Latvia areas: positive SWOT variables and *halo* indicators can be included within the fourth strategy frame in order to overcome internal negatives and external threats. A similar scenario concerns Latvia-Belarus, for which the third strategy seems the most appropriate to tackle the existing internal weaknesses.

The last region consists of the southern Baltic areas, including Poland and Russia (Kaliningrad) and Lithuania and Belarus. Here, cooperation does not refer to external/internal relations, as there are no positives on which to base development strategies, and it is therefore necessary to rely on local or national willingness.

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Part II – Cross-border co-operation in individual border areas

1. RUSSIA – LITHUANIA



Geographical and historical background

The overall length of the border between Russia (Kaliningrad Region) and Lithuania is 288.4 km. The land border runs for 266 km (236.1 km along rivers and lakes, including the Neman River and Lake Vishtinets). The Russian-Lithuanian maritime border is 22.4 km long. The land border starts near the town of Nida on the sandy peninsula of the Curonian (Kurskaya) Spit, cuts across the Curonian Lagoon (Kurski Za), then passes close to the Lithuanian municipalities of Šilutė and Jurbarkas, following the course of the Neman River up to the Lithuanian town of Smalininkai, before it heads south, passing close to the municipalities of Sakiai and Vilkaviskis, and ends at the village of Yakovlevka, where the borders of Russia, Lithuania and Poland meet.

The Kaliningrad Region (15 100 sq. km) is the western-most territory of the Russian Federation, an enclave separated from the rest of Russia by foreign countries and international waters. The region has a population of more than 955 300 (456 100 men and 499 200 women). Approximately 22.4% (213 800) of its inhabitants live in rural areas. The population density on the Russian side is 63.3 inhabitants per square kilometre. The administrative centre of the region is the city of Kaliningrad (425 600 inhabitants, 70 km distant from the border with Lithuania).

On the Lithuanian side the border runs along the counties of Klaipėda, Tauragė and Marijampolė, which together cover a total area of 14 083 sq. km, accounting respectively for 5 209 sq. km, 4 411 sq. km and 4 463 sq. km. The total population of this region amounts to approximately 694 500, with each county accounting respectively for 380 600, 130 000 and 183 900 inhabitants. The population density for the Lithuanian side of the cross-border area is accordingly about 48.1 inhabitants per square kilometre, with Klaipėda county and its main city disproportionately affecting the average figure. The population density for these three counties is in fact respectively 73.1, 30.4 and 41.0 inhabitants per square kilometre. The total cross-border area covers 29 183 sq. km with a total population of 1 639 463 inhabitants and a population density of 56.1 inhabitants per sq. km.

In morphological terms, the territory is flat and characterised by the wetlands of the coastal area and a prevalence of forests, with a few hills (less than 200 metres above sea level) in the south-eastern part of the region. The longest rivers are the Pregolya (123 km) and the Neman (115 km in Russian territory).

The Kaliningrad Region is situated on the territory of former Eastern Prussia. This region was populated mainly by the Baltic tribe of Prussians. During the 13th century this territory passed to the Germans. In 1525 a secular Dukedom of Prussia was established. The unified Brandenburg-Prussian state emerged in 1618 and started to expand rapidly at the expense of the Slavonic and German territories. The Brandenburg-Prussian state was transformed into the Kingdom of Prussia in 1701. In an attempt to take over the western part of Poland and to deprive Poland of access to the Baltic Sea, Prussia took part in several divisions of Poland in the 18th century. The Congress of Vienna of 1814-1815 decided that Prussia would receive the western part of the Duchy of Warsaw, part of Saxony, the Rhine Province, Westphalia and some other lands. The unification of Germany under the "Iron Chancellor" Otto von Bismarck, who was Prussia's head of government from 1862, gave Prussia a dominant position in the German Empire. Following the Second World War, one-third of Eastern Prussia with its capital of Königsberg was allocated to the USSR and two-thirds to Poland. In 1946 Königsberg was renamed Kaliningrad and became the administrative centre of the western-most territory of the USSR. Up to 1991 the city was unable to play its traditional role as a bridge between East and West, since it was closed to foreign visitors and international relations were restricted. Nowadays, due to its unique geographical position, the region has resumed its importance.

A unified Lithuanian state emerged by the beginning of the 13th century. Between 1230 and 1283 the Teutonic Knights took over the lands of the Prussians and western Lithuanians (including the Klaipėda region). The Grand Duke of Lithuania combated the Teutonic Order by joining forces with Poland. Lithuanian-Polish alliances were concluded in 1325, 1385 and 1413. During the Livonian War (1558-1583), fought by Russia to gain an access to the Baltic Sea, a Polish-Lithuanian Sejm (parliament), gathered in 1569 in Lublin, decided to unify Poland and Lithuania in a Polish-Lithuanian Confederation (or Commonwealth), the Union of Lublin. At the time the border with Russia was drawn from the source of the Volga River to the mouth of the Dnepr River. Rivalry between the Confederation and Russia for Slavonic lands continued during the 17th century. Most of Lithuania was annexed by Russia as a result of the third division of the Polish-Lithuanian Confederation (1795). Part of Lithuania (the territory on the left bank of the Neman River and beyond) was annexed by Prussia and remained in its hands until 1807. In 1815 Lithuania was divided up between Russia and Prussia. The western part of Lithuania, including the Klaipėda region, remained in Prussia. The situation remained unchanged until 1918, when Lithuania obtained its independence. Under a peace treaty with Lithuania, signed on 12 July 1920, the government of Soviet Russia recognised the city and region of Vilno as an inalienable part of Lithuania. In 1923 Klaipėda was included in Lithuanian territory.

During the First World War Lithuania was occupied by Germany. Under the Treaty of Brest-Litovsk between Soviet Russia, on the one hand, and Germany and its allies, on the other hand, signed in March 1918, Lithuania became independent of Russia. The peace treaty signed in Compiègne on 11 November 1918 put an end to the First World War. Immediately after its signature, on 13 November 1918, the government of Soviet Russia declared all the conditions and provisions of the Treaty of Brest-Litovsk void. On 22 December 1918 Soviet Russia announced its recognition of the independence of Lithuania. Lithuania received an offer to negotiate a peace treaty from Soviet Russia on 11 September 1919, and the treaty was signed on 12 July 1920.

The outbreak of the Second World War saw the temporary annexation of Lithuania to Germany, and then to the USSR. In 1991, when the Baltic Republics, including Lithuania, declared their independence, recognised by the Soviet government, the region of Kaliningrad, part of the Russian Soviet Federative Socialist Republic (RSFSR), found itself separated from the rest of the Soviet Union and thus bordering on Lithuania. The end of the Cold War, the dissolution of the USSR, the transformation of political and economic systems in Russia, Lithuania and other neighbouring states

and the cardinal changes in international relations in Europe were accompanied by the emergence of a new situation on the Russian-Lithuanian border. As the legal successor of the USSR, the Russian Federation, in its capacity as an independent state, had to reorganise its borders and to adjust them to the new political and military environment. In the case of Lithuania former administrative boundaries inside the USSR had to be transformed into internationally recognised state borders between Lithuania and Russia, Belarus and Latvia. There were some problems of demarcation of the Russian-Lithuanian land border in the area of the Vishtinets Lake (18 sq. km), on the Curonian Spit and in the Sovetsk region. Since the lake is part of both countries, it was necessary to regulate the protection and common utilisation of its natural resources. In 1997, under a Russian-Lithuanian inter-state agreement, part of the Vishtinets Lake (Vistytis in Lithuanian) was leased to Lithuania. At the same time, there is still a need for delineation of the Russian-Lithuanian maritime border and delimitation of each country's economic zone and continental shelf in the Baltic Sea. In 2007 Lithuania, as a member of the European Union, integrated the Schengen Area.

The principal Russian cities in the border area are: Sovetsk (formerly Tilzit) with 43 600 inhabitants, Chernyakhovsk (formerly Insterburg) with 43 300, Baltiysk (formerly Pillau) with 31 300 and Gusev (formerly Gumbinen) with 28 100. Sovetsk is the second biggest city by population in the region and is located on the bank of the Neman River. The district covers an area of 43.8 sq. km. Apart from Sovetsk, the Zelenjgradskiy, Krasnoznamenskiy, Nemanskiy, Nesterovskiyy and Slavskiy municipal districts border Lithuania. Slavskiy district runs alongside the Curonian Lagoon and the Neman River. Its area is 152.7 sq. km, and its population 22 400. The main town in the district is Slavsk (4 700 people). Zelenogradskiy district (32 300 inhabitants) is located on the shores of the Baltic Sea and the Curonian Lagoon. It is isolated from the sea by the Curonian Spit, the sandy peninsula connecting Lithuania and Russia (length 98 km, width 0.4 to 3.8 km). The areas on both sides of the border have been designated as national parks, recognised as a natural heritage site by UNESCO. The main town in the district is Zelenogradskoe (14 500 inhabitants). Krasnoznamenskiy district (1 280 sq. km, 14 000 inhabitants) borders on Lithuania and is situated on the banks of the rivers Neman and Seshupe. The town of Krasnoznamenskoe (formerly Lazdenen) has 3 900 inhabitants. Nemanskiy district (699.3 sq. km, 22 200 inhabitants) is situated on the bank of the Neman River. The population of Neman (formerly Ragnit) - the district's main town - is 12 600. The Nesterovskiyy district has an area of 1 062 sq. km and a population of 17 260. The main town in this district is Nesterov (formerly Shtallupenen) with 5 000 inhabitants. There is a relict of Lake Vishtinets within the district. Lake Vishtinets and the Krasnaya River have been protected natural sites since 1974.

There are a number of small towns and rural villages located less than ten kilometres from the border on both the Lithuanian and Russian sides. The following settlements are situated on the Russian side: Misovaya, Yasnopolyanka, Vishnevka, Verkhniy Biser, Leninskoe, Rzhevskoe, Oktyabrskoe (Slavskiy municipal district); Vetrovo, Gudkovo, Dubravino, Tushino (Nemanskiy district); Pobedino, Tretyakovo on the Seshupe River, which includes the Inzhinerniy Barrow, Rotniy (Krasnoznamenskiy district); Rozdolnoe, Lugovoe, Pushkino, Pokrishkino, Nevskoe, Voznesenskoe, Kalinino, Krasnoselskoe (Nesterovskiyy district) and the whole of Sovetsk municipal district. Lithuanian settlements in the border area are Vishtytis, Kybartai, Liepona, Girenai (Vilkavishkis district); Naumiestis, Slavikai, Viesvile, Bardinai, Plashkiai, Vileikiai (Shakiai district); Nida (less than 20 000 inhabitants), Kopgalis (Kurshyu Neringa district).

The population structure of the Kaliningrad Region was determined by the post-war migrations from Central Russia and by the considerable inflow of Russian-speaking migrants from the Baltic countries in the 1990s. The region's population includes representatives of over thirty nationalities. Russians are the most numerous - 78.1%, followed by Belarusians - 7.7%, Ukrainians - 7.6%, Lithuanians - 1.9%, Armenians - 0.8% and Poles - 0.5%.

Economic and infrastructural characteristics

The border lands of both countries have a huge diversity of natural resources. More than 90% of the world's amber deposits are to be found in the Kaliningrad Region. Amber is extracted by the Russian state-owned enterprise Kaliningrad Amber Plant, which has a great potential for producing jewellery and a number of valuable by-products such as succinic (amber) acid, oil and high quality insulators. Crude oil deposits with a sulphur content of only 0.2 % are found in the Kaliningrad Region, on the Baltic shelf and in Lithuania. Annual oil output is 0.8-0.9 million tonnes with a growth capacity of up to 1.5-2 million tonnes. Oil is delivered to Lithuania for further processing. There are also rich deposits of brown coal, peat and halite (rock salt) and mineral springs. The salt deposits cover the needs of the entire region, and salt is exported to other countries. Sand, clay and gravel are also found in different parts of the region. Mineral deposits include heavy sand containing titanium, zirconium and ferromanganese, carbonates, phosphorites and mineralised thermal waters. The timber industry is not highly developed. Coniferous and leaf-bearing woods occupy 18% of the region, 40% of which are of artificial origin. Timber cutting is minimal, and the forests are mainly of environmental and recreational importance. Extraction of construction materials is another industrial activity in the region. The most developed industries are the fishing industry, machinery building, pulp and paper, the food industry, coke production and extraction of natural resources. Engineering is focused on building ships, railway carriages, cranes and complex machinery. In practice the region's industrial potential is determined by the activities of six large enterprises, which manufacture two-thirds of output. They are Yantarenergo, Lukoil, Cetruss, SPI-RVVK, Zapryba and Atlantrybflot.

In the 1990s the “militarised” economy of the Kaliningrad Region went through a severe recession. The region obtained the status of a Special Economic Zone (SEZ) in 1996, but began to develop more rapidly as a “contact” border region only in recent years. Over the space of ten years the region has attracted USD 122.5 million in investments from more than 70 countries. The biggest investors in the region are Lithuania (603 companies), Poland (568) and Germany (358). The SEZ has attracted a BMW car assembly plant, two big meat-processing plants (one of them with Lithuanian capital) and the Snaige (Lithuanian brand) refrigerator production plant.

Manufacture of food and beverages, textiles, wood and wood products, furniture, metals and machinery predominate on the Lithuanian side. The cross-border area is peripheral to the principal Lithuanian production centres: the Kretinga area (oil and peat extraction and processing), the Mažeikiai area (refineries), the Klaipėda, Kaunas and Jonava areas (petrochemical industries) and the Vilnius area (petrochemical, electronic and electro-technical industries). There are also some small and medium-sized enterprises operating in the wooden furniture and textile industries. The primary sector (forestry) and the timber industry are predominant, whilst the tertiary sector is still rather underdeveloped compared with national trends (in Lithuania the tertiary sector employs 56.9% of the total workforce). The Russian side presents similar patterns of economic development with a predominant primary sector but a somewhat higher degree of industrialisation, linked to forestry and the transformation of timber, notably the paper industry, furniture industry and cellulose industry. Discharge of waste from pulp and paper plants into rivers and lakes in the Kaliningrad Region is a serious environmental problem which dates back to Soviet times.

Local agriculture is specialised in milk and meat production. Taking into consideration the cross-border area as a whole, the fisheries sector is not highly developed as compared with the neighbouring western Baltic countries. The largest inland water reservoirs (the Curonian and Vistula lagoons) are rich in fish. They are quite shallow, affording favourable conditions for fish growth and reproduction. Bream, pike-perch and eel have the highest production value. Sprats, Baltic herring, plaice, cod and Baltic salmon are extracted from the waters of the Baltic Sea.

Strategically speaking, the cross-border area is very well located: close to international ports, business and cultural centres and European capitals and in the centre of transit corridors. The shortest transport link from Europe to Russia goes through the region. There are large-scale opportunities for further development of the region as an important transit-transport-stocking centre by combining the possibilities of the road, rail, air and water transport routes. The region can play an important role in the development of the European transport corridors Via Baltica and Via Hanseatica.

On the Lithuanian side the transport and communication infrastructure is fairly well-developed and one of the most rapidly developing branches of the economy. The area is crossed by the I North-South transport corridor (the E67 “Via Baltica” highway and the Tallinn-Riga-Kaunas-Warsaw railway) and a branch of the IX East-West corridor (the IXD Kaunas-Kaliningrad railway). At 300 km per 1 000 sq. km, road density in the Kaliningrad Region is about ten times greater than the average for the Russian Federation. Regular bus connections are available to neighbouring Lithuania and Poland on twenty different routes. Kaliningrad carriers handle over 70% of all export-import transactions in the region. Two railways (Kaliningrad-Šiauliai-Jelgava/Biržai and Kaliningrad-Kaunas-Vilnius) have their starting points in the border region. Regular railway connections are available to Russia, Belarus, Lithuania, Latvia, Ukraine, Germany and Poland. The Moscow-Kaliningrad highway and railway cross the Nesterovskiy district. The railways carry up to 90% of goods traffic and about 40% of local passenger traffic (87% on trans-border destinations). The length of the region's railways is 750 km. Railway density is 48 km per 1 000 sq. km, much higher than the Russian Federation average. The main highway on the Lithuanian side (A1 Klaipėda-Kaunas-Vilnius) runs almost parallel to the border with four state roads linking it to the border area (a distance of approximately 60 km). There are also two transport axes in the region: West-East (Kaliningrad-Chernyakhovsk-Vilnius) and North-South (Poland - Krilovo - Chernyakhovsk - Bolshakovo - Sovetsk – Klaipėda – Riga).

Kaliningrad is the only ice-free Russian sea port on the Baltic Sea coast. The port complex consists of the Sea Commercial Port, State Fishing Port and River Port. Two of these ports are able to receive ships with a capacity of up to 24 000 tonnes. The Russian port of Baltiysk is closed for the entry of foreign sailing boats. The port of Pioneerskiy has been open for the entry of foreign sailing boats since 2000. The ports are connected with the sea by a 42 km shipping canal. Both ports handle various types of general cargo (cellulose, paper, food products, chemicals, cars, containers, steel sheets, pipes, various kinds of equipment, timber, non-ferrous metals, etc.) The complex for liquid cargoes trans-shipment is one of the largest in the Baltic. It has a 17 km long dock-way, with twelve stevedore companies, making possible a turnover of 20 billion tonnes of goods per year. The port has a separate container line with the Lithuanian seaport of Klaipėda, the northern-most ice-free port on the east coast of the Baltic Sea. A new passenger terminal with customs area has been built to take large seagoing liners. The ports are connected by rail and motorway with the transport networks of Russia and other CIS countries. The region offers 36 warehouses for temporary storage and bonded warehouses under the authority of the Kaliningrad Customs Administration. The ports play a key role in the regional economy. The region is also the sea gate to Western Europe and the shortest transport route to the Russian interior regions.

International airports are situated in Palanga (Lithuania) and Khrabrovo (24 km north of Kaliningrad). SAS, Lot, Aeroflot, Pulkovo, KrasAvia, GomelAvia, Rossiya, Kaliningrad Air Enterprise and other foreign and Russian carriers operate regular domestic and international flights to Copenhagen, Hamburg, Berlin and 29 major cities in the CIS, with a capacity of 400 passengers per hour. A gas pipeline runs from mainland Russia through Belarus and Lithuania to the Krasnoznamenskiy district and supplies the entire Kaliningrad Region. The region has low fixed

telephone coverage in both rural and urban areas, but this is offset by the fast rate of development of mobile cellular communications: in 2004 there were 60 mobile cellular subscribers per 100 people.

In all there are nine road and railway crossing points on the Russian-Lithuanian border: Morskoe-Nida, Rybachyi-Nida, Chernyshevskoe-Kybartai, Pogranichny-Ramanishkiai, Nesterov-Kybartai, Sovetsk-Rusne, Sovetsk-Jurbarkas, Sovetsk-Pagegai and Panemuné-Sovetsk.

Among 79 regions of the Russian Federation, the Kaliningrad Region ranked 72nd in Human Development Index terms in 2004, with a GDP per capita of USD 6 413, life expectancy at birth of 61.4 years, 99.4% literacy and 63.2% enrolment in education (ages 7-24). Lithuania's per capita GDP is about USD 7 500.

Cross-border declarations and agreements

Both Russia and Lithuania are parties to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities, adopted on 21 May 1980. Russia signed it on 3 November 1999, and ratified it on 22 July 2002. The situation on the Russian-Lithuanian border is determined and influenced by a number of bilateral and multilateral factors. Lithuania is a member of NATO, the EU and Schengen (the latter since 21 December 2007). The Lithuanian-Russian border has become an external border of the Schengen Area, and Lithuania is committed to following the relevant rules. The Euroregion programme is one of the most frequent forms of cross-border co-operation in Europe. Both Lithuania and Russia are participating states in the "Pskov-Livonia", "Nemunas-Nemen-Neman", "Seshupe", "Saule" and "Baltic (Baltica)" Euroregions. In its capacity as an EU member state, Lithuania takes part in the "Northern Dimension" project along with Russia, Norway and Iceland. Under the "Northern Dimension" project almost 11.5 million euros were allocated by the TACIS programme (a special programme for cross-border co-operation initiated by the European Parliament in 1996 and with annual funds in the region of 20 to 30 million euros) for technical equipment and improvement of boundary infrastructure on the Kaliningrad Region's borders with Lithuania and Poland. In March 1992 Lithuania joined the Council of the Baltic Sea States (CBSS). The Lithuanian-Russian border is an integral part of a new region emerging within the framework of the CBSS. Lithuania is also a participating state of the OSCE. All of the above-mentioned frameworks should be taken into account when considering Russian-Lithuanian cross-border interaction. Apart from these international frameworks, the situation of Russian-Lithuanian cross-border co-operation is also determined or influenced by a number of bilateral agreements.

Most of these bilateral agreements are intergovernmental in nature and primarily regulate Russian-Lithuanian interstate relations. The instruments governing bilateral Russian-Lithuanian relations in general, and cross-border co-operation in particular, are "The Treaty on the Foundations of Inter-State Relations between the Republic of Lithuania and the Russian Soviet Federal Socialist Republic" and "The Agreement between the Republic of Lithuania and the Russian Soviet Federal Socialist Republic on co-operation in the economic, social and cultural development of the Kaliningrad Region of the RSFSR", signed in 1991. The legal basis for Russian-Lithuanian cross-border co-operation was further developed by numerous bilateral interstate agreements and declarations, establishing principles and provisions for reciprocal relations in the spheres of transport (1992), legal assistance and legal relations in civil, family and criminal cases (1992), consular and trade representation of both states (1992), settlement of accounts and payments linked to the introduction of the Lithuanian national currency, the litas (1992), co-operation principles and provisions in the field of communication (1993), trade and economic relations (1993), social guarantees for retired Russian officers permanently residing in Lithuania (1993) and air services (1994). The intergovernmental agreement on the establishment of nine road and railway crossing

points on the Russian-Lithuanian border was signed on 24 February 1995. On 24 October 1997 the treaty on the Russian-Lithuanian border was signed in Moscow. Several bilateral agreements adopted since the mid-1990s have had a direct impact on Russian-Lithuanian cross-border co-operation, namely the agreements on customs collaboration and mutual assistance in customs matters, on merchant navigation and trade, on international road transport, on measures of trade liberalisation, on temporary employment of citizens (1999), on co-operation in the field of the environment (1999), on long-term co-operation between Lithuanian regions and the Kaliningrad Region (2000), on co-operation in the field of fishing (2000), on co-operation in the field of tourism (2001) and on delimitation of exclusive economic zones and the continental shelf in the Baltic Sea (2003). The process of delimitation and demarcation of the Russian-Lithuanian land border in the area of Lake Vishtinets, on the Curonian Spit and in the area of Sovetsk is nearing a conclusion. The two governments also agreed to co-operate in implementing the 2Ks (Kaliningrad-Klaipeda) project (2005) and in rescue operations in the Baltic Sea (2007).

Propensity towards cross-border co-operation

The boundary between Russia and Lithuania is not yet fully formed in terms of international law. Disagreements persist between the two states on various political issues, which have negative repercussions for the cross-border interaction of municipalities, local authorities, business structures, non-governmental organisations and citizens in both countries. Under the division of powers with the central authorities of the Russian Federation, Russian regions are entitled to take part in international activities and to sign agreements with sub-national entities of foreign states on cross-border cooperation. The Kaliningrad Region has wide-ranging autonomy, and all the federal government departments, including the Russian Ministry of Foreign Affairs, have agencies in Kaliningrad, which assist the regional authorities with the implementation of international and cross-border projects. Foreign diplomatic and trade representations are also present in Kaliningrad, including the Consulate General of Lithuania, Consulate General of Poland, Trade Consul of Poland, the Kaliningrad branch of the Belarus Embassy in Moscow and Honorary Consuls of Denmark, Iceland and Sweden. A domestic consensus concerning relations with Russia has not yet been achieved in Lithuania following the restoration of its independence. Against this background, the only feasible option at present is regulation of Russian-Lithuanian cross-border interaction primarily through general intergovernmental agreements and under the political control of the Lithuanian central authorities. For example, in August 2007 the Lithuanian government was behind a proposal to the authorities of the Kaliningrad Region to build a new bridge over the Neman River, connecting Sovetsk and Panemune, and to share the building costs. This will continue to be the distinguishing characteristic of bilateral Lithuanian-Russian cross-border co-operation. Lithuania's integration in the Schengen Area will further enhance this trend, as Lithuania's cross-border co-operation with Russia will increasingly tend to be part of the EU's common, co-ordinated European Neighbourhood Policy. Lithuania will also be integrated into other multinational and international cross-border co-operation mechanisms at the expense of bilateral frameworks. Both governments are negotiating a relaxation of visa requirements for residents of the Kaliningrad Region travelling to other regions of Russia in transit via EU countries. Like all other Russian citizens, residents of the Russian enclave are at present required to obtain a visa before entering the EU countries on which the Kaliningrad Region borders. While negotiating with Lithuania and representatives of the European Union on the relaxation of visa requirements, Russia and its partners have been drawing up a list of preferential categories of Russian citizens who will benefit from a facilitated entrance procedure to the EU.

Projects implemented

Less stringent visa requirements, as agreed with the Lithuanian government and other EU partners, have been in force since 2003 for citizens of Russia living in the Kaliningrad Region who want to travel to other parts of Russia via Lithuania. Two special Lithuanian-Russian intergovernmental agreements, regulating the railway transit and travel of nationals of both states, have been signed. Lithuania issues local Russian citizens with visas free of charge and provides them with transit documents simplifying their transit via Lithuania. Under the agreements Russian citizens can enter, transit through and leave Lithuanian territory only with a valid visa and identification documents recognised by the Lithuanian side (diplomatic passport, ministerial passport, foreign passport, salesman's passport). For locals living in Kaliningrad, a Lithuanian visa is issued free of charge, including one-year multiple entry visas, without any invitation letter. Lithuania and the Kaliningrad Region are members of the "Baltica" Euroregion and the "Nemunas-Nemen-Neman" Euroregion. Their cities are members of the Union of Baltic Cities. The 2K project aimed at strengthening co-operation between the ports of Kaliningrad and Klaipėda came into force in 2006. A separate container line has been opened within the framework of this project. A road development scheme, including a new bridge over the Neman River in the Chernyakhovsk area, is being implemented within the framework of the Via Baltica highway project (2005-2010). Kaliningrad maintains partnerships with a number of Lithuanian cities, namely Vilnius, Kaunas, Klaipėda, Panevezys and Shiauliai. EU projects - the "Lithuania-Poland-Kaliningrad Neighbourhood Programme" (INTERREG 3-A) and the "International programme on cross-border co-operation in the Baltic Sea region" (INTERREG 3-B) - are being implemented with the participation of the Kaliningrad Region and Lithuania. Within the framework of these international programmes a number of tangible projects targeting the economic and social development of the region as a whole are being carried out. The primary goals of these projects are: economic development of the region by attracting foreign investments in local industry and agriculture; development of leisure areas and international tourism; modernisation of transport and infrastructure and the creation of new infrastructure and transport facilities; environmental solutions; and the stimulation of scientific, technical, cultural and educational cross-border co-operation.

SWOT analysis elements

Strengths: The Russian Federation and the Republic of Lithuania have no claims on each other's territories, which could exert a negative influence on the political atmosphere of interstate relations. The problem of Lithuanian citizenship for the Russian-speaking population living in Lithuania at the time of its separation from the USSR has been resolved. The settlement reached between the two countries regarding the transit through Lithuanian territory of Russian citizens living in the Kaliningrad Region has helped to establish a co-operative framework for Russian-Lithuanian interaction on the basis of mutual respect for democratic values and national interests. Traditional economic and cultural ties between the two regions. Good mutual knowledge of national mentalities and traditions. Possibility to use the Russian language as a means of communication. Qualified, cheap labour force in the Kaliningrad Region, compared with the more expensive one in the EU. Existence of special economic zones in the Kaliningrad Region and the Klaipėda region. Maritime location of both regions and availability of ice-free seaports navigable all the year round. Geographical location of the two regions offering extensive opportunities for the provision of transit and communication corridors for other European states. Vast, ramified transport network; railway standards adapted to each other. The Russian region, surrounded by EU member states and located in the centre of Europe, could be utilised as a springboard for an innovative approach to EU-Russian co-operation. Leisure areas on the Baltic Sea coast, Curonian Lagoon and unique Curonian Spit (Kursiu Neringa) peninsula as a basis for developing tourism facilities. The recognised

entitlement of the Kaliningrad Region's authorities to take part in international activities and sign agreements with sub-national entities of foreign countries on cross-border co-operation.

Weaknesses: Lithuanian demands on the Russian Federation to recognise the Soviet occupation and pay compensation for the damage it caused. The need to finalise the demarcation of the Russian-Lithuanian border and to get it internationally recognised. Problems of oil and gas supplies to Lithuania and via Lithuania to the Kaliningrad Region and to other European countries from the Russian mainland. Unresolved problems of transit of Russian citizens, living in the Kaliningrad Region, to the mainland of Russia via Lithuania as a member of the Schengen Area. As a NATO and EU member state, Lithuania is seeking a strengthening of security measures in the transit context. Russia advocates the constitutional right of its citizens to freedom of movement. Resolution of existing or emerging problems of Lithuanian-Russian cross-border interaction mainly at the intergovernmental level or within the framework of international organisations. Weak involvement of local authorities in the organisation of bilateral cross-border co-operation.

Opportunities: The politically motivated obstacles to further development of Lithuanian-Russian relations in general, and of cross-border cooperation in particular, have to be eliminated. Partnerships between Russian and Lithuanian cities and settlements located in the border areas should be strengthened and institutionalised. Establishment and development of direct contacts between municipalities, local authorities, non-governmental organisations and citizens of both countries should be promoted. Border infrastructure and border crossing points need to be modernised and their capacity strengthened. Need for permanent interaction and exchange of information and experience between the border guards of both countries. More effective use should be made of the Kaliningrad Region's status as a Special Economic Zone so as to develop cross-border economic interaction.

Risks and threats: Illegal trafficking and organised crime in the cross-border region. Pollution and problems of protection of the environment due to different environmental legislation and standards in the EU and Russia. Insufficient capacity of crossing points and stringent customs procedures at the border may hamper the utilisation of opportunities for economic development and for transformation of the region into an important European transit area. State central bureaucracy hinders local agencies and authorities from launching their own cross-border projects and programmes. Lithuania's participation in the Schengen Area can make the bilateral Russian-Lithuanian cross-border co-operation less flexible and more dependent not only on national governments, but also on various international arrangements.

2. RUSSIA - POLAND



Geographical and historical background

The border between Poland and the Russian Federation (or, to be more specific, the Kaliningrad Oblast of Russia) is 210 kilometres long. Since 1 May 2004 it has been one of the external borders of the European Union. As there is no land access between Kaliningrad and the rest of Russia, it is often referred to as an exclave. The border runs mainly through lowlands, with some elevations of over 300 metres above sea level, formed in the glacial period. It starts in the Baltic Sea to the west, crosses the Vistula Spit and runs along the parallel. In its eastern section it becomes part of the Polish-Russian-Lithuanian border area, which is also the site of the Romnicka Forest, included in the Natura 2000 network, one-third of which lies within Poland's borders and two-thirds belong to Russia. Overall, the region offers many tourist attractions and undeniable natural assets.

The whole Polish border area belongs to the Warmia-Masuria Province, established under the administrative reform of 1999. On the Russian side too the border area is part of an Oblast (region), one of 89 administrative units which constitute the Russian Federation. The region in question, covering over 15 000 square kilometres, is inhabited by more than 955 000 people, whereas in the much larger Polish province of over 24 000 square kilometres the population is more than 1.4 million.

The border area's main towns and cities are Kaliningrad (over 425 000 inhabitants), Chernyakhovsk (over 41 000), Gusev (28 000), Mamonovo (7 500), Bagrationovsk (7 000) in Russia, and Olsztyn (about 175 000), Elbląg (127 000), Kętrzyn (over 28 000), Bartoszyce (over 24 000), Braniewo (18 000), Olecko (17 000), Gołdap (about 14 000) and Węgorzewo (over 12 000) in Poland.

The present-day border is one of the most recent in Europe, as it was not drawn until 1945. In the Middle Ages the Balts and the Prussians lived in the region, but they did not form a state. From the 13th century the Teutonic Knights, the region's neighbours, sought to conquer the area, which resulted in their capturing the Prussian territory and exterminating the local population. After the Teutonic Order had been overcome by Poland, the current Polish-Russian border area was incorporated into the Duchy of Prussia.

The gradual process of the region's liberation finally led to the breaking of the union with Warsaw (17th century) and the formation of a new independent state, the Kingdom of Prussia (in 1701), which over the 18th century developed into one of the most powerful countries in Europe. In the 19th century the territory, commonly referred to as Eastern Prussia, was integrated into unified Germany and remained part thereof also after the First World War.

The border changed after the Second World War when defeated Nazi Germany was made to accept the terms imposed by the Allies. East Prussia was divided between the USSR (North) and Poland (South). This established the current somewhat artificial border with no reference to natural boundaries. It became the Polish-Russian border after the fall of the Soviet Union and its member republics' declaration of their independence.

Economic and infrastructural characteristics

The border areas of both countries can scarcely be ranked among the most economically developed Polish or Russian regions. Despite having access to the Baltic Sea, the area is clearly of a peripheral nature. However, this geostrategic position is the key factor which could shape the future direction of the region's economy, although it is at the same time subject to the influence of general trade contacts between Warsaw and Moscow.

The Russian region of Kaliningrad is the site of the world's richest amber deposits. Automotive, shipbuilding, electronics and food industries are also located there, and fishing is a further focus.

The main industrial centres on the Polish side are Olsztyn (tyre, furniture, food, clothing, printing and brewing industries), Elbląg (with a heavy turbine industry, furniture, food and brewing industries), Kętrzyn (food, electrical engineering and clothing industries) and Braniewo, although to a lesser degree (furniture manufacture and breweries).

The main industrial centres on the Russian side are Kaliningrad (shipbuilding and car industry, as well as the railway carriage factory), Chernyakhovsk (machinery, furniture and ceramics), Gusev (electrical engineering industry) and Svetly, which has about 22 000 inhabitants and is located on the Vistula Lagoon, making it ideal for fish processing and a thriving centre for oil terminals, metallurgy, shipbuilding and the timber industry.

The following crossing points are situated on the border: Bezledy/Bagrationowsk, Gołdap/ Gusev, Gronowo/ Mamonowo and three railway crossing points in Braniewo/ Mamonowo, Głomno/ Bagrtionowsk and Skandawa/ Zeleznodorożnyj. There are plans to open four more crossing points. Since the border is relatively short, the number of crossing points is sufficient. However, the sluggishness of the customs service, especially on the Russian side, poses a serious problem and can increase waiting time at the border up to a few dozen hours. Cars and buses are also sometimes affected. An unsolved problem is smuggling of cigarettes and fuel, as well as other goods.

In the area near the border there are Polish schools of higher education, both state-owned and private - the Warmia-Masuria University in Olsztyn, a branch of Gdańsk University in Elbląg, the Police Academy in Szczytno, the State Higher School of Vocational Education in Elbląg, the Teacher Training College in Elbląg and Masuria University in Olecko, to name but a few. Young people educated there offer bright prospects for the province's future. The Russian side also abounds in educational institutions, with 21 schools of higher education located in Kaliningrad, the chief educational centre, including Immanuel Kant University, the State University of Technology and the Baltic (Fishing Fleet) State Academy.

Cross-border declarations and agreements

The detailed framework for international co-operation is mainly set out in intergovernmental agreements. Each of the instruments signed so far includes provisions on establishing, facilitating and promoting cross-border co-operation. All the agreements creating the legal basis for local and

regional government authorities to co-operate with their partners from neighbouring countries have been signed on the basis of these framework agreements.

The subject matter of the agreements signed so far clearly breaks down into the following two main parts and sub-categories:

- An unchangeable (fixed) part, resulting from the international agreements signed by the governments or from Council of Europe conventions, in which the contracting parties usually:

- 1 Define the concepts of cross-border co-operation and local and regional government;
- 2 Impose certain obligations on themselves concerning the exchange of information between local/regional authorities about competencies and opportunities relating to cross-border co-operation;
- 3 Undertake to solve all problems of a legal, administrative or technical nature which might interfere with such co-operation;
- 4 Set out a number of fields for cross-border co-operation;
- 5 Establish joint co-ordination bodies at the governmental (intergovernmental committees), local and regional levels;
- 6 Provide for possible restrictions on co-operation as regards its geographical scope, fields, forms or subject matter;
- 7 Reiterate that cross-border co-operation must always comply with national law and the international obligations deriving from the previously signed agreements.

- A variable part, depending on local conditions, e.g. the body signing the agreement, previous contacts, the geographical environment, social and economic development, common problems to be solved, etc., which is governed by the accords of a given Euroregion.

The main intergovernmental agreements currently in force are:

- 1 The Treaty between the Republic of Poland and the Russian Federation on Good-neighbourliness and Friendly Co-operation of 22 May 1992;
- 2 The Agreement between the Government of the Republic of Poland and the Government of the Russian Federation on Co-operation between the North-Eastern Voivodeships of the Republic of Poland and the Region of Kaliningrad of 22 May 1992;
- 3 The Agreement between the Government of the Republic of Poland and the Government of the Russian Federation on Transfrontier Co-operation of 2 October 1992;
- 4 The Agreement between the Government of the Republic of Poland, the Government of the Russian Federation and the Republic of Lithuania on the Definition of the Point of Contact of State Borders of 27 October 2005.

The main agreements on Euroregions are:

The Baltic Euroregion (DK/LT/LV/PL/RU/SWE)

The idea of creating the Euroregion originated from politicians and business operators in eastern Sweden and north-eastern Poland. The first meeting devoted to the possibility of establishing the Euroregion (then called “Jantar”) took place in Marlboro in late February/early March 1997. This resulted in an Agreement on Establishment of the Euroregion Baltic, signed in February 1998.

The Euroregion Baltic (ERB) is one of the biggest organisations of this type in Europe, as regards both the number of participating parties and the geographical area and population of its member regions. The territory of the ERB encompasses the Pomeranian and Warmia-Masuria voivodeships in Poland, the Region of Kaliningrad in the Russian Federation, Klaipėda and the county of the same name in Lithuania, the Kurzeme Region in Western Latvia, the Blekinge, Kalmar and Kronoberg Counties in Sweden and the island of Bornholm in Denmark.

The participants in the ERB's activities include representatives of self-governing regional authorities and of national governments. The organisational structure is typical of a Euroregion.

The action taken within the framework of the ERB is currently co-ordinated by National Secretariats based in Baltiysk (Russia), Klaipėda (Lithuania), Riga (Latvia), Ronne (Denmark) and, on a rotational basis, in Karlskrona, Kalmar or Vaxjo (Sweden). On 1 July 2004 an International Permanent Secretariat was established and incorporated in the structure of the Polish Secretariat in Elbląg. The International Permanent Secretariat obtains its funds from each of the contracting parties and thus constitutes the first joint financial undertaking in the framework of the Euroregion.

The ERB has implemented and continues to implement assistance schemes under the Phare CREDO and Phare CBC programmes and is also participating in the implementation of the INTERREG Seagull DevERB project, the beneficiary of which is Sweden (this is a programme of many years' standing aimed at defining a long-term development strategy for the ERB).

The cross-border co-operation constitutes a basis for the implementation of transregional and supranational projects. The ERB's aims, as cited in its statute, include supporting common cross-border projects aimed at improving the living conditions of the area's inhabitants, promotion of mutual contacts and tightening of the bonds between local communities.

The ERB manages a fund providing financial support in the following fields: cultural exchanges, development of regional democracy, cross-border studies and development strategies, economic development and tourism. Projects undertaken in these fields are frequently continued at a higher level of cross-border co-operation. Over a six-year period more than 150 projects have been carried out with partners from all over the Euroregion.

The Nemunas - Niemen - Neman Euroregion (PL/LT/BY/RU)

The idea of establishing the Euroregion as a form of cross-border co-operation between Poland, Russia, Lithuania and Belarus was launched in early 1995 in the Declaration of the 2nd Baltic Economic Forum. The initiative was preceded by two cross-border agreements signed by the Governor of the Suwalskie voivodeship with:

- 1 The President of the Administration of the Kaliningrad Region (Russia) in 1992,
- 2 The Governor of Hrodna province (Belarus) in 1994.

In November 1995 the Governor of the Suwalskie voivodeship, the President of the Suwalskie Voivodeship Sejmik and the President of the Polish-Lithuanian Economic Chamber signed an Agreement on the Establishment of the Euroregion Neman Office. In December 1995 and January 1996 two consecutive bilateral agreements were signed with two Lithuanian poviats. In February 1997 the Governor of the Suwalskie voivodeship of the Republic of Poland, the Administration of the Kaliningrad Region, the Governors of the Alytus and Marijampole Counties of the Republic of Lithuania and the Governor of Hrodna County in the Republic of Belarus signed a Declaration on Transborder Co-operation.

On 6 June 1997, in Augustów, the Agreement on the Creation of the Transborder Euroregion Neman Association was signed by the representatives of Poland, Belarus and Lithuania. The Governor of the Suwalskie voivodeship signed it on behalf of Poland.

In 1998 the Polish part of the Euroregion was extended to encompass the territory of the Podlachian voivodeship, and a year later the county of Vilnius was admitted. It was not until 4 April 2002 that the original intent of the Euroregion's creators could be realised - five districts of the Kaliningrad Region of the Russian Federation were admitted into the Euroregion Neman: Chernyakhovsk, Iziorsk, Nesterov, Gusev and Krasnoznamensk.

The major spheres of activity of the Euroregion Neman include: environmental protection, the economy, entrepreneurship, youth and sport, culture, social welfare and tourism promotion, especially through the Euroregion's multilingual website. The office of the Euroregion is located in Sakiai, Lithuania.

The Sesupe Euroregion (PL/LT/RU/SWE)

The Euroregion Sesupe was created on 24 April 2003 by self-governing local authorities from Poland, Lithuania, Russia and Sweden. It comprises the municipalities of Jurbarkas, Kalvarija, Kazlu Ruda, Marijampole, Pagegiai, Sakiai and Vilkaviskis (Lithuania); the Gusev, Krasnoznamensk, Nesterov and Iziorsk districts (Kaliningrad Region, Russia); the Gołdap and Kowale Iletske gminas (municipalities) (Poland) and the municipality of Eksjö (Sweden).

The main goals of co-operation within the Euroregion Sesupe are:

- 1 Improving the living standards of residents of the Euroregion;
- 2 Stimulating, planning and organising the well-balanced progressive development of the entire region;
- 3 Developing good neighbourly relations;
- 4 Bringing local communities together;
- 5 Supporting co-operation between regional and local authorities and public organisations along the borders.

Propensity towards cross-border co-operation

The propensity towards cross-border co-operation between Poland and the Kaliningrad Region is largely determined by both parties' recognition that the transit potential of the Polish-Kaliningrad cross-border area should become a fundamental asset, stimulating other aspects of cross-border co-operation in the area. However, past experience of cross-border co-operation between Poland and the Kaliningrad Region can but lead to the conclusion that verbal declarations (especially on the Kaliningrad side) confirming a willingness to act in this direction are not always followed up by significant practical action. As regards the economic propensity of both individual and institutional actors, a degree of asymmetry can be noted in the ability of the partners to improve transportation and communication infrastructure, which is the precondition for making the Polish-Kaliningrad cross-border area an important European crossroads.

Furthermore, implementation of the Schengen rules precludes close cultural proximity between the inhabitants of the border area, which, in turn, perpetuates a civilisational gap.

A major institutional obstacle, limiting the propensity towards closer cross-border co-operation between local authorities in Poland and the Kaliningrad Region, is a lack of decentralisation of

decision-making processes with regard to common strategic action in accordance with the spirit of the INTERREG platform.

Projects implemented

At the end of 2004 the Polish Ministry of the Interior, in close co-operation with neighbouring countries, ensured that the main conditions for receiving INTERREG IIIA funds were satisfied – preparation of programming documents, establishment of a Joint Technical Secretariat in Vilnius for the Lithuania-Poland-Kaliningrad Region Programme, confirmation of the Lithuanian delegations to the Monitoring and Steering Committees, etc. Due to differences in cross-border experience in Lithuania and Poland, the start of the programme was delayed. The first call for applications to receive EU support from the INTERREG IIIA Programme for the Lithuania-Poland-Kaliningrad Region was launched in June 2005.

The municipalities in the cross-border area co-operate on a bilateral basis; examples of bilateral co-operation are the following agreements:

- 1 Agreement between Olecko and Gusev (2004) providing for mutual support and promotion of exchanges in the spheres of culture, sport and science and economic co-operation between specific enterprises and institutions;
- 2 Agreement between Kętrzyn and Svetly signed in 2005 following a year of negotiations;
- 3 Agreement between Bartoszyce and Bagrationovsk (2001) providing for co-operation between schools and libraries, cultural exchanges (e.g. annual folk art festivals), sports tournaments, scout movement exchanges and co-operation in the field of social security.
- 4 Agreement between Olsztyn and Kaliningrad (1999);
- 5 Agreement between Elbląg and Kaliningrad (1994) on co-operation between NGOs, social actors, trade organisations and enterprises. It also provides for establishing educational and cultural contacts;
- 6 Agreement between Elbląg and Baltiysk (1994) on co-operation in the fields of water transport, services to business, development of small and medium-sized enterprises, culture and sport;
- 7 Agreement between Węgorzewo and Chernyakhovsk (1996) as a basis for co-operation in the fields of cultural exchanges, tourism, sport and the economy.

Interestingly, the first agreements were signed as early as the mid-1990s, but the process was then suspended. However, given the relatively short period of time under consideration, the number of agreements reached is substantial.

SWOT analysis elements

Strengths: The natural resources and geostrategic position of the cross-border area currently constitute its most relevant strengths. Moreover, the area is characterised by a significant level of industrialisation on both sides of the border. However, at present, its potential is still limited, making these more of the nature of opportunities than strengths in their own right.

Weaknesses: The area suffers from persistent cultural barriers which seem to have a negative impact on the level of cross border relations also in the productive (trade and industry) and political sectors.

The high level of state centralisation moreover hinders the capacity of local authorities to take effective action so as to capitalise on the area's geostrategic position. This is notably the case with

the transport sector: although the area has access to the Baltic Sea, little has been done to ameliorate cross-border transportation infrastructure.

In fact, despite its strategic position, the cross-border area still lacks the infrastructure necessary to implement sustainable local development strategies based on transportation services.

The peripheral status of the cross-border area is still evident, and, due to the nature of the two economies, characterised by competitive aspects, their integration is difficult.

Lastly, the border does not as yet seem to play a filter function allowing the free movement of people and goods and thus generating positive effects on both sides. This is especially the case with regard to the Schengen Visa regime.

Opportunities: The greatest opportunities for the area stem from the euro-regional projects in which it is involved. The INTERREG framework seems to offer an opportunity for increasing contacts, especially among economic actors. However, a number of other opportunities for cross-border integration are linked to common membership of a number of relevant international treaties, to the existing agreement on the definition of the border area and to the fact that, despite the high level of state centralisation, local authorities do have some autonomous powers to initiate international relations.

Threats: There are a number of threats to future integration prospects in the area. They mainly concern the cross-border economy: labour market protectionism on both sides of the border, the heavy burden of current customs and tax policies, the know-how and competence gap between economic undertakings on the two sides of the border and the restrictive regulations on day-to-day civil society cross-border relations. All these factors come together to hinder the development of the area in a cross-border fashion.

Lastly, the funds earmarked for specific cross-border activities are still limited, although they are on the increase. This seems to be linked to different political-ideological orientations at the local and central levels on either side of the border.

3. RUSSIA – BELARUS



Geographical and historical background

The border between Russia and Belarus runs approximately on a north-south axis for 990 km (33 % of the total length of Belarus's borders) from the Russian village Lyakhovo, where the Lithuanian, Russian and Belarusian borders meet, to the Belarusian village Zavidovka (*Translator's note: The Belarusian place names and other names have been transliterated from Russian, as it is the second state language of the Republic of Belarus*), the meeting point of the Belarusian, Russian and Ukrainian borders. The border between Belarus and Russia corresponds, in Belarus, to the eastern border of the Vitebsk and Mogilyev Regions (*oblast'*) and the northern-eastern border of the region of Gomel. In Russia, it corresponds to the southern border of Pskov Region, the western border of Smolensk Region and the western border of Bryansk Region. The main border area cities (population more than 100 000) are: in Belarus (from north to south) Novopolotsk, Vitebsk, Orsha, Mogilyev, Bobruisk, Gomel and Mozyr; and in Russia (from north to south) Velikie Luki, Smolensk and Bryansk (the largest with a population of 435 200 as at 1 October 2006).

The total area of the three Belarusian border regions is 109 500 sq. km, with the regions (Vitebsk, Mogilyev and Gomel) respectively covering 40 000 sq. km, 29 100 sq. km and 40 400 sq. km. A total of 3 960 600 people live there, or respectively 1 307 400, 1 157 900 and 1 495 300. Population density is 36.2 inhabitants per square kilometre (respectively 32, 40 and 37).

On the Russian side, the total area of the three regions is 140 100 sq. km, with the regions (Pskov, Smolensk and Bryansk) respectively covering 55 400 sq. km, 49 800 sq. km and 34 900 sq. km. A total of 3 024 500 people live there, with the regions respectively accounting for 713 000, 993 500 and 1 318 000. Population density is 21.6 inhabitants per square kilometre (respectively 13, 20 and 38). Overall, the territory of all the Belarusian and Russian border regions together is 249 600 sq. km, with a population of 6 985 100 and a population density of 28 inhabitants per square kilometre.

The Russian-Belarusian cross-border area comprises 32 districts (*rayon*) (15 Russian and 17 Belarusian). It covers a total of 50 475 sq. km (Russia – 21 930 sq. km, Belarus – 28 545 sq. km),

with a population of 702 300 (233 400 in the Russian districts, and 468 900 in the Belarusian). Population density is 13.9 inhabitants per square kilometre (10.6 in Russia, and 16.4 in Belarus).

The Russian-Belarusian state border runs mainly across the plain, which has many forests and rivers. There is no distinct natural boundary, a factor that contributes to the development of communication routes and connections between the border territories. Two relatively large reserves are situated close to the border: one in Russia near the Belarusian border city of Vitebsk, and one in Belarus near Dokshitsy.

Three Belarusian regions have common borders with the Russian Federation: Vitebsk, Mogilyev and Gomel.

Vitebsk Region (Vitebskaya oblast' in Russian, Vitsebskaya voblast' in Belarusian) is situated in the north of Belarus on the middle course of the Western Dvina river (the Zapadnaya Dvina in Russian) and the upper course of the Dnieper (Dnepr) River. It borders on Lithuania, Latvia and Russia. It is divided into 21 administrative districts (*rayons*). The region counts 19 cities, 5 of which are of regional subordination, 28 urban-type settlements, 247 village councils and 6 517 rural settlements. The population numbers 1 307 000, 70% of whom are urban dwellers. The main nationality of the region's inhabitants is Belarusian (82%), but there are also Russians (13.6%), Ukrainians (1.6%), Poles and other nationalities.

The following administrative districts (*rayons*) of Vitebsk Region border on Russia: Verkhnedvinsk district (28 000 inhabitants; 2 140 sq. km), Rossony district (13 000 inhabitants; 1 900 sq. km), Polotsk district (29 300 inhabitants; 3 142 sq. km), Gorodok district (30 800 inhabitants; 3 000 sq. km), Vitebsk district (42 600 inhabitants; 2 800 sq. km), Liozno district (19 800 inhabitants; 1 400 sq. km) and Dubrovno district (19 900 inhabitants; 1 300 sq. km).

Mogilyov Region (Mogilyovskaya oblast' in Russian, Maghilyouskaya voblast' in Belarusian) is the eastern part of the Republic of Belarus. It borders on the Smolensk and Bryansk regions of Russia. It is divided into 21 districts. The region comprises 14 cities (including four of regional subordination), 11 urban-type settlements, 194 village councils and 3 120 rural settlements. The population (86% of which is of Belarusian origin) numbers over 1 158 000. 73% of the population are urban dwellers.

As a result of the disaster at the Chernobyl nuclear power station 35% of the region's territory is contaminated with radioactive nuclides.

The following districts of Mogilyev Region border on Russia: Gorky district (52,100 inhabitants; 1 300 sq. km), Mstislavl' district (28 900 inhabitants; 1 300 sq. km), Krichev district (37 600 inhabitants; 800 sq. km), Klimovichi district (30 400 inhabitants; 1 600 sq. km), Khotimsk district (14 600 inhabitants; 900 sq. km), Kostyukovichy district (28 200 inhabitants; 1 500 sq. km) and Krasnopolye district (12 700 inhabitants; 1 200 sq. km).

Gomel Region (Gomelskaya oblast' in Russian, Homelskaya voblast' in Belarusian) constitutes the south-eastern part of the Republic of Belarus. The administrative centre of the region is the city of Gomel. The region borders on Russia (Bryansk region) and Ukraine (Kiev, Zhitomir and Rovno regions). It is divided into 21 districts. The region comprises 17 cities, 18 urban-type settlements, 275 village councils and 2 607 rural settlements. According to the 2004 census the population numbers 1 505 400. By ethnic origin, Belarusians are in the majority, constituting 84.2% of the population, followed by Russians (11%), Ukrainians (3%) and also other ethnic minorities. The majority of the inhabitants are urban dwellers, representing 71% of the total.

As a result of the disaster at the Chernobyl nuclear power station 69.3% of the territory of Gomel Region is contaminated with radioactive nuclides. In the most severely affected areas the unique Poleskiy Radiation and Ecological Reserve has been established.

The following districts of Gomel Region border on Russia: Chechersk district (17 000 inhabitants; 1 200 sq. km), Vetka district (20 000 inhabitants; 1 563 sq. km) and Dobrush district (44 000 inhabitants; 1 500 sq. km).

Three Russian regions have borders with the Republic of Belarus: Pskov, Smolensk and Bryansk.

Pskov Region (Pskovskaya oblast) is the only subject of the Russian Federation bordering on three states: Estonia, Latvia and Belarus. There are three customs zones in the region – Pskov customs zone, Velikie Luki customs zone and Sebezh customs zone.

There are more than 3 000 lakes in the Pskov Region, including the third largest in Europe — the Chudsko-Pskovskoe Lake. The population is 95.2% Russian, 1.3% Belarusian, 1.7% Ukrainian and 1.9% of other nationalities.

The region is divided into 24 administrative districts, nine of which are on the border. There are 14 cities, two of which are relatively large economic centres: Pskov (202 700 inhabitants according to the 2002 census) and Velikie Luki (104 900 inhabitants, again according to the 2002 census).

The following districts of Pskov Region border on Belarus: Usvyaty district (5 800 inhabitants; 1 120 sq. km), Nevel' district (28 300 inhabitants; 2 640 sq. km) and Sebezh district (23 200 inhabitants; 3 110 sq. km).

Smolensk Region. Since 2006 the region has comprised 350 municipal units, including two urban areas (*okrug*), 25 municipal districts (*rayon*), 25 urban settlements and 298 rural settlements. The region includes 25 administrative districts, 15 cities, 15 urban-type settlements and 407 rural administrations. 70.8% of the population are urban dwellers, and 94% are Russian, 2% Belarusian, 2% Ukrainian and 2% of other nationalities. The region has a lot of migrants from neighbouring countries, including Belarus.

The following districts of Smolensk Region border on Belarus: Velizh district (12 900 inhabitants; 1 480 sq. km), Rudnja district (25 900 inhabitants; 2 140 sq. km), Krasny district (14 100 inhabitants; 1 510 sq. km), Monastyrshina district (11 900 inhabitants; 1 520 sq. km), Khislavichi district (10 700 inhabitants; 1 170 sq. km), Shumyachi district (12 200 inhabitants; 1 390 sq. km) and Ershichi district (8 000 inhabitants; 1 030 sq. km).

Bryansk Region is situated in the western part of the Russian plain, encompassing the middle part of the Desna River Basin and a forest watershed between the rivers Desna and Oka.

The region has borders with two states and four Russian regions: in the west with the Republic of Belarus (Gomel and Mogilyev Regions), in the south with Ukraine (Chernigov and Sumy Regions), in the north with the Kaluga and Smolensk Regions and in the east and south-east with the Orel and Kursk Regions.

The region extends for 270 km from west to east, and 190 km from north to south.

The population is 97.1% Russian, 0.5% Belarusian, 1.4% Ukrainian and 1% of other nationalities.

Since 2006 the region has comprised 287 municipal units, including 7 urban areas, 27 municipal districts, 30 urban settlements and 223 rural settlements.

The following districts of Bryansk Region border on Belarus: Surazh district (25 700 inhabitants; 1 120 sq. km), Gordeevka district (12 900 inhabitants; 830 sq. km), Krasnaya Gora district (15 300 inhabitants; 1 120 sq. km), Novozybkov district (13 200 inhabitants; 980 sq. km) and Zlynka district (13 300 inhabitants; 770 sq. km).

Historically, in the area under consideration the first human settlements appeared between 27 000 and 24 000 years ago.

From the 7th to the 9th centuries AD members of the Dregovich, Krivich and Radimich tribes settled in Belarusian territory.

In the early Middle Ages the territory of modern Belarus belonged to several principalities, the most powerful of which was the Principality of Polotsk. The principality's capital, Polotsk, was first mentioned in 862 and reached the height of its power in the 10th and 11th centuries. Christianity spread through Belarus in the 10th century.

Smolensk was first mentioned in the chronicles in 863.

In 882 the Smolensk lands became part of the united state of Kiev.

In 985 the fortress town of Bryansk was founded; it also served as a centre for spreading Christianity. In the late 11th century the territory where Bryansk is situated passed to the Principality of Chernigov, and in 1147 it was conquered by Prince Svyatoslav Ol'govich, who had been expelled from Kiev.

In 1054 the Principality of Smolensk was founded.

In the early 13th century, under threat of attack by crusaders and Mongol-Tatars, the Belarusian principalities took part in the creation of the Grand Duchy of Lithuania. By the 14th century all of the Belarusian lands had been consolidated into the Grand Duchy of Lithuania. At the time, modern Belarus was known as Lithuania, but did not correspond to Lithuania as we know it today. The Grand Duchy of Lithuania was then one of the strongest states in Europe, stretching from the Baltic coast to the Black Sea.

By the end of the 13th century the Principality of Bryansk had become one of the strongest of the Rus'. Crafts and trade developed. The principality's growing strength worried the Golden Horde, and in the 1290s Prince Roman was deceitfully assassinated. The prince's heirs wallowed in conflicts, and in the early 14th century Bryansk was devastated by the Tatars and became a protectorate of the Grand Duchy of Lithuania.

In 1359 Ol'gerd integrated Bryansk into the Grand Duchy of Lithuania and, during a campaign to Smolensk, annexed the Mstislavl', Roslavl' and Krichev lands of the Principality of Smolensk to the Grand Duchy of Lithuania. Bryansk was returned to Russia only in 1500, and its inhabitants vowed loyalty to Moscow.

In 1514 the troops of Basil III conquered Smolensk. The lands of Smolensk became part of the state of Moscow.

In 1569 – while the Grand Duchy of Lithuania was at war with Moscow - the Lublin Union was signed between the Grand Duchy of Lithuania and the Kingdom of Poland, which united in a single state – the Rzecz Pospolita (the Commonwealth).

In 1596 the Brest Church Union was signed, whereby the Orthodox Church of the Grand Duchy of Lithuania recognised the supremacy of the Pope of Rome and the Catholic dogmata, while preserving its own rituals and organisation.

In the 17th century the area had 37 towns and 320 smaller settlements. Towns sprang up in the vicinity of feudal castles, sometimes in the place of existing rural settlements. The population of the towns increased with the influx of former rural dwellers, people migrating from other towns and foreigners. The towns' rulers established tax privileges or fully exempted the residents from taxes for given periods so as to attract new inhabitants. An important factor that contributed to the towns' prestige was the right of self-government, as in the German city of Magdeburg. The “Magdeburg right” was granted to the Belarusian towns from the end of the 14th century: to Brest in 1390, Grodno in 1391, Polotsk in 1498, Minsk in 1499, etc.

By the late 17th/early 18th century the Belarusian towns had fallen into a state of decay caused by military disasters: the war between Russia and Rzecz Pospolita in 1654-1667 and the Northern War in 1700-1721. The urban population more than halved. Brest, Vitebsk, Grodno, Dokshitsy, Kletsk, Kobrin, Lida, Minsk, Mir, Novogrudok, Nesvizh, Pinsk, Slutsk and other towns suffered destruction or burning. The feudal lords sought to use the weakening of the towns to consolidate their possessions in them in the form of legal property. The urban possessions of the Catholic Church were also increasing. To normalise the cities' functioning the sovereign and the private owners took measures aimed at fortifying the urban areas and promoting their economic development. By the late 18th century the towns had emerged from the state of destruction and achieved some economic progress. Businesses began to grow in the craft and commercial fields. Enterprises using hired labour, work division and even machines existed in Vitebsk, Grodno, Mogilyev, Minsk, Nesvizh, Polotsk, Slutsk, etc. In some instances, especially where the business was owned by a feudal lord, capitalistic elements were combined with features of serfdom, for example the use of serfs as a workforce. The volume of foreign trade increased, although the main commercial relations and import and export structure remained traditional.

In 1708 Smolensk Province (*guberniya*) was formed.

After the three partitions of Poland and the Rzecz Pospolita, in 1772, 1793 and 1795, the Belarusian lands passed to Russia.

From the end of 1708 Pskov and the surrounding lands became part of Ingermanland (later St. Petersburg) Province. Only in 1777 did Pskov become a provincial centre. A province was administratively and territorially divided into districts (*uyezd*), one of which in this case was Pskov district.

Belarus was a major theatre of the 1812 war between Russia and Napoleon. At the time many Belarusians emigrated to the United States.

In 1830–1831 there were uprisings by members of a national liberation movement for the restoration of Rzecz Pospolita, which were cruelly put down by Russia.

At the turn of the 18th and 19th centuries, the territory of Belarus had 40 towns with an urban population of 93 000. By the mid-19th century the urban population had risen to 244 000. During

the First World War and Civil War era, following the decline of all branches of the economy, the population of many towns decreased. There were 360 400 urban dwellers in 1917. By 1925, the majority of urban settlements were small towns (up to 10 000 inhabitants). At the time the urban population totalled 637 700.

In the second half of the 19th century the Bryansk area's industrial development began due to industrialisation and the development of railway networks. In 1868 the Orel-Smolensk railway line was built, followed by Bryansk-Gomel, Bryansk-L'gov and Bryansk-Moscow. Bryansk became a large railway junction, attracting investments, and big metallurgical and machine-building enterprises were built in the vicinity.

The 1917 February and October revolutions led to the advent of Soviet power in Belarus and Russia.

On 25 March 1918 Belarus announced its independence and the Belarusian People's Republic was created. From 1922 to 1991 Belarus was a member of the Soviet Union as the Belarusian Soviet Socialist Republic (BSSR).

The Bolsheviks announced the creation of the Belarusian Soviet Socialist Republic on 1 January 1919, and that status was preserved for 72 years.

In 1920 the Bryansk Region was founded.

In 1921 Western Belarus was annexed to Poland in accordance with the Riga Treaty.

In 1927, as part of a new administrative division, in accordance with a resolution adopted by the Council of the All Union Central Executive Committee on 1 August, Pskov Region ceased to exist, and its territory was attached to the Leningrad Region as two separate areas (*okrug*) — Velikie Luki and Pskov. Pskov included the Karamyshev, Pskov and Seredkino districts (*rayons*).

In 1929 the Bryansk Region (*guberniya*) was dissolved as a result of the growing trend towards centralism in the system of government. A large Western Region (*oblast*) was formed, but owing to the difficulties of managing such a large administrative body it was very soon broken down into smaller units. The Bryansk area was then attached to the Orel Region.

The transformation of Belarus into a country with an industrial and agrarian economy in the 1930s directly affected the urbanisation process. Industrial enterprises were, as a rule, concentrated in the cities: Minsk (with 163 000 inhabitants in 1932), Vitebsk (117 300), Gomel (109 900), Bobruisk (62 300) and Mogilyev (56 900).

In September 1937, as a result of the Western Region's reorganisation, the Smolensk Region (*oblast*) was formed out of the Western Region's central and western districts. The region's population totalled more than 2.5 million. It included 54 districts (*rayons*). It was larger than the modern region of Smolensk in terms of both population and area.

In 1939 Western Belarus was returned to the BSSR.

On 22 June 1941 German troops invaded Belarus. The entire territory of the republic was occupied for three years. During the Second World War one in four Belarusians died, almost all the towns and cities were destroyed and about 9 000 villages were burnt to the ground.

On 3 July 1944 the Red Army liberated the Belarusian capital, Minsk.

On 5 July 1944, by a Decree of the Presidium of the Supreme Council of the USSR, the Bryansk Region (*oblast*) was formed. The city of Bryansk became a regional centre.

The Pskov Region was founded on 23 August 1944. Subsequently, on 2 October 1957, Velikie Luki was integrated into the Pskov Region.

During the initial post-war years, extensive urbanisation took place as a result of the earlier huge destruction and immense population losses. It was not until 1972 that the BSSR regained its pre-war population level.

On 26 April 1986 the explosion at the Chernobyl nuclear power station, situated on the territory of neighbouring Ukraine, contaminated about 23% of Belarusian territory.

In order to protect the state's economic interests, by Order No. 131 of 30 April 1991 of the Central Administrative Board of Customs Control at the Council of Ministers of the USSR, "In order to improve management and co-ordination of customs institutions in the Smolensk, Kaluga, Tula, Bryansk and Orel regions and to perfect forms and methods of customs control", it was decided to reorganise the Smolensk and Bryansk customs posts respectively into the Smolensk and Bryansk customs zones, with jurisdiction for the Smolensk and Bryansk regions.

In July 1990 the Smolensk, Bryansk, Tula and Orel regions were re-transferred from Moscow to Kaluga, upon which they established customs posts and took charge of customs clearance of all freight crossing the state border in these regions of the Russian Federation.

On 25 August 1991 the Supreme Council of Belarus adopted a Declaration of Independence.

In December 1991 the heads of Russia, Ukraine and Belarus met at the Belovezhskaya forest reserve. The USSR ceased to exist. The border between Belarus and Russia runs along the former borders of the ex-BSSR and ex-RSFSR.

Following the dissolution of the USSR, 20% of the customs activity of the former Soviet Union territory continued to be handled by Russia. In addition, Russia's share of commodities turnover was more than 50%. Liberalisation of foreign trade in Russia prompted growth in its foreign economic activity and led to the establishment of internal customs zones and customs posts all over Russia, including the Russian-Belarusian border area.

In July 1994 the first President of Belarus, Alexander Lukashenko, was elected.

On 14 May 1995, at the initiative of President Lukashenko, the first referendum in the history of Belarus was held. Three questions were put to the vote on giving Russian the status of a state language on an equal footing with the Belarusian language; on the new state flag and state emblem; and on support for the action of the President of the Republic of Belarus aimed at economic integration with the Russian Federation. The population voted in favour on all three questions, with the "yes" vote reaching respectively 83.3 %, 75.1 % and 83.3 % of the total votes.

In December 1999 the Presidents of Russia and Belarus signed a treaty setting up the supranational Union State.

Cross-border relations between Russia and Belarus are accordingly fostered by both geography and a common history.

Economic and infrastructural characteristics

Since 1950 the urban population of Belarus has increased 4.3 times, reaching 67.6% of the Republic's overall population, which, according to generally accepted international classifications, ranks Belarus among the countries with a very high (more than 60%) degree of urbanisation. At the beginning of 1992 there were 102 towns in Belarus, including 12 (without Minsk) with a population of more than 100 000, and also 109 urban type settlements. 81 % of all urban settlements are small towns with a population of up to 20 000. They form a relatively dense network, but at the same time only 17.3 % of urban dwellers live there. Their weak development can largely be explained by the loss of the role they formerly played in the old agrarian economy. However, their presence in the modern urban landscape of Belarus engenders a certain social climate typical of the country's urban settlement.

Overall, since 2002 more than USD 4.6 billion have been invested in Belarus. Russia is unquestionably the leading investor. The largest number of joint ventures and foreign enterprises in Belarusian territory has been created by Russia (730), followed by the USA (523), Germany (375), Poland (350) and Lithuania (255).

Belarus trades most actively with Russia and the EU countries. On average, 43% of Belarusian exports go to Europe, and 36% to Russia. The Russian Federation is the chief source of Belarusian imports (60%).

For the first seven months of 2007, exports of Belarusian goods from Belarus to Russia reached USD 4 690.4 million (a 28.8 % increase in comparison with the same period of the previous year), accounting for 36.5% of the country's total exports. For the same period imports of Russian goods to Belarus stood at USD 8 757.0 million (a 18.7% increase in comparison with the same period of the previous year), representing 58.7% of the country's total imports. The foreign trade balance with Russia during the corresponding period of 2007 was accordingly negative by USD 4 066.6 million.

Trade with Russia decreased in 2006, largely as a result of the change in the way Value Added Tax (VAT) on trade transactions was collected. Trade with European countries increased. Belarus has seen little structural reform since 1995, when President Lukashenko launched the country on the path of “market socialism”. In keeping with this policy, President Lukashenko re-imposed administrative controls on prices and exchange rates and expanded the state's right to intervene in the management of private enterprises.

Due to its geopolitical position Belarus is of strategic importance for the transit of energy supplies. Belarus has an extensive network of oil and gas pipelines. The Druzhba main oil pipeline carries crude oil to the Novopolotsk and Mozyr refineries. Belarus has a system of trunk oil pipelines, covering the Unecha-Polotsk-Ventspils and the Polotsk-Birjai-Majeikai routes, with a complete process cycle, via which Russian and Kazakh oil is transported to the European markets. Gas also transits through the system of main gas pipelines along the following routes: Torzhok-Minsk-Ivantsevichy, Ivantsevichy-Dolina, Ivantsevichy-Slonim-Grodno, Minsk-Vilnius, Minsk-Gomel, Kobrin-Brest-Warsaw, Yamal-Europe, Dashava-Minsk and Ivantsevichy-Vilnius-Riga.

Export of oil products, produced from Russian oil in the Belarusian refineries, plays a key role in the country's economy, accounting for 16.4% of GDP. In January-May 2006 the cost of oil products

exports increased by 58.2 % in comparison with the same period of 2005, reaching USD 3.2 billion (for a volume of 7.4 million tonnes).

Belarus receives heavily discounted oil and natural gas from Russia, and much of the country's growth can be attributed to the re-export of Russian oil at market prices. This growth came under threat in 2007, however, when Russia raised the energy prices it charged Belarus closer to world market prices. Russia increased its gas price for Belarus from USD 47 per thousand cubic metres (tcm) to USD 100 per tcm for 2007 and plans a gradual rise to world market prices by 2011. Russia has also introduced an export duty on oil shipped to Belarus, which has been gradually increased, and has introduced a requirement that Belarusian duties on the re-exported Russian oil be shared with Russia, with Russia receiving 70% in 2007, 80% in 2008, and 85% in 2009.

The most important cross-border communication routes across the Russian-Belarusian border are: 7 railways (to Minsk, Vitebsk, Mogilyev, Orsha, Gomel etc.) and 11 motorways (motorway density is more than 150 km per 1 000 sq. km in the Russian-Belarusian cross-border area).

In addition, two international airports situated in Minsk propose regular daily air transport connections between Belarus and Russia.

These important transport links contribute to the development of intensive economic relations between the two countries and their cross-border regions.

Another key element of infrastructure development has been the creation of a number of mass media in the context of the Union State of Belarus and Russia. The Union State mass media are the following:

- the TV and radio broadcasting organisation of the Union State of Belarus and Russia (“Soyuz”), which produces TV and radio programmes in Belarus and Russia. The Soyuz radio station also broadcasts programmes about the Union on the frequencies of the Mayak, Yunost and Radio Rossii stations (“Sodruzhestvo” radio service);
- the “Soyuz-Info” news agency. The agency's website (www.soyuzinfo.ru) offers constantly updated news concerning the Union State (80-100 items per day) and international news;
- the website of the Parliamentary Assembly of the Union of Belarus and Russia (www.belrus.ru) provides information about the Assembly's day-to-day activities;
- the weekly publication of the Council of Ministers of the Union State “Soyuz Belarus-Russia” is published as an inlay to the “Rossiiskaya Gazet” and “Sovetskaya Belorussiya” newspapers.
- the Parliamentary Assembly of the Union of Belarus and Russia brings out the “Soyuznoe Veche” newspaper;
- in addition, the bodies of the Union State publish an information bulletin “Palamentskoe Sobranie Soyuzna Belarusi i Rossii” and an analytical review collection “Soyuznyi vestnik”.

In **Vitebsk Region** the leading branch of the economy is industry, employing about 30% of the total workforce. The main specialisations are power engineering, petroleum refining, the petrochemical industry, mechanical engineering, light industry and the food industry. Local industries manufacture all-linen cloths, polyethylene, half of the Republic's total output of petroleum products and

electricity, 40% of its carpets production and over 30% for hosiery. They produce machines, footwear, building materials, meat and milk preserves. The most powerful power station in Belarus, the Lukomlskaya Hydroelectric Power Station, is located in the region. Large enterprises are concentrated in Vitebsk, the Polotsk industrial area and Orsha. Vitebsk has a free economic zone. The region is part of the Euroregion “The land of lakes” (“Azyorny kraj”).

Local farmers specialise in growing cereals and feed crops as well as flax. There is also a developed fish industry. The agricultural land is mainly sod-podzolic soil, waterlogged sod and peat and covers 40.5% of the region’s territory. Its patchiness and the large quantities of boulders are characteristic features. The region has a total of about 400 farms, including collective agricultural enterprises (kolkhoz) and co-operatives.

A branch of the “Druzhba” main oil pipeline runs across the territory of the region. A main gas pipeline “The Northern Lights” (“Siyaniye Severa”) has also been laid. Dolomite deposits are exploited, part of which are mined for industrial purposes. There are cement and low-melting clay and clay loam deposits, as well as much peat and mortar sand. Mineral water and sapropel can be found in the lakes.

The major international railways Moscow-Orsha-Minsk-Warsaw, St. Petersburg-Vitebsk-Orsha-Kiev and Smolensk-Vitebsk-Polotsk-Riga pass through the region. Other important routes are Orsha-Unecha, Nevel-Polotsk-Molodechno, Orsha-Lepel, Krulevshchizna-Postavy and farther to Latvia. The biggest railway junctions are the towns of Orsha, Vitebsk and Polotsk. The region's railway lines total over 1 210 km.

The major motorways crossing the region are Moscow-Orsha-Minsk-Brest, St. Petersburg-Vitebsk-Orsha-Kiev, Smolensk-Vitebsk-Polotsk-Daugavpils and Vitebsk-Lepel'-Minsk. The region has over 3 600 kilometres of hard surface roads. Navigation takes place along the Western Dvina River from Velizh to Polotsk and on the Dnieper River below Orsha. Vitebsk has an airport.

Mogilyov Region has a high industrial potential. The region produces 100% of the country's output of tyres, lifts, curtain lace and tape recorders, as well as rubber footwear (67% of the total national output) and electric motors (52%). The largest industrial enterprises are concentrated in Mogilyov and Bobruisk. These towns are diversified centres. Mogilyov has a free economic zone.

Agricultural lands make up 50.3% of the region’s territory. 47 000 hectares of contaminated lands were taken out of use in 1986-1991. The land is mainly sod-podzolic soil, peat bog, loamy soil, loamy-sandy soil and sandy soil. Meadows, predominantly low-lying, occupy 18% of the region’s area. Plant cultivation plays a key role in the region’s agricultural sector. Cattle breeders specialise in meat and milk production. In a number of districts there are fur farms and fish farms. There are also poultry factories. The agricultural sector is currently being reorganised. Production co-operatives, joint stock companies and private farms are being established; collective farms (kolkhoz), state farms (sovkhoz), private farms and support enterprises operate in the region.

The minerals found in the region are cement chalk and marl (75% of the country's cement raw material deposits), phosphorites, Tripoli powder, clays, sands, peat, sapropels and oil.

The region is crossed by the railway lines Vitebsk-Orsha-Mogilyov-Zhlobin, Zhlobin-Bobruisk-Minsk, Orsha-Krichev-Unecha and Krichev-Mogilyev-Ossipovichi. Their total length is 800 km. The major junctions are Mogilyev, Bobruisk, Ossipovichi and Krichev. The major motorways are Saint Petersburg-Kiev, Roslavl'(Russia)-Bobruisk-Brest, Mogilyev-Minsk and Mogilyev-Bobruisk.

Hard surface roads total 8 000 km. Navigable waterways (the Dnieper, the Sozh and the Berezina Rivers) account for over 400 km.

The main waterway of the region is the Dnieper River. A number of water reservoirs have been created: Ossipovichskoe on the Svisloch River, Chigirinskoe on the Druts River and Teterinskoe. These reservoirs have hydroelectric power stations.

Industry plays a dominant role in the economy of the **Gomel Region**. The region's key industries are steel and rolled metal production, machine building, chemicals, timber, woodworking, light industry and the food industry. The range of goods produced includes oil refinery products, sulphuric acid, phosphate fertiliser, combine harvesters, bearings, lathes, glass, paper, cardboard, wallpaper, construction materials, furniture, white salt, soap and processed agricultural products.

About one-third of the output is exported to 70 countries. The Gomel-Raton free economic zone is located within the region. Business relations with neighbouring countries are developed in the context of the Euroregion "Dnieper". Agricultural production's importance in the region decreased following the Chernobyl disaster, as did agricultural land areas (they now occupy 35.3% of the region's territory) and livestock farming.

Important international railway lines, Saint Petersburg-Zhlobin-Odessa, Vilnius-Minsk-Zhlobin-Korosten-Kiev and Brest-Gomel, cross the region. Their total length is 1 859.4 km. Rail's share of the total volume of freight transportation is 90%; for passenger transportation it is 50%. The largest railway junctions are Gomel, Zhlobin and Kalinkovichi. The major motorways are Saint Petersburg-Gomel-Kiev, Minsk-Gomel and Bryansk-Gomel-Pinsk-Brest. The region has a total of 9 700 kilometres of hard surface roads. The major navigable rivers are the Dnieper, Pripyats, Berezina and Sozh. There are airports in Gomel and Mozyr.

Pskov Region is an important industrial and agricultural region in the north-west of Russia.

More than two-thirds of its industry is concentrated in two cities, Pskov and Velikie Luki. The industry is mostly manufacturing (87%), particularly the food industry, electric, electronic and optic equipment production, machinery building, non-metal mineral production, textiles and clothing manufacture. Their share in the total volume of goods, works and services was about 74% in 2006.

The enterprises of the region produce electric motors, relays for automobiles, high-voltage gear and insulators, transforming stations, cables, radio metering equipment, communication equipment, condensers, welding equipment, materials handling equipment for the logging industry, combined road machines, machine complexes for pipeline repair works, trade and refrigerating equipment. Meat-processing accounts for the largest part of the food industry.

The biggest power industry enterprise is Pskovskaya Hydroelectric Power Station. The capacity of the station's two generating units is 430 MVt. The region has vast energy resources.

The dominant agricultural branches are milk and meat stock-breeding, poultry farming, production of vegetables and potatoes. The area under crops is about 400 000 hectares. More than 70 % of the farms produce milk.

In 2006 foreign investments grew by 168.2% compared with 2005. In January-June 2007 the volume of foreign investments was USD 19.5 million (2.6 times more than the first six months of 2006). The chief investing countries are Latvia with USD 17.18 million (88 % of total foreign investments), Estonia with USD 1.14 million (5.8 %) and Denmark with USD 575 200 (2.9 %).

The motorway network with the neighbouring regions connects Nevel' with Polotsk and Vitebsk and Sebezh with Verkhnedvinsk. Two railways to Polotsk and Vitebsk run across the border. The scale of freight flows is significantly larger than the region's own trade flows, since freight flows to the north-west transit through the region.

Smolensk Region has a diversified industry. The leading branches – machine-building and metal-working – concern the electro-technical industry, road machine-building and energy machine-building. The machine-building centre is Smolensk, which produces road-building machines, means of automation of technological processes, radio components and electric lamps.

The other machine-building centres include Yartsevo (production of looms and spinning looms), Safonovo (instrument-making) and Roslavl' (energy equipment).

Light industry is represented by numerous manufacturers processing flax and cotton, and also by leather shoe manufacturers.

Production of building materials out of local raw materials is also well-developed, as is the chemicals industry (plastics production).

The food industry (butter-making and concentrated-milk factories) uses local materials.

Up to 1997 energy production was based on the local peat and brown coal fields (Safronovskoe); Dorogobuzhskaya power station now runs on natural gas; the Smolensk nuclear power station produces 80% of the region's electrical energy.

Agricultural lands cover 35.2% of the region's territory (tillage 25%). Smolensk Region is part of the nonchernozem zone of the Russian Federation. Grain-crops (oats, rye, wheat, barley) occupy 38% of the area under cultivation. Forage crops are also grown in the region (55% of the area under cultivation), along with potatoes, vegetables and long-fibre flax.

Milk-meat cattle-breeding, pig-breeding and poultry farming are being developed.

Smolensk is crossed by the Moscow-Minsk highway and the “Siyanie Severa” main gas pipeline from the Republic of Komi to Western Europe.

Bryansk Region. The main industries are machine building and metal-working (production of diesel locomotives, freight cars, diesel engines, bulldozers and motor graders, electric steel and core-mould casting and foundry iron); the food industry (meat and dairy products, canned goods, tobacco goods, cereals); light industry (yarn, clothing) and building materials production.

Crop farming is the leading agricultural branch, growing cereals (rye, oats, barley, wheat) and industrial crops (sugar beat, long-fibre flax, hemp, hops). Meat-milk cattle-breeding, pig-breeding and poultry farming are being developed.

Bryansk is a large railway junction. Smaller junctions are located at Unecha and Navlya. The majority of long-distance trains pass through Navlya/Bryansk (along the Moscow-Kiev branch line).

In the economic sphere co-operation is primarily being developed in the fields of machine building, the chemicals industry (fertiliser production, etc.), production and import/export of consumer goods

and also agriculture. Mention must also be made of the processing of Russian oil at the Belarusian refineries, and its transit to the West via Belarus.

There are sufficient transport routes between Russia and Belarus: motorways and railways and regular daily air flights.

Cross-border declarations and agreements

The Russian Federation is Belarus's main economic, political and cultural partner.

Diplomatic relations were established between the Republic of Belarus and the Russian Federation on 25 June 1992. The Embassy of the Republic of Belarus in the Russian Federation was set up in 1993 by reorganising the Permanent Representation of the Council of Ministers of the Republic of Belarus at the Council of Ministers of the Russian Federation.

The Treaty of Friendship, Neighbourliness and Co-operation between the Republic of Belarus and the Russian Federation was signed on 21 February 1995.

Customs controls at the Russian-Belarusian border were eliminated after Russia and Belarus signed a Customs Union Agreement in 1995. Goods brought into Russian territory across the external border of the Customs Union began to be processed by the Belarusian customs authorities.

On the basis of the provisions of the Agreement, the two countries concluded the Community of Belarus and Russia Treaty on 2 April 1996.

The integration process between Belarus and Russia received a strong impetus with the signature of the Union of Belarus and Russia Treaty on 2 April 1997. The Union of Belarus and Russia was further developed in accordance with the standards laid down in the Further Unification of Belarus and Russia Declaration of 25 December 1998.

Further development of bilateral relations made it possible to achieve a new stage in the two countries' co-operation — creation of the Union State, which constitutes a more effective, perfected form of co-operation. The Union State Creation Treaty and Action Programme were signed by the Presidents of Belarus and Russia on 8 December 1999. The Union State Creation Treaty came into force on 26 January 2000. The key phases of its implementation are the creation of the common legal base for the Union of Belarus and Russia and the formation of single economic, defence and humanitarian areas.

Under the treaty the fundamentals of constitutionalism are unchanged. Independence and territorial integrity are preserved, as are the parties' state structure and international commitments. The Republic of Belarus and the Russian Federation have espoused the principles of sovereign equality, voluntariness and conscientious fulfilment of the obligations entered into.

Since the Union State Creation Treaty entered into force, the Supreme State Council, the Council of Ministers and the Permanent Committee of the Union State have been established and begun to function. Regulatory legal instruments governing their activities have been drafted and ratified.

A significant number of standard-setting and legal instruments, including inter-state and inter-governmental treaties, have been developed, providing for co-operation in practically all areas. They include the Creation of Equal Conditions for Business Agents Agreement and the Equal

Rights of Citizens Agreement. Unification of tax, customs, civil and economic laws has been systematically implemented.

In accordance with the Union State Creation Treaty, the Republic of Belarus and the Russian Federation now form a single economic area.

Co-ordination of economic and investment processes in Russia and Belarus is increasingly on the agenda. A growing focus in this connection is the creation of financial industrial groups (FIG), also at the inter-state level.

The main basis for FIG formation is the Assistance in Creation and Development of Industrial, Commercial, Credit-financial and Combined Transnational Associations Agreement, signed by the governments of the CIS (Commonwealth of Independent States) countries. In accordance with this agreement, treaties on the creation of inter-state financial groups between the governments of Russia and Belarus have been concluded.

In 1997 the agreement on establishment of the Belarusian-Russian financial industrial group BelRusavto was signed. It joined the group formed by Minsk Automobile Plant (MAZ), Belarusian Automobile Plant (BelAZ), Mogilyev Automobile Plant (MoAZ), Minsk Wheel Retrievers Plant (MZKT), Avtodiezel (Yaroslavl' Motor Plant - YaMZ), Tutaevo Motor Plant (TMZ) and Yaroslavl' Fuel Equipment Plant (YaZTA). These enterprises signed a protocol on creation of the central company of the financial industrial group. After the company was registered, a body was set up to deal with further development of diesel car manufacturing in the two countries.

Apart from inter-state agreements, a number of agreements have been concluded at the regional level.

The Smolensk regional authorities have signed economic and cultural co-operation agreements with all six regions of the Republic of Belarus. At present the following *inter-regional co-operation agreements and treaties* are in force: the Treaty on Friendship and Co-operation between the Minsk and Smolensk Regions (signed on 21 March 1993 and prolonged on 21 April 1995); the Agreement on Co-operation between Smolensk Region of the Russian Federation and Vitebsk Region of the Republic of Belarus (signed on 29 November 1993); the Agreement on Co-operation between Smolensk Region of the Russian Federation and Mogilyev Region of the Republic of Belarus (signed on 22 November 1994); the Agreement on Co-operation between Smolensk Region of the Russian Federation and Gomel Region of the Republic of Belarus (signed on 22 November 1994); the Agreement between the Administration of Smolensk Region of the Russian Federation and the government of the Republic of Belarus on Trade-Economic, Scientific and Technical, and Cultural Co-operation (signed on 8 October 1998); the Agreement on Long-Term Co-operation between Grodno Region of the Republic of Belarus and Smolensk Region of the Russian Federation (signed on 12 May 1999); the Agreement on Co-operation between Smolensk Region of the Russian Federation and Brest Region of the Republic of Belarus (signed on 18 June 1999). The agreements cover co-operation in the following spheres: trade and services, agriculture, industry, inter-regional economic co-operation between enterprises, the environment and nature protection, education, science and culture, tourism and sport, research and experimental-design activities.

Interaction also takes place at the *level of the towns and districts* of Smolensk Region. It is regulated by a number of co-operation agreements. At present there are agreements between the cities of Smolensk and Vitebsk; Vyazemsk district of Smolensk Region and Orsha district of Vitebsk Region; Smolensk and Vitebsk districts; Ershichi district of Smolensk Region and Khotim district of Mogilyev Region; Krasnyi district of Smolensk Region and Dubrovno district of Vitebsk Region;

Pochinkovsk district of Smolensk Region and Gorky district of Mogilyev Region; Roslavl' district of Smolensk Region and Krichev district of Mogilyev Region; Rudnya district of Smolensk Region and Liozno district of Vitebsk Region; and Shumyachi district of Smolensk Region and Klimovichi district of Mogilyev Region.

Customs duties are not levied on goods produced in Pskov Region and sold in the territory of Belarus; this became possible following the signature of agreements on trade-economic co-operation by a number of border districts, including the districts of Pskov Region.

In November 2000, on the basis of the agreement between the Pskov regional authorities and the Republic of Belarus, an Unlimited Partnership Agreement between Pskov and Vitebsk was signed.

In addition, the Home Affairs Administrations of the two neighbouring regions have signed a Co-operation Protocol, providing for enhanced exchanges on a number of key problems: recovery of fugitives, prevention of theft and car hijacking and identification and elimination of illegal drug and psychotropic agents trafficking channels. On 10 April 2003 a joint conference of the Ministries for Internal Affairs of Russia and Belarus was held in Pskov. The Minister for Internal Affairs of the Russian Federation, Boris Gryzlov, took part on the Russian side, and Interior Minister Vladimir Naumov on the Belarusian side.

Bryansk Region has a significant legal basis for co-operation in all key areas, including inter-state and inter-governmental agreements. The legal instruments include the Creation of Equal Conditions for Subjects of Economy Agreement, the Principles of Imposing Indirect Taxes when Exporting and Importing Goods and Carrying out Works Agreement and the Equal Rights of Citizens Agreement.

Mutually profitable bilateral interaction takes place under the Agreement on Trade-Economic Cross-Border Cooperation between the Administration of Bryansk Region of the Russian Federation and the Gomel Regional Executive Committee of the Republic of Belarus, concluded in May 1999.

In November 2000 the Trade-Economic, Scientific and Technical and Cultural Co-operation Agreement between the administration of Bryansk Region of the Russian Federation and the government of the Republic of Belarus was concluded. With a view to implementing this agreement, a meeting of a working group on co-operation between the Bryansk Region of the Russian Federation and the Republic of Belarus took place on 10-11 November 2005 in the city of Gomel (Belarus). The outcome of this meeting was the signature of another protocol, setting out the main directions of mutually profitable co-operation activities for the following year. Through this team work, agreements on the further supply of Belarusian tractors and other agricultural and automobile machinery to Bryansk Region (at planned intervals) have been reached. The possibilities for the supply of Belarusian crushed rock have also been studied.

Two instruments were signed in Gomel in November 2006: a Protocol on Further Development of Combine Harvester Production at the "Bryansksel'mash" enterprise, producing 180 KCK forage combine harvesters, and the Action Plan for Co-operation with Gomel Region of the Republic of Belarus for 2007-2008.

The main document determining the nature of relations between Russia and Belarus is accordingly the Union State Treaty of 1999. A number of additional agreements have been concluded, which determine the nature of co-operation in various spheres: political, economic, cultural and so on.

All of the above factors make it possible to assert that the legal basis for cross-border cooperation between Russia and Belarus is at an advanced level of development.

Propensity towards cross-border co-operation

Political relations between Russia and Belarus in the framework of the Union State minimise the barrier function of the state border between the two countries, in so far as there are no limitations on the movement of people, goods, capital and information across the border. It must nonetheless be said that the Russian-Belarusian border chiefly played a weak barrier function, since Belarus was one of the first CIS countries to sign the Principles of Custom Policy Agreement (13 March 1992). At present the Russian-Belarusian border mainly has a contact function.

It is worth noting that the direction and speed of integration processes in the Russian-Belarusian cross-border area are influenced by the levels of social-economic development of the neighbouring border regions. The Russian and Belarusian border regions have different levels of social-economic development but, in general, constitute relatively well-developed parts of both countries, with a number of common traits as regards their social structure.

The intensive integration between Russia and Belarus in a number of spheres can be explained by a high level of division of labour and interdependence. Belarus, a country poor in natural resources, imports almost all of its raw materials and energy (gas, oil, rolled iron, apatite concentrate, synthetic rubber, soda, etc.), and also technologies and various items of machinery and equipment from Russia. In turn, Belarus, which has extensive machine-building and chemical complexes, supplies Russia with intertillage tractors and mine trucks (80% and 40% of Russia's total fleets), refrigerators, watches, textiles, motorcycles, certain unique products for the Russian military-industrial complex and significant volumes of foodstuffs.

Co-operation between representatives of the building industry, agriculture, car-manufacturing, the chemicals industry, power engineering and the food industry has been long-lasting and fruitful.

Stable economic connections are widespread in the field of trade. The role of the exchange of goods in the countries' economic development cannot be overstated. Mention must also be made of the importance of the transport infrastructure that has been developed, which directly determines the flow of goods. The Moscow-Brest main road link, connecting the two capitals and running to the Polish border, plays a special role and also strongly influences the development of existing and new external economic links. This road runs along the historical trade route, which explains its important structural role.

Another key factor is the character and trend of illegal cross-border exchanges in the Russian-Belarusian cross-border area. Over the years of independence a stable list of frequently smuggled goods has emerged: foodstuffs, timber, electric and household goods, non-ferrous and ferrous metals, vehicles. The problem of smuggling of Russian-produced combustible materials and lubricants is typical of the Russian-Belarusian border area, as the Russian prices have traditionally been much cheaper than those charged in Belarus; conversely, the prices of foodstuffs and some industrial goods are lower in Belarus.

Some social protection issues in the Russian-Belarusian cross-border area have not been resolved. In particular, while Russian citizens living in Belarus can now legalise their entitlement to a Russian pension, the problem of urgent medical assistance for Belarusian citizens in Russia has still not been settled.

Belarus plays a key role in the development of the Smolensk Region's international relations. The Republic of Belarus is the region's biggest trade partner. In 2004 Belarusian goods' share in the trade exchanges of the Smolensk Region with 85 countries was 45.4%, and for trade with the CIS countries more than 87%.

At present a number of Smolensk Region enterprises export their products to Belarus. Mention can be made in particular of: diamonds, nitric fertilisers, graphite, timber, ferrous and non-ferrous metals, oil products, machine tools, electric machines and equipment, cars, building materials, flax products and leg-wear and foodstuffs.

The neighbouring Vitebsk Region comes in third place in the trade exchanges of the Smolensk Region with the subjects of the Republic of Belarus (after the Minsk and Gomel Regions), accounting for 16% of Smolensk-Belarusian trade.

There is a tradition of co-operation in agriculture. On the basis of various agreements between the districts, agrarian enterprises constantly exchange seeds and pedigree cattle. In summer Belarusian agricultural enterprises provide assistance with forage storage and grain-crop harvesting.

In the light of the structure of the Smolensk Region's imports from Belarus, it is possible to conclude that the most attractive branches of the Belarusian economy for Smolensk are building materials production, machine building and the chemicals and food industries. Belarusian re-processing enterprises are quite strongly positioned in the Smolensk market.

Promising new manufacturing sectors are, in particular, automated machine-tool production lines, specialised engineering tools and accessories for engineering tools produced by CNC.

As regards market segments that could be developed by Belarusian producers, it is worth mentioning that there are no spheres where Belarusian producers or businessmen are not present. This is quite clear from the fact that, out of 482 enterprises with foreign investments registered in the Smolensk Region, 249 had contracting parties from Belarus. Their total authorised capital stock is USD 1 325 000, of which 51% is owned by the Belarusian founders. The key sector concerned is the building industry, in particular road and housing building.

Close co-operation in the healthcare sphere started in 1996. Permanent co-operation takes place in the form of free out-patient and in-hospital treatment rendered to the populations of the neighbouring districts of the Smolensk and Vitebsk Regions. Neighbouring district hospitals regularly exchange medicines. Where necessary free of charge cross-hospitalisation for treatment and rehabilitation is available for Second World War veterans from the Smolensk and Vitebsk regions.

Close contacts exist in the information sphere – the Belarusian TV channels broadcast to the territory of the border districts of the Smolensk Region, making it possible for the Smolensk Region's population to be informed about events taking place in the Republic of Belarus.

The Russian and Belarusian regions have implemented numerous co-operation projects in the cultural sphere under the “International Cultural Connections” programme. The projects aim to broaden the scope of cultural contacts in the border territories and to promote their further development. “Partner-city” days have been organised in the border territories in the framework of the days of Russian and Belarusian culture. The residents of neighbouring regions are usually invited to participate in the “Slavyanski Bazar” festival of culture, which takes place in Vitebsk.

Every year, a trilateral cultural-patriotic celebration, known as “Kurgan Druzhby” (the Friendship Mound), takes place at the meeting point of the Belarusian, Lithuanian and Russian borders. It combines two events – the Youth Mound and the Second World War Veterans’ Mound – symbolising the succession and spiritual connection of the generations.

Military-patriotic festivals for young people from Russia and Belarus take place annually. The participants include representatives of the airborne divisions stationed in Pskov and Vitebsk and frontier guards from the Pskov and Polotsk frontier detachments. The Youth Affairs Committees of the Pskov and Vitebsk Regions have developed a common action plan “Weapon Brothers”, aimed at fostering co-operation between young members of the armed forces. In the context of this action plan more than 100 representatives of young members of the armed forces from Russia and Belarus have taken part in trips to historical and memorial sites in the territory of the Pskov and Vitebsk Regions.

In the sphere of education mutually beneficial contacts have been established and developed between the education departments of the Pskov and Vitebsk Regions. Educational institutions organise exchanges of delegations, professionals and information, run joint seminars and study each others’ work experience. Links between vocational training institutes in Vitebsk and Pskov have been actively developed. The two regions’ education departments have also adopted a joint Action Plan.

In the Bryansk Region the Republic of Belarus has ranked second after Ukraine in terms of foreign-trade volumes for a number of years. In 2006 the region’s foreign trade volume with Belarus stood at USD 182.97 million.

A joint venture assembling harvesters and manufacturing other agricultural machinery has been set up between the Bryansk enterprise “Sel’mash” and the Gomel enterprise “Gomsel’mash”. The intention is to perform a complete manufacturing cycle, not just assembling.

Bryansk Region enterprises have longstanding connections with Belarusian partners exporting tractors, agricultural machinery, communications equipment, ready-made garments, knitted wear, leg-wear, carpets, perfumery and cosmetics, china-wear, ceramics, cut-glass wear, toys, shoes, TV-sets, furniture, gas-ovens, building materials and other non-food and food stuffs (salt, tinned vegetables, non-alcoholic beverages, beer, confectionery).

In turn, the Bryansk Region exports the following products to Belarus: motor graders, metal rolls, railway transport spare parts, transistors and chips, cement, timber, paper and cardboard, cord, bicycles, flour, cereals and confectionery.

However, the Russian and Belarusian border regions’ relations are not confined to the trade and economic sphere. As a result of their geographic position, the inhabitants of the neighbouring territories have developed close social contacts. Mixed Russian-Belarusian families exist, and close cultural contacts between people living on the two sides of the Russian-Belarusian border are only natural. Cross-border ties at district level are flexible and quick to respond to changing economic conditions.

SWOT analysis elements

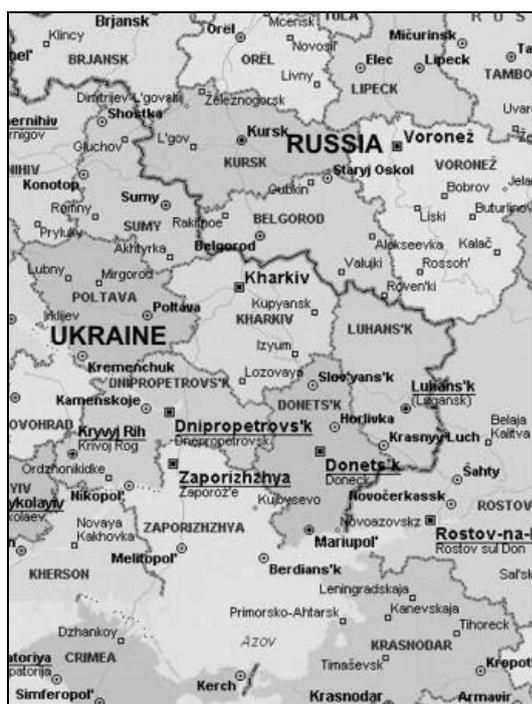
Strengths: The border mainly runs across the plain, without any clear natural boundary lines, which fosters the development of communication routes and connections between the border territories, resulting in a well-developed motorway and railway network. Longstanding cultural and historical traditions of interaction, resulting from lengthy membership of a single state (initially the Rzecz Pospolita, followed by the Russian Empire, and then the USSR). Absence of customs controls at the common border, allowing citizens of both states to cross the border freely. Active economic interaction: a large number of joint ventures, significant export/import of goods and equipment. Transit of Russian oil to the West across Belarusian territory. Strong legal basis for co-operation: the Union State of Russia and Belarus has been established, and a number of co-operation agreements have been concluded at the level of local authorities.

Weaknesses: Different political-ideological orientations (capitalism oriented Russia and market-socialism in Belarus); election systems functioning according to different principles (Russia has a party system, and Belarus a majority system); different approaches to government involvement in the economic sphere (in Belarus the majority of large enterprises are state-owned, whereas in Russia the majority are privately-owned); different currencies (the Belarusian and Russian roubles); different approaches to social benefits (in Russia cash benefits are awarded, whereas in Belarus some recipients are awarded direct benefits in kind while others receive cash benefits).

Opportunities: Economic integration on the lines of the EU model is possible should the governments of both countries be willing to co-operate on an equal footing. Negotiations about the possibility of introducing a single currency have long been taking place (but its introduction is hardly likely in the near future). Further economic and cultural co-operation at the local level.

Risks and threats: Economic pressure from the Russian government aimed at making Belarus a member of the Russian Federation; further escalation of the price war over the energy resources exported to Belarus from Russia.

4. RUSSIA – UKRAINE



Geographical and historical background

The border between Russia and Ukraine is 2 245.8 kilometres long, comprising a 1 925.8 km land border, 425.6 km of which runs along rivers and lakes, and a 320 km maritime border.

On the Ukrainian side, the border starts in the vicinity of Khrynivka village, where the frontiers of Ukraine, Russia and Belarus meet, then runs around the north of Chernihiv Region, the east of Sumy Region, the north of Kharkiv Region, the south of Luhans'k Region and the south-east of Donetsk Region, cuts across the Sea of Azov and ends in the Strait of Kerch, which separates Ukraine from Russia and connects the Sea of Azov to the Black Sea.

On the Russian side, from north to south, the border runs along the edges of the regions of Bryansk, Belgorod, Voronezh and Rostov, as well as the coastal areas of Krasnodar Region.

The Russian-Ukrainian border lies on the Barentsevo-Black Sea axis of cross-border co-operation.

The total area of the administrative regions adjacent to the Russian-Ukrainian border is 487 500 sq. km, including 166 500 sq. km (34.2%) on the Ukrainian side and 321 000 sq. km (65.8%) on the Russian side.

The territory of the Russian border regions is significantly larger than that of the Ukrainian ones, but their population numbers are comparable, with 14.4 million people on the Ukrainian side and 15.7 million on the Russian side. The Ukrainian border regions are also more urbanised: 79.4% of urban dwellers on the Ukrainian side, compared with 61.4% on the Russian side. The population density of the Ukrainian border regions is accordingly 1.8 times that of the Russian ones (86.7 versus 48.8 inhabitants per square kilometre) with the exception of the Chernihiv and Bryansk Regions, where population density is almost the same (35.8 and 37.8 inhabitants per square kilometre).

The natural population trend in both the Russian and Ukrainian regions is towards a reduction: mortality is significantly higher than birth rates. On the whole, the situation in the Ukrainian border regions in this respect is worse than in the Russian ones. The worst figure on the Russian side was recorded in Kursk Region, where in 2006 mortality exceeded births by over 10 persons per 1 000, while on the Ukrainian side very similar figures (10 and 13 persons per 1 000) were recorded in the Sumy and Chernihiv Regions.

The urban population of the Russian-Ukrainian border regions amounts to 21.1 million (nearly 70% of the total population). The biggest cities and towns are: on the Ukrainian side, the cities of Kharkiv and Donetsk (over one million inhabitants) and Simferopol, Kerch, Sevastopol, Yevpatoriya, Mariupol, Makiyivka, Horlovka, Kramatorsk, Slavyansk, Yenakiyev, Luhansk, Severodonetsk, Alchevsk, Lysychansk, Krasnyi Luch, Stakhanov, Sumy and Chernihiv (100 000-500 000 inhabitants); on the Russian side Rostov-na-Donu (with over one million inhabitants), Voronezh and Krasnodar (over 500 000), Bryansk, Kursk, Belgorod, Staryi Oskol, Taganrog, Shakhty, Volgodonsk, Novoshakhtinsk, Sochi, Novorossiysk and Armavir (100 000-500 000).

The Russian-Ukrainian border stretches from the Dnipro Basin in the north-west to the Don Basin in the south-east. The territory's relief is not homogenous and varies from the flatlands in the north-west to hills and highlands in the south-east. Well-known historians (Kharkiv University professors D.I. Bahaliy and N.F. Sumtsov in particular) consider the present Russian-Ukrainian border area to have been uninhabited for a long time after the departure of the ancient "rusichi" of the Chernihiv-Pereyaslav region, who lived there during the pre-Mongolian period in the 11th to 13th centuries. Only at the beginning of the 17th century did the region see the first wave of exploration of the so-called "Wild Field" (Dyke Pole), due to the need to protect the southern borders of the State of Moscow from Tatar invasion. This opinion is primarily based upon the "Kniga Bol'shogo Chertezha" (The Book of the Grand Map), the description of the lost detailed map of the Russian Empire and adjacent lands made in 1627 by the Razryadnyi Prikaz – the Russian state body in charge of defence and border settlements, which organised military service. One of the authors of this book refers to the oldest settlements of Slobozhanshchyna (Sloboda Ukraine) – the Zmiyevsk and Chuhuyiv ancient strongholds (nowadays Zmiyiv and Chuhuyiv).

By a decree of Boris Godunov dated 5 July 1600, Tsarov-Borisov castle (later Tsareborisov, nowadays the village of Chervonyi Oskol) was built on the Oskol River. The first citizens of Tsareborisov were the military from Kashira, Tula, Ryazan, Mikhaylov and other Russian towns. In the early 17th century the military founded the Izyum and Mozhskiy frontier fortresses (nowadays the towns of Izyum and Valky).

The second wave of settlement in the Wild Field took place in the mid-17th century. At the time the Russian Empire decided to enrol the Ukrainian Cossacks in defending its southern borders in exchange for certain privileges. A number of property certificates have survived from this period, which were issued to confer certain advantages on the inhabitants of the Slobozhanshchyna region. The latter came from the right bank of the Dnipro River in Ukraine and settled in *slobodas* (small settlements) along the left bank of the Dnipro River and its tributaries up to the Don River. The advantages they enjoyed included the rights freely to occupy vacant lands, to have a special Cossack government, to be self-governing, to engage in many activities without paying any fees (land development, farming, cattle breeding, bee keeping/breeding, wine-making and the tobacco industry, flour making, coal tar and saltpetre exploitation, trading at fairs and markets, etc.), and to own customs borders, bridges, and ferries. The name *sloboda*, as defined by Vladimir Dal's "Dictionary of the Live Russian Language", means a "village of free people". This is where the name Slobidska Ukraine or Slobozhanshchyna came from. Nowadays, the Slobozhanshchyna

territory corresponds to Kharkiv Region, Sumy Region and the north of Donetsk Region of Ukraine and the border districts of Belgorod Region and Voronezh Region of the Russian Federation.

The second attempt at subduing the Wild Field turned out to be more successful, since the main settlements of Slobozhanshchyna, such as Kharkiv, Sumy, Okhtyrka, Ostrogozhsk, Bogodukhov, Vovchi Vody (Vovchansk), Zolochiv, Krasnyi Kut (Krasnokutsk), Kopenka (Kupyansk) and many others, were founded at the time. The Ukrainians also lived in settlements which had earlier been founded by the Russians, such as Valky, Chuhuyiv and Tsarborysiv.

At the time Slobozhanshchyna was organised on a regimental basis and consisted of the so-called “cherkassky-slobodsky” regiments. The term “slobodskyi polk” (Sloboda regiment) referred to a given territory, including all the towns, villages and hamlets situated there, united under the authority of an elected official – a colonel, who enjoyed almost unlimited power within the limits of the regiment. The colonel was elected by the “polkova starshyna” (commanders of the regiment), in a majority of cases for life. He handled all military, administrative, economic and judicial issues. The universal edicts he issued had power of law.

However, this state of autonomy existed for a comparatively short time. The first attempt at its abolition was made during the reign of Anna Ioanovna, and it was finally abolished during the reign of Catherine II (Catherine the Great). In 1763 she issued a decree appointing the Royal Guard Major of the Izmail regiment, Yevdokim Shcherbinin, to head a “Commission of Sloboda regiments” with the aim of discovering the reasons for the “poverty” of these lands and eliminating them. The Commission’s work resulted in a decree issued by Catherine the Great on 28 July 1765 “On the establishment of regular civil order on the territory of the Sloboda regiments and on the establishment of Governor’s and Provincial Offices”, whereby the Sloboda regiments were transformed into hussar regiments, and the Province of Sloboda Ukraine was established with its administrative centre in Kharkiv. Yevdokim Shcherbinin was appointed the first Governor of Sloboda Ukraine.

The present-day border between Russia and Ukraine (with minor further changes) was fixed by the Treaty on the Borders with the Russian Soviet Federative Socialist Republic, enacted on 10 March 1919 by the Workers’ and Peasants’ Government of Ukraine. It was an internal administrative border between the Soviet republics of the RSFSR (Russian Soviet Federative Socialist Republic) and the USSR (Ukrainian Soviet Socialist Republic).

When, in 1924, D.I. Bahaliy prepared the materials for the commission delimitating the borders between the Soviet Republics of Ukraine and Russia, as an argument to prove the similarity of the border regions, he stated that they were a product of mixed Russian-Ukrainian mass colonisation, with an obviously dominant Ukrainian ethnic identity, and therefore the “border towns within the regions had a similar social and economic life”, and all the attempts at separation of the Voronezh and Kursk provinces from the Kharkiv Region existed only in the form of administrative decrees. The residents of the Russian and Ukrainian border regions had always had a sense of being “a common folk, with differences from the population of Great Russia”.

On the above basis and pursuant to a decree of the Presidium of the CEC (Central Executive Committee), as from 16 October 1925 Ukraine received small parts of the border regions of Bryansk, Kursk and Voronezh provinces, but at the same time the territory of Russia included the formerly Ukrainian districts of Shakhty and Taganrog (now in the Rostov Region). In October 1928 insignificant border adjustments were made in the Bryansk, Kursk and Voronezh regions by the Presidium of the Central Executive Committee of the USSR.

However, despite all the adjustments, there were still Russian villages in Ukrainian territory and Ukrainian villages in Russia.

The most recent significant changes to the Russian-Ukrainian border were made on 26 April 1954, when the Supreme Soviet of the USSR adopted the “Law on transfer of the Crimea region from the Russian Soviet Federative Socialist Republic to the Ukrainian Republic”.

The administrative border between the Republic of Ukraine and the Russian Soviet Federative Socialist Republic became an international border following Ukraine’s declaration of independence on 24 August 1991.

Economic and infrastructural characteristics

The nature of cross-border co-operation is primarily determined by social and economic differences between the Russian and Ukrainian border regions.

Although the level of development on either side of the border is not the same, as can be seen from a comparison of regional GDPs (or GRPs), it can be noted that the Ukrainian territory is turned toward Russia as far as its developed regions are concerned.

Per capita GRP is the main indicator of a region’s socio-economic development. In the Ukrainian border regions it is in general closer to the country average (about UAH 7 200), while in the Russian border regions per capita GRP is only about 60% of the country average and even in the most developed region, Belgorod, does not attain the mean level for Russia. The most developed region in Ukraine is Donetsk, where GRP is one-third above the average.

At the same time, the Ukrainian border regions produce about 30% of Ukraine’s total GNP, while the Russian border regions account for only 6.4% of Russia’s.

However, if the per capita GRP of the Russian border regions is converted into Ukrainian hryvnias and compared with the Ukrainian regions’ per capita GRP, the figure for the Russian border regions can be seen to be approximately 1.5 times higher than that for the Ukrainian border regions.

Conversely, in terms of production output, many of the Ukrainian border regions, which are among the most developed in the country (such as Donetsk, Kharkiv and Luhansk), outperform the Russian ones.

Rostov Region is the most industrially developed of the Russian border regions (in 2004 its industrial output amounted to RUB 156.7 billion or 1.4% of total Russian output), followed by Krasnodar Region (RUB 135.4 billion, 1.2%) and Belgorod Region (RUB 120 billion, 1.1%).

The most developed branches of industry are roughly the same on either side of the border. They are ferrous metallurgy (most developed in the Donetsk and Luhansk Regions of Ukraine and the Belgorod and Kursk Regions of Russia), the machine-building industry (mainly heavy engineering), electrical power, chemicals and the food industry. In addition, in the Ukrainian border area coal, gas, oil and coke production, as well as petrochemical industries, have been developed.

While the Russian regions have a lower share of their country’s industry than the Ukrainian ones, some of them occupy leading positions in Russia in terms of agricultural output. For example, Krasnodar Region accounts for 10.5% of Russia’s gross grain output and Rostov Region for 8%.

According to the 2004 data, these border regions of Russia produced 20% of the country's total agricultural output (although their territory covers only 2% of the country's total area). The Ukrainian border territory, occupying 27.5% of the total area of Ukraine, accounts for only 25% of the country's agricultural output, with Kharkiv Region having the leading role.

On both sides of the border agriculture focuses on the production of grain, sugar beet, sunflowers and cattle breeding.

The leisure sector services developed in the Crimea (Ukraine) and Krasnodar Region (Russia) are also worth mentioning.

The Russian-Ukrainian border regions have well developed transport networks. Fifty-two permanent international freight and passenger checkpoints operate on the border, including 37 for road traffic, 13 for trains, one on the Rostov River and one on the Kuban River in the Crimea.

Based on comparable social indicators for the late 1990s and early 2000s, the Russian regions are in the lead. Average wages and salaries in the border regions of Russia are approximately 1.5 times higher than those in Ukraine (which incidentally is an exact reflection of the difference in per capita GRP). However, in all the Russian regions along the border the salary level is below the country average (69.1%, with a maximum of 78.4% in Belgorod Region). Conversely, the Ukrainian border regions boast medium to relatively high salaries for the country (a 92.7% average, with the lowest figures found in the Chernihiv and Sumy Regions – 75.8 and 82.2% respectively), which to some extent makes up for the difference in remuneration levels between the two countries.

However, a recalculation shows that the average salary in the “poorest” Russian border region (Bryansk Region) is equal to that of the “richest” border region in Ukraine (Donetsk Region). The average salary of all the Russian border regions is higher than that of the Ukrainian border regions. For instance, the salary in Kharkiv Region is about 60% of that paid in Belgorod Region.

Cross-border co-operation is particularly prevalent between the authorities of the Kharkiv and Belgorod Regions, who on 7 November 2003 signed the constituent documents of the Russian-Ukrainian Euroregion “Slobozhanshchyna”.

The historical region of Slobozhanshchyna has undergone considerable transformations over the sixteen years since the collapse of the USSR. These are primarily a result of the process of state formation, of economic problems in both Ukraine and Russia, and of the emergence of new forms of economic activity and transborder relations.

The key assets of the Slobozhanshchyna Euroregion are its accessibility, functionality and a high development potential thanks to the mutual adaptation and complementary nature of the neighbouring territories in the Belgorod and Kharkiv Regions.

The present-day borders of Belgorod Region were established on 6 January 1954 with the annexation of parts of the territories of the Voronezh and Kursk Regions. It has an area of 27 100 sq. km and a population of 1 513 600. Urban dwellers make up 66.4% of the region's population. There are 21 administrative districts, 6 cities reporting to the regional centre, 3 towns of regional level, 21 town-type settlements and 1 592 villages. The length of the border with Ukraine is 540 km, most of it with Kharkiv Region.

Kharkiv Region has an area of 31 400 sq. km, and a population of 2 796 500 (the third largest region in Ukraine). Urban dwellers make up 79.2% of the region's population. It comprises 27 administrative districts, 17 towns, 61 town-type settlements and 1 684 villages.

Belgorod Region is clearly a leader in the sphere of Russian regional reform, being an example of bipolar development. Apart from the regional centre, there is a large industrial centre in the north of the region - the towns of Staryi Oskol and Gubkin, which have high steelmaking potential as the main source of iron ore in the Kursk Magnet Anomaly.

The key part of the Euroregion's territory corresponds to the most populous area with a highly developed infrastructure. This area includes regional centres such as Kharkiv and Belgorod and district centres such as Shebekino, Staryi Oskol, Gubkin and Korocha (Russia) and Vovchansk, Derhachi and Chuhuyiv (Ukraine). The Euroregion's main industrial, scientific and technical potential lies here.

Transport connections between Kharkiv and Belgorod take place via four railway corridors, including the main international railway line with customs checkpoints in Dolbino and Kozacha Lopan, situated between Belgorod and Kharkiv, and the Nizhehol-Vovchansk, Holovchino-Odnorobovka and Urazovo-Topolya routes. The mainline railway connection now offers 20 passenger trains per day. The main international road link with a customs control point in Nekhoteyevka-Hoptivka and the Shebekino-Pletnyovka and Hrayvoron-Oleksandrivka border crossings cater for the main streams of vehicles between the two regions. At peak periods the international vehicle checkpoint provides services for 10 000-12 000 vehicles and more than 50 000 passengers a day.

A complex social situation emerged on both sides of the border in the 1990s as a result of a gradual decline in industrial production, which caused many large enterprises to make considerable staff cuts, while medium and small-sized enterprises, especially in the border regions, came to a halt. As a result many members of the population were in part-time employment, often with second jobs. Another outcome was the emergence of small-scale cross-border trade, which came to a height in the mid-1990s. Industrial development is now increasing and the social situation is improving.

Based on social indices, Belgorod Region outperforms Kharkiv Region in terms of average wage and salary levels, rates of pension and social assistance and benefits. The most significant difference in the social sphere is the federal programme "My House", under which Belgorod Region became the Russian leader for housing construction.

Cross-border declarations and agreements

At present the legal basis for Ukrainian-Russian cross-border co-operation consists of a number of laws and presidential decrees regulating economic and other relations between Ukraine and Russia. One of the principal instruments is the Treaty of Friendship, Partnership and Co-operation, signed by the presidents of Ukraine and Russia on 31 May 1997. Article 14 of the treaty provides that the parties shall ensure favourable conditions for trade and other types of economic co-operation at the level of their territorial and administrative bodies, in accordance with the law in force, with a particular focus on co-operation in border regions.

The Ukrainian and Russian governments concluded a treaty on co-operation of border territories on 27 January 1995. Several co-operation agreements have also been signed in specific fields: international road routes, border checkpoints, general use and protection of water reservoirs, co-operation in the fields of culture, science, education and environmental protection. In January 1996

the Presidents of Russia and Ukraine signed the agreement “On the Establishment of a Mixed Russian-Ukrainian Committee for Co-operation” headed by both Prime Ministers. In February 2001 they adopted the Programme of Interregional and Transborder Co-operation between Russia and Ukraine for 2001-2007 (which was prolonged to 2010 in October 2006), which included the concept of support for Euroregions.

At the initiative of the Belgorod and Kharkiv Regions, in January 1994 the Council of Heads of Border Regions was established. To begin with only five regions in Russia (Bryansk, Kursk, Belgorod, Voronezh and Rostov) and five in Ukraine (Chernihiv, Sumy, Kharkiv, Luhansk and Donetsk) participated in the Council. In 1996 three regions of Belarus having common borders with Russia (Vitebskaya, Mogilevskaya and Gomelevskaya) joined the Council. The same year the Council admitted other Russian and Ukrainian regions, including regions not bordering on Russia but interested in economic co-operation with its regions. They included Krasnodar and Tula in Russia and the Crimea, Sevastopol, Poltava and Zaporizhyya regions in Ukraine. The Council therefore now has 19 members. Its activities are co-ordinated by Executive Committees with heads in Belgorod and Kharkiv.

A Russian federal government decree on “The Concept of Border Co-operation of the Russian Federation” was issued on 9 February 2001, and the Council of the Russian Federation ratified the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities by federal law No. 91-F-3. Ukraine ratified this convention in 1994 and now emphasises this direction of its foreign policy. These events show the mutual desire to focus on bilateral relations in cross-border co-operation in accordance with international (European) rules.

In Ukraine, cross-border co-operation is regulated by the laws “On Transborder Co-operation”, “On Local Self-Government” and “On Local Government Administrations”. Ukraine also has a programme to develop Euroregions (established by the Cabinet of Ministers’ Decree No. 587 of 2 April 2002) and a government Programme of Transborder Co-operation Development for 2007-2010 (established by the Cabinet of Ministers’ Decree No. 1819 of 29 December 2006). The Kharkiv Region’s cross-border co-operation programme up to 2011 was adopted at the Kharkiv Regional Council’s meeting on 27 January 2005.

Cross-border co-operation as a set of actions aimed at establishing and developing economic, social, scientific and technological, ecological, cultural and other types of relationships between territorial communities, their representative bodies and local self-government bodies in Ukraine and territorial communities and the corresponding authorities in the Russian Federation is implemented in the framework of agreements signed by the participants in cross-border co-operation.

In 1997 some researchers from Kharkiv State University (A.P. Holikov and P.A. Chernomaz) were the first to suggest establishing an initial Ukrainian-Russian Euroregion “Slobozhanshchyna”.

Its creation became a key step in the Comprehensive Regional Programme for the Social and Economic Development of Kharkiv Region up to 2010, approved on 20 August 1999 by Kharkiv Regional Council.

It was therefore the Kharkiv and Belgorod regional authorities which first showed enthusiasm for cross-border co-operation. On 22 March 2002 they requested the Presidents of Ukraine and Russia to issue the relevant orders to the two countries’ governments for an intensification of bilateral consultations between the Ministries of Foreign Affairs with the aim of signing an “Agreement on the simplification of customs and border controls to meet the basic needs of the border region population in the Kharkiv and Belgorod regions”.

A little later, following preparatory work by the Executive Committee of the Council of Heads of Border Regions of Belarus, Russia and Ukraine, on 7 November 2003 the documents required for the creation of the Ukrainian-Russian Euroregion “Slobozhanshchyna” were signed. Since 2004 the Euroregion has had observer status with the Association of European Border Regions.

In addition, in 2003, in Gomel, the “Dnieper” Belarus-Russian-Ukrainian Transborder Union was created, which included the Bryansk, Gomel and Chernihiv Regions, and on 24 April 2007 an agreement on the creation of another Ukrainian-Russian Euroregion “Yaroslavna” including the Sumy and Kursk Regions was signed in Kursk.

The Euroregions have been established to develop co-operation between the border territories in the following directions:

- overall economic development;
- regional and local spatial planning;
- communications and transportation connections;
- science, the new technologies, education;
- health care, sport and tourism;
- improvement of the environment;
- handling of emergency situations, natural disasters and their aftermath.
- contribution to increasing contacts between the populations of the border territories and to the development of co-operation between institutions, organisations and economic agents;
- facilitating cross-border flows of people and freight by simplifying formalities and opening new checkpoints;
- helping to enhance the population’s standard of living by providing jobs;
- contributing to development of the regional economy by improving the border regions’ infrastructure.

On 27 December 2006 the Ukrainian government approved the State Programme of Transborder Co-operation for 2007-2010. Its principal purpose is to step up regional foreign trade, promote the development of small and medium-sized enterprises, guarantee nature protection and foster social development. This programme encompasses six Euroregions, including the “Dnieper” Transborder Union and “Slobozhanshchyna”. In 2008 UAH 6.62 million were allotted for the financial support of sixteen projects within the six Ukrainian Euroregions, including UAH 100 000 for a single project in the “Slobozhanshchyna” Euroregion and UAH 260 000 for a single project in the “Dnieper” Euroregion.

Propensity towards cross-border co-operation

The prospects for cross-border co-operation between the neighbouring regions of Ukraine and Russia depend directly on the following factors: 1) geopolitical (the strategy regarding Ukrainian and Russian relations); 2) economic (co-operative relations, forming transnational economic structures, etc.); 3) integration (smoothing over the “barrier” effects arising from the integration of Ukraine and Russia in the world community); 4) transport and geographical (the area’s transit possibilities); 5) ecological (joint solving of the problems of water contamination in the Severskiy Donets River Basin, etc.); 6) social and cultural (common cultural area, ethnic proximity, influenced by relationship ties, and a mutual social impact); 7) scientific and research (incorporation of scientific and research activities, academic education of specialists); 8) information (broadening co-operation in the area of information technology, including the creation of a marketing data bank).

Projects implemented

The development of the contiguous regions of Ukraine and Russia, which have a very strong industrial, intellectual and information potential, is artificially hindered by the impossibility of making common use of this potential, the absence of goals and a lack of co-ordination of economic, social and ecological programmes. Furthermore, these problems enhance social differences along the border. The task of the Euroregions such as “Slobozhanshchyna”, “Dnieper” and “Yaroslavna”, and of the planned cross-border Euroregion between Rostov Region and Donbass, is therefore to develop a system of common spatial planning for the contiguous territories of Ukraine and Russia, to adjust the redistribution of the border regions’ social functions, as is natural given the new economic conditions, to stabilise the old industrial territories and to promote the development of private enterprise, for which the border is currently an obstacle.

In particular, the development of cross-border co-operation within the Euroregion “Slobozhanshchyna” includes four stages:

- 1 examining the present state of relations between the Kharkiv and Belgorod Regions, entailing study of the border regions, familiarisation with both regions’ institutional structures, identification of current problems of cross-border co-operation and its as yet unrealised benefits;
- 2 determining the Euroregion’s development strategy defining the strategic directions of co-operation which are important for both sides and for the individual territories where the common activity will be pursued. This stage involves setting up working groups to deal with the various issues;
- 3 developing and implementing cross-border development programmes, which entails setting up an institutional structure bringing together the administrative authorities responsible for joint projects and special cross-border institutions;
- 4 monitoring and evaluating the cross-border co-operation programmes carried out by the Euroregion’s component bodies.

The specialists are of the view that at least four serious problems can be identified which cannot be solved unilaterally.

The first problem is the transport overload on the Kharkiv-Belgorod cross-border road link. The opening of the international checkpoint Nekhoteyevka-Hoptivka in June 2002 failed to resolve the traffic jams and delays. The solution is to create another additional transport route.

The second problem concerns stimulation of cross-border commerce. Although the trade relations of the Kharkiv and Belgorod Regions within the CIS are fully concentrated on Russia and Ukraine (respectively 92% and 97%), a high dependence on mutual trade volumes and the border's functioning as a barrier can be noted. The Euroregion's innovation model provides for the border increasingly to play a filter function in legal movements of goods, for the strengthening of regional marketing strategy and for support of exporters of agricultural machinery by creating special facilities – the “Expocenter Slobozhanshchyna” exhibition complex in close vicinity to the border and the “Vovchansk-Shebekino” industrial complex.

The third problem is the absence of a concerted ecological policy concerning the region's main water resource – the Severskyi Donetsk River. The Euroregion's creation will make it possible to adopt concerted European environmental protection standards.

The fourth problem, which has become apparent in recent years, concerns the labour market. Traditionally close relations in industry, science and education, which were lost after the collapse of the USSR, have been partially restored, but on another basis and not on the former scale. The differences in remuneration (in favour of the Belgorod Region) nowadays cause a one-way flow of workers to Russia. The creation of a common organised job market would not only make it possible to prevent the emergence of an intellectual asymmetry between the border regions, but also enhance local people's prospects.

The development of cross-border co-operation on the basis of the “Slobozhanshchyna” Euroregion can play a key role in solving these problems.

Some of the most promising projects being implemented in the framework of the Euroregion are:

- the transborder project “Development of a detailed plan for purification of the Lopan River”;
- the opening of the “Expocenter Slobozhanshchyna” exhibition complex located on the Hoptivka-Nekhoteyevka main road;
- the construction of the Belgorod-Kharkiv international Russian-Ukrainian airport close to the border;
- creation of a network of cross-border tourist routes “Natural and Historical Heritage of Slobozhanshchyna” to utilise the Euroregion's recreational potential;
- formation of the construction cluster of the Euroregion “Slobozhanshchyna”.

In addition, as regards pre-border areas, taking into account the broad possible sphere of action for co-operation in business matters, a complete model of the territorial structure of the entire Euroregion should be developed.

SWOT analysis elements

Strengths: The legal basis for Ukrainian-Russian co-operation exists in the form of numerous laws and presidential decrees on common regulation of economic and other relations between Ukraine and Russia; the documents founding the Euroregions “Slobozhanshchyna”, “Dnieper” and “Yaroslavna” have been signed; the co-operation strategy permits the involvement of the border regions in economic co-operation and the promotion of SMEs; close co-operation between Russian and Ukrainian enterprises; possible simplification of customs formalities; opening of the “Expocenter Slobozhanshchyna” exhibition hall located on the Hoptivka-Nekhoteyevka main road; the scientific and educational bodies of the Russian-Ukrainian cross-border area were long part of the common USSR system, which is why they continue to be compatible and have retained some of their links; a bilateral agreement has made it possible to set quotas for citizens of one country to enrol in the higher education establishments of the other country at the state’s expense; in 2003 at V.N.Karazin Kharkiv National University representatives from Belarus, Ukraine and Russia signed a memorandum on the establishment of a border university consortium, aimed at increasing the competitiveness of the border area’s higher education sector; agreement on scientific and educational co-operation between Belgorod State University and V.N.Karazin Kharkiv National University on issues of mutual interest; the establishment of the Euroregion facilitates the introduction of European environmental protection standards; the Co-ordination Board of the Interregional Ecological Programme on Security and Use of the Siverskyi Donets River is developing a common policy concerning the most important water resource in the Russian-Ukrainian border area; the Institute of Ecological Science and Research, located in Kharkiv, is contributing to the project’s development; solving the problem of increasing traffic capacity on the Moscow-Simferopol main road between Kharkiv and Belgorod; building of the common international Belgorod-Kharkiv Russian-Ukrainian airport close to the border; the creation of a single system of cross-border Russian-Ukrainian tourism routes aimed at promoting mutual cultural enrichment and active tourism; co-ordination of the action of the customs and border authorities in both regions to combat crime, illegal immigration and smuggling.

Weaknesses: the Euroregion’s governance structure has not yet been established and is not yet operational; the key projects are still under development and are not yet being implemented in practice; problem of the compatibility of the two countries’ legislation, first and foremost as regards the unification of customs, taxes and other kinds of non-tariff regulation of crossing of the states’ borders; dependence on the regional authorities’ competence; imbalance in the regions’ industrial development: stronger potential of manufacturing industry on the Ukrainian side; lack of legislation promoting trade between the border regions; disproportion in scientific exchanges between the Belgorod and Kharkiv Regions (intellectual assimilation); possible obstacles in connection with disagreements over the question of joining the Bologna process; some divergences in legislative regulation of environmental and nature protection between Ukraine and Russia; an obstacle to construction of the airport may be that the frontier between the regions is a state border, which imposes certain restrictions on use of land resources; disproportion in salary levels and social benefits in favour of the Russian regions; difficulties encountered by tourists crossing the Ukrainian-Russian border; in the event of the lifting of restrictions at the border illegal migration and smuggling may increase.

Opportunities: Ukraine has to maintain a balance of interests in triangular Russia-Ukraine-EU relations, combining the process of EU integration with the formation of the SET (Single Economic Territory of Russia, Ukraine, Belarus and Kazakhstan); the great economic potential of Ukraine and Russia can be used to further co-operation between the border regions’ enterprises; the significant capacity of the Russian and Ukrainian markets contributes to the development of mutual trade; increasing tolerance in mutual relations between the Ukrainian and Russian peoples; the possibility

of giving the Russian language the status of a state language of Ukraine; government decisions on the functioning of Ukrainian schools on Russian territory and Russian schools on Ukrainian territory; co-operation in higher education; joint cultural projects.

Risks and threats: the standoff between the political authorities of Ukraine and the Russian Federation; confrontation with Russia should Ukraine become a member of NATO; Ukrainian refusal to participate in the creation of the SET; counter-action by the Russian Federation should Ukraine join NATO; both countries could put in place significant customs barriers at the Ukrainian-Russian border; aggravation of chauvinistic tendencies in certain sectors of Ukrainian and Russian society.

5. POLAND – LITHUANIA



Geographical and historical background

The border between the Republic of Poland and the Republic of Lithuania is 102.4 kilometres long and is Poland's shortest border. Since 1 May 2004 it has been an external border of the European Union. The border runs through lowlands, sparsely strewn with elevations formed in a glacial period, and is free of natural barriers between the two countries. The lake districts of East and West Suwałki are the region's distinctive features. They are part of Wigry National Park and Suwalski Landscape Park on the Polish side, and Dzūkija National Park on the Lithuanian side. Another fine example of the area's natural assets is the cross-border Augustów Forest, a Natura 2000 network site.

In administrative terms, the Polish border area is part of Podlasie Province, formed in 1999, whereas the Lithuanian side lies within the borders of two counties ("apskritis" in Lithuanian): Alytus County and Marijampole County (the whole country is divided into ten counties). The Polish border area is commonly referred to as the Suwałki Region (Suwalszczyzna in Polish), while the Lithuanians call their border territory Suvalkija or Suduva, which corresponds to the Polish name.

The main towns and cities are Suwałki (70 000 inhabitants), Augustów (30 000) and Sejny (6 000) on the Polish side; and Marijampole (58 000, making it the country's seventh largest city), Druskininkai (16 500), Vilkaviskis (13 000), Kalvarija (5 500) and Lazdijaj (5 000) on the Lithuanian side.

In the distant past no border ran through the territory in question as it was inhabited by the Old Prussians and Yotvingians, who were Christianised with the entire country in the Middle Ages. From the end of the 14th century to 1795 (the partition of the Polish-Lithuanian Commonwealth) Lithuania and Poland were a single state, a federal union. It initially took the form of a personal union (the countries had a common ruler), but after some time (in 1569) was transformed into a more lasting real union. The common state was called the Polish-Lithuanian Commonwealth and, until its final partition, Suwałki, Kalvarija, Marijampole and other towns remained part of the union's Lithuanian territory. After the 1795 partition they were annexed to Prussia.

For a long time (from the 13th to the 17th centuries) a stretch of the present border area was part of the State of the Teutonic Order, later known as Ducal Prussia, which gradually came to aspire to independence. These aspirations led to the break-up of the so far shared fiefdom with Poland in the second half of the 17th century. After some time the Duchy of Prussia became part of the newly created Kingdom of Prussia (early 18th century), before being incorporated into Germany (unified in 1871).

For a short time, in the Napoleonic Era, the territory became part of the so-called Duchy of Warsaw. After Napoleon's fall it was annexed by the Russians, a situation sanctioned at the Congress of Vienna in 1814-1815.

The next changes to the present-day Polish-Lithuanian border area took place over a hundred years later. The First World War resulted in both the independence of the two countries and the breakout of a border dispute, especially in the Vilnius region. The Polish-Lithuanian border delineated in the area of Suwałki was the same as today. This border is therefore relatively recent. From 1945 to 1990 it was part of the border between Poland and the USSR. Since 1990 it has again been shared between Poland and the Republic of Lithuania.

The distinctive feature of the present-day border area on the Polish side is the presence of an active Lithuanian minority, made up of some 10 000 to 20 000 members of an indigenous people that has always inhabited the area. This community is well organised, as reflected by its governance and cultural and educational activities. Lithuanians make up 40% of the border population of Sejny County, and 74% of the population of the municipality of Puńsk. In June 2006, after the Polish government passed the National Minorities Act, the municipality was proclaimed bilingual. There is a small Polish minority living on the Lithuanian side, but they are not so well organised as the Lithuanians in Poland.

Economic and infrastructural characteristics

The Polish-Lithuanian border region is an area of low industrial growth, which is partly due to the fact that it is a peripheral region for both countries. At the same time, this could be an asset for the development of local tourism, offering job creation prospects.

The main industrial centres on the Lithuanian side of the border area are Marijampole (engineering, textiles and confectionery) and Vilkaviskis. On the Polish side they are Suwałki (timber, furniture, clothing and dairy industries), Augustów (tobacco, shoe and dairy industries and yacht building) and Sejny (food, dairy and timber industries).

The early 1990s, coinciding with the fall of Communism and the restoration of Lithuania's independence, were a turning point in overcoming the economic slowdown in the border area. Poland had tackled the economic crisis much earlier than Lithuania, which continued to confront it until the mid-1990s. The main factor behind the crisis was the breakdown of trade with the East, which made it necessary to look for new trading partners. Since the 1990s there has been an increase in trade between Poland and Lithuania, marked inter alia by a positive export balance on the Polish side. This kind of growth is an invitation to a further rapprochement between the two countries. It also helps to fight historical stereotypes and prejudice.

The short border between the two countries has a number of crossing points, two of which – one road crossing point and one railway crossing point – are of supra-regional importance. The main road border crossing point is in Budzisko/Kalvarija on international route E67 (the so-called Via

Baltica). The others are in Ogrodniki, Lazdijaj and Berżniki/Kapciamiestis (a seasonal crossing point), plus planned crossing points in the area of Wizajny and a few other towns.

The railway crossing point at Trakiszki/Mockawa on the main line between Warsaw and Vilnius plays a crucial role, which will be expanded in future, as it is to become part of the Rail Baltica transport corridor linking Warsaw, Kaunas, Riga, Tallinn and Helsinki. It is interesting to note that the shortest railway journey from Warsaw to Vilnius is via Belarusian territory, a leftover from the partition of the region's infrastructure

The Suwałki region is often referred to as “the Green Lungs of Poland”, which aptly describes its indisputable climate and tourism assets. Suwałki, Augustów and the surrounding area can boast a rich tourist offer, including both lakeside leisure facilities and the natural beauty of the Augustów Forest, considered to be one of the greatest untouched treasures of Poland. The Lithuanian side does not differ much in this respect. Druskinnikai has long been famous for its health resort, located on the edge of a vast woodland area (the Augustów Forest and the Dzukija National Park).

However, it must be noted that protection of natural resources and especially the EU environmental protection policy may generate problems. As a recent example, mention can be made of a serious dispute over the planned construction of a road, which would reduce through traffic in Augustów but would cut across the protected area of Raspuda, where some rare species live. The EU Commission and Polish environmental protection movements wanted to save the protected area and reroute the road, while the local community first and foremost wanted a quick and cheap road-building project and tended to disregard the natural environment. The case was taken to the European Court of Justice, and the Polish authorities were obliged to suspend the project.

Cross-border declarations and agreements

The detailed framework for international co-operation is mainly set out in intergovernmental agreements. Each of the instruments signed so far includes provisions on establishing, facilitating and promoting cross-border co-operation. All the agreements creating the legal basis for local and regional government authorities to co-operate with their partners from neighbouring countries have been signed on the basis of these framework agreements.

The subject matter of the agreements signed so far clearly breaks down into the following two main parts and sub-categories:

– An unchangeable (fixed) part, resulting from the international agreements signed by the governments or from Council of Europe conventions, in which the contracting parties usually:

- 1 Define the concepts of cross-border co-operation and local and regional government;
- 2 Impose certain obligations on themselves concerning the exchange of information between local/regional authorities about competencies and opportunities relating to cross-border co-operation;
- 3 Undertake to solve all problems of a legal, administrative or technical nature which might interfere with such co-operation;
- 4 Set out a number of fields for cross-border co-operation;

- 5 Establish joint co-ordination bodies at the governmental (intergovernmental committees), local and regional levels;
 - 6 Provide for possible restrictions on co-operation as regards its geographical scope, fields, forms or subject matter;
 - 7 Reiterate that cross-border co-operation must always comply with national law and the international obligations deriving from the previously signed agreements.
- A variable part, depending on local conditions, e.g. the body signing the agreement, previous contacts, the geographical environment, social and economic development, common problems to be solved, etc., which is governed by the accords of a given Euroregion.

The main intergovernmental agreements between Lithuania and Poland currently in force are:

- 1 The Treaty between the Republic of Poland and the Republic of Lithuania on Friendly Relations and Good-neighbourly Co-operation of 26 April 1994;
- 2 The Agreement between the Government of the Republic of Poland and the Republic of Lithuania on Transfrontier Co-operation of 16 September 1995;
- 3 The Agreement between the Republic of Poland and the Government of the Republic of Lithuania on the Common State Frontier, Legal Relations Thereon, and Co-operation and Mutual Assistance in Frontier-related Matters of 5 March 1996;
- 4 The Statute of the Polish-Lithuanian Intergovernmental Commission on Transfrontier Co-operation of 22 June 1996.

The agreements on Euroregions are:

The Baltic Euroregion (DK/LT/LV/PL/RU/SWE)

The idea of creating the Euroregion originated from politicians and business operators in eastern Sweden and north-eastern Poland. The first meeting devoted to the possibility of establishing the Euroregion (then called “Jantar”) took place in Marlborn in late February/early March 1997. This resulted in an Agreement on Establishment of the Euroregion Baltic, signed in February 1998.

The Euroregion Baltic (ERB) is one of the biggest organisations of this type in Europe, as regards both the number of participating parties and the geographical area and population of its member regions. The territory of the ERB encompasses the Pomeranian and Warmia-Masuria voivodeships in Poland, the Region of Kaliningrad in the Russian Federation, Klaipėda and the county of the same name in Lithuania, the Kurzeme Region in Western Latvia, the Blekinge, Kalmar and Kronoberg Counties in Sweden and the island of Bornholm in Denmark.

The participants in the ERB’s activities include representatives of self-governing regional authorities and of national governments. The organisational structure is typical of a Euroregion.

The action taken within the framework of the ERB is currently co-ordinated by National Secretariats based in Baltiysk (Russia), Klaipėda (Lithuania), Riga (Latvia), Ronne (Denmark) and, on a rotational basis, in Karlskrona, Kalmar or Vaxjo (Sweden). On 1 July 2004 an International Permanent Secretariat was established and incorporated in the structure of the Polish Secretariat in

Elbląg. The International Permanent Secretariat obtains its funds from each of the contracting parties and thus constitutes the first joint financial undertaking in the framework of the Euroregion.

The ERB has implemented and continues to implement assistance schemes under the Phare CREDO and Phare CBC programmes and is also participating in the implementation of the INTERREG Seagull DevERB project, the beneficiary of which is Sweden (this is a programme of many years' standing aimed at defining a long-term development strategy for the ERB).

The cross-border co-operation constitutes a basis for the implementation of transregional and supranational projects. The ERB's aims, as cited in its statute, include supporting common cross-border projects aimed at improving the living conditions of the area's inhabitants, promotion of mutual contacts and tightening of the bonds between local communities.

The ERB manages a fund providing financial support in the following fields: cultural exchanges, development of regional democracy, cross-border studies and development strategies, economic development and tourism. Projects undertaken in these fields are frequently continued at a higher level of cross-border co-operation. Over a six-year period more than 150 projects have been carried out with partners from all over the Euroregion.

The Nemunas – Niemen – Neman Euroregion (PL/LT/BY/RU)

The idea of establishing the Euroregion as a form of cross-border co-operation between Poland, Russia, Lithuania and Belarus was launched in early 1995 in the Declaration of the 2nd Baltic Economic Forum. The initiative was preceded by two cross-border agreements signed by the Governor of the Suwalskie voivodeship with:

- 1 The President of the Administration of the Kaliningrad Region (Russia) in 1992,
- 2 The Governor of Hrodna province (Belarus) in 1994.

In November 1995 the Governor of the Suwalskie voivodeship, the President of the Suwalskie Voivodeship Sejmik and the President of the Polish-Lithuanian Economic Chamber signed an Agreement on the Establishment of the Euroregion Neman Office. In December 1995 and January 1996 two consecutive bilateral agreements were signed with two Lithuanian poviats. In February 1997 the Governor of the Suwalskie voivodeship of the Republic of Poland, the Administration of the Kaliningrad Region, the Governors of the Alytus and Marijampole Counties of the Republic of Lithuania and the Governor of Hrodna County in the Republic of Belarus signed a Declaration on Transborder Co-operation.

On 6 June 1997, in Augustów, the Agreement on the Creation of the Transborder Euroregion Neman Association was signed by the representatives of Poland, Belarus and Lithuania. The Governor of the Suwalskie voivodeship signed it on behalf of Poland.

In 1998 the Polish part of the Euroregion was extended to encompass the territory of the Podlachian voivodeship, and a year later the county of Vilnius was admitted. It was not until 4 April 2002 that the original intent of the Euroregion's creators could be realised – five districts of the Kaliningrad Region of the Russian Federation were admitted into the Euroregion Neman: Chernyakhovsk, Iziorsk, Nesterov, Gusev and Krasnoznamensk.

The Sesupe Euroregion (PL/LT/RU/SWE)

The Euroregion Sesupe was created on 24 April 2003 by self-governing local authorities from Poland, Lithuania, Russia and Sweden. It comprises the municipalities of Jurbarkas, Kalvarija, Kazlu Ruda, Marijampole, Pagegiai, Sakiai and Vilkaviskis (Lithuania); the Gusev, Krasnoznamensk, Nesterov and Izorsk districts (Kaliningrad Region, Russia); the Gołdap and Kowale Iletske gminas (municipalities) (Poland) and the municipality of Eksjö (Sweden).

The main goals of co-operation within the Euroregion Sesupe are:

- 1 Improving the living standards of residents of the Euroregion;
- 2 Stimulating, planning and organising the well-balanced progressive development of the entire region;
- 3 Developing good neighbourly relations;
- 4 Bringing local communities together;
- 5 Supporting co-operation between regional and local authorities and public organisations along the borders.

Major spheres of activity of the Euroregion Sesupe include: environmental protection, the economy, entrepreneurship, youth and sport, culture, social welfare and tourism promotion, especially through the Euroregion's multilingual website. The Euroregion's office is located in Sakiai, Lithuania.

Propensity towards cross-border co-operation

Both parties share a common vision of the strategic direction of Polish-Lithuanian cross-border co-operation. The ultimate aim of this co-operation is to enhance cross-border security and transportation infrastructure. Located on the east-west and north-south European axes, the Polish-Lithuanian cross-border co-operation area is a natural European centre for transport, trade and tourism. The propensity towards cross-border co-operation between Poland and Lithuania, as displayed by both individual and collective actors, takes the form of reciprocal exchanges in nearly every aspect of the countries' mutual relations. Both sides perceive the propensity towards economic co-operation as contributing to the objective of stimulating the border area's economic attractiveness, with the aim of encouraging investments, limiting uncertainty in business relations, fostering small and medium-sized enterprises and developing business information networks. The challenge ahead for the improvement of cross-border co-operation between Poland and Lithuania is overcoming the time-consuming bureaucratic procedures characteristic of the local authorities of both countries.

In 1999, in the border town of Lazdijaj, sociological research was carried out into the economic, social and cultural ties between the area's inhabitants. The research revealed a common awareness of the area's "borderland" status. People living in Lithuania visited Poland quite frequently, for linguistic reasons preferably places inhabited by Lithuanians. Mixed marriage couples were nothing out of the ordinary. Over 53% of the respondents regarded living in the border area as beneficial. However, they pointed out the barriers to contacts with Poles such as language problems (the two languages differ significantly), historical bias and dislike of Poles. Nevertheless, these can be expected to diminish with time.

Projects implemented

INTERREG IIIA programme Lithuania-Poland-Kaliningrad Region (Russian Federation):

At the end of 2004 the Polish Ministry of the Interior, in close co-operation with neighbouring countries, ensured that the main conditions for receiving INTERREG IIIA funds were satisfied – preparation of programming documents, establishment of a Joint Technical Secretariat in Vilnius for the Lithuania-Poland-Kaliningrad Region Programme, confirmation of the Lithuanian delegations to the Monitoring and Steering Committees, etc. Due to differences in cross-border experience in Lithuania and Poland, the start of the programme was delayed. The first call for applications to receive EU support from the INTERREG IIIA Programme for the Lithuania-Poland-Kaliningrad Region was launched in June 2005.

The municipalities in the Polish-Lithuanian border area pursue active partnerships, albeit limited in scope. Examples are the partnership agreements between Suwałki and Marijampole (1995) and Suwałki and Alytus (1996). The agreements provide for the joint organisation of fairs and co-operation in the fields of the economy, education, tourism, student exchanges and self-government. These provisions have been implemented in practice. Another example of cross-border co-operation is the agreement between Olecko and Vilkaviskis (1996, promotion of exchanges in the spheres of culture, education, sport, science and the economy).

An excellent example of co-operation, initiated on a top-down basis by local leaders, is the Foundation “Borderland of arts, cultures and nations”, established in 1990 in Sejny and currently supported by the Polish Ministry of Culture and the Podlaskie voivodeship. The Foundation’s activities focus mainly on dissemination of knowledge about border areas in general, not just the Polish-Lithuanian border area; challenging stereotypes and breaking down barriers between nations; and collecting documents devoted to border areas. The centre is a perfect example of mobilisation of the region’s cultural and scientific resources. Sejny also has a Consulate of the Republic of Lithuania, Lithuanian associations and organisations and a department of the Lithuanian magazine “Auszra”.

SWOT analysis elements

Strengths: The cross-border area is characterised by a history of co-operation and an extremely high propensity to co-operate among cross-border operators in a vast array of sectors from socio-cultural action to economic initiatives. The rich biodiversity and uncontaminated environment of the area constitute major strengths for the future of the region as a whole. Apart from the inherent value of such natural assets, they offer a basis for the development of the tourism sector and are at the core of several joint local development projects. High participation in Interreg and other European funding opportunities should also be regarded as a strength of the area.

The presence of a significant Lithuanian minority in Poland is a key factor furthering cross-border co-operation, as it acts as a bridge across the socio-cultural border.

Finally, the border itself represents a strength in so far as it is a filter border allowing contacts in specific sectors and playing a crucial role in co-ordination between social and economic stakeholders and local governmental agencies and local authorities.

Weaknesses: The region's level of industrialisation is still adversely affected by the border area's peripheral position. Although alternative economic measures and development policies have been implemented, the relatively limited secondary sector results in a shortage of jobs for the local workforce.

Opportunities: Common membership of the EU represents the single most important opportunity for the cross-border area. Since both countries have acceded to the EU (and other major European) treaties, the region benefits from all the opportunities linked to common policies on labour market protection, customs and border-related fiscal issues, and to a shared political-ideological vision in terms of EU enlargement. Moreover, local authorities in the area do seem to be increasingly enjoying the benefits stemming from subsidiarity and local governance, as defined in the main European treaties.

Threats: No major threats can be perceived at present that would have a negative influence on the area's development as an integrated cross-border region. However, a missed opportunity could easily turn into a threat. This lies in the fact that the environment can be seen to be a key element for the integrated local development of the region, since it could stimulate economic and socio-cultural growth especially via the tourism sector. However, the development of such economic activities needs to be thoroughly conceived, planned and implemented so as to ensure the sustainable exploitation of the shared natural resources.

6. LITHUANIA – BELARUS



Geographical and historical background

The border between the Republic of Lithuania and the Republic of Belarus is 502 kilometres long and is Lithuania's longest border. Since 1 May 2004 it has also been an external border of the EU. The border runs through lowlands, and Ashmyany is the only hilly area, the tallest elevation being 320 metres above sea level. The border starts at the point where the two countries' borders with Poland meet (to the east of Augustów) and runs to the north-eastern part of the Lithuanian Lake District through the Święciański Lake District. Even though the Neman and Wilia Rivers, flowing towards the Baltic Sea, cut through the border, the route it follows is rather artificial and free of natural barriers. The lakes are a great tourist attraction.

In administrative terms, the Belarusian border area is part of two provinces – Hrodna and Vitebsk, whereas the Lithuanian side lies within Alytus County, Vilnius County and Utena County.

The main towns and cities are Vilnius (540 000 inhabitants, 19% of whom are Polish), Utena (34 000), Druskininkai (16 500), Varena (10 000) and Svencionys (5 500) in Lithuania; and Hrodna (317 000 inhabitants, 25% of whom are Polish), Lida (over 98 000, with 35% of Poles), Pastavy (19 000) and Braslaw (14 000) in Belarus.

The present-day Lithuanian-Belarusian border area was part of the medieval Duchy of Lithuania, apart from the Hrodna area, which for a short time (10th-11th centuries) belonged to the Duchy of Kiev, and had never been partitioned by an international border. At the time of the formation of the Polish-Lithuanian Commonwealth the land in question was entirely Lithuanian. The Belarusian sense of national identity was then non-existent.

As a result of the third partition of the Polish-Lithuanian Commonwealth, in 1795, Vilnius and Hrodna were incorporated into Russia. Their territory was not included in the Duchy of Warsaw. The change came with the First World War and its aftermath. Poland's victory over Soviet Russia and the border conflict with Lithuania over the Vilnius region resulted in annexation of the whole present-day Lithuanian-Belarusian border area to the Second Polish Republic.

Further changes took place after the Second World War, as the entire area was incorporated into the USSR. In fact, it was only then that the territory in question became a border area, as the line drawn in 1945 is observed to this day. At the time it was the border between the Lithuanian and Belarusian

Soviet Socialist Republics and it remained unchanged until the early 1990s, when the two independent states of Lithuania and Belarus were formed after the fall of the USSR. It is therefore one of the most recent border regions in Europe.

The distinctive feature of the Lithuanian-Belarusian border area is the presence of a Polish minority, owing to the fact that before the Second World War the region belonged to Poland. Nowadays, Poles make up one-fourth of the population of Hrodna (giving almost 80 000), approximately one-fifth of the population of Vilnius (over 100 000) and about 35% of the population of Lida (almost 35 000). Overall, it is estimated that there are more than 300 000 Poles living in the border area.

Economic and infrastructural characteristics

Economic growth in the Lithuanian-Belarusian border area is satisfactory, especially on the Lithuanian side due to the capital city's location in the area in question. The city is well-developed and has far more importance than a local urban centre. Attention can be drawn to the steady growth in Lithuania's GDP, by several percentage points, which translates into economic growth not only of the capital city but also of the surrounding towns. The situation in Belarus is slightly different as regards the impact on the border area's development. The country's economic growth leaves much to be desired. In comparison with Lithuania, the main difficulties arise from the fact that the Belarusian economy is centralised, controlled by Minsk, to a large extent of a dictatorial-distributive nature and typical of former communist countries. Currently GDP growth is several percent. However, it is not a market economy and the main trade partner is Russia.

The most important industrial centres on the Lithuanian side are Vilnius (food, electrical engineering and machine industries) and Utena (breweries). On the Belarusian side the most significant are Hrodna, Lida and Postavy (food and linen). A very important industrial installation in the border area is the nuclear power station in Ignalina, which is to be closed down. Ultimately, it will be replaced by a modern power plant. Discussions are currently taking place concerning the project, which is to be co-financed by Lithuania, Poland, Latvia and Estonia and will therefore not just be of local significance.

The favourable natural conditions in the border area also offer opportunities for economic growth. Mention should be made here of the Lithuanian health resort Druskininkai, which lies on the edge of a vast woodland area (the Augustów Forest and the Dzukija National Park). With the surrounding towns, it can exploit the growing tourist interest in this region. The same applies to the Belarusian resorts.

On both sides of the border there are higher education establishments, which can contribute to the border area's development. The key ones are the Lithuanian and Polish Universities in Vilnius and Hrodna University.

Cross-border declarations and agreements

The detailed framework for international co-operation is mainly set out in intergovernmental agreements. Each of the instruments signed so far includes provisions on establishing, facilitating and promoting cross-border co-operation. All the agreements creating the legal basis for local and regional government authorities to co-operate with their partners from neighbouring countries have been signed on the basis of these framework agreements.

The subject matter of the agreements signed so far clearly breaks down into the following two main parts and sub-categories:

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- 3 Undertake to solve all problems of a legal, administrative or technical nature which might interfere with such co-operation;
- 4 Set out a number of fields for cross-border co-operation;
- 5 Establish joint co-ordination bodies at the governmental (intergovernmental committees), local and regional levels;
- 6 Provide for possible restrictions on co-operation as regards its geographical scope, fields, forms or subject matter;
- 7 Reiterate that cross-border co-operation must always comply with national law and the international obligations deriving from the previously signed agreements.

– A variable part, depending on local conditions, e.g. the body signing the agreement, previous contacts, the geographical environment, social and economic development, common problems to be solved, etc., which is governed by the accords of a given Euroregion.

The main intergovernmental agreements between Lithuania and Belarus currently in force are:

The Declaration on the principles of good neighbourly relations between the Republic of Lithuania and the Republic of Belarus, signed in Vilnius on 24 October 1991;

The Agreement between the Republic of Lithuania and the Republic of Belarus on good neighbourhood and co-operation, signed in Vilnius on 6 February 1995;

The Agreement between the Republic of Lithuania and the Republic of Belarus concerning the State Border between Lithuania and Belarus, signed in Vilnius on 6 February 1995;

The Agreement between the Government of the Republic of Lithuania and the Government of the Republic of Belarus concerning the crossing points on the state border, signed in Minsk on 18 July 1995.

The main agreements on Euroregions are:

The Nemunas – Niemen – Neman Euroregion (PL/LT/BY/RU)

The idea of establishing the Euroregion as a form of cross-border co-operation between Poland, Russia, Lithuania and Belarus was launched in early 1995 in the Declaration of the 2nd Baltic Economic Forum. The initiative was preceded by two cross-border agreements signed by the Governor of the Suwalskie voivodeship with:

- 1 The President of the Administration of the Kaliningrad Region (Russia) in 1992,
- 2 The Governor of Hrodna province (Belarus) in 1994.

In November 1995 the Governor of the Suwalskie voivodeship, the President of the Suwalskie Voivodeship Sejmik and the President of the Polish-Lithuanian Economic Chamber signed an Agreement on the Establishment of the Euroregion Neman Office. In December 1995 and January 1996 two consecutive bilateral agreements were signed with two Lithuanian poviats. In February 1997 the Governor of the Suwalskie voivodeship of the Republic of Poland, the Administration of the Kaliningrad Region, the Governors of the Alytus and Marijampole Counties of the Republic of Lithuania and the Governor of Hrodna County in the Republic of Belarus signed a Declaration on Transborder Co-operation.

On 6 June 1997, in Augustów, the Agreement on the Creation of the Transborder Euroregion Neman Association was signed by the representatives of Poland, Belarus and Lithuania. The Governor of the Suwalskie voivodeship signed it on behalf of Poland.

In 1998 the Polish part of the Euroregion was extended to encompass the territory of the Podlachian voivodeship, and a year later the county of Vilnius was admitted. It was not until 4 April 2002 that the original intent of the Euroregion's creators could be realised - five districts of the Kaliningrad Region of the Russian Federation were admitted into the Euroregion Neman: Chernyakhovsk, Iziorsk, Nesterov, Gusev and Krasnoznamensk.

The Country of Lakes Euroregion (LT/LV/BY)

The Euroregion was established in 1998 and comprises the Daugavpils, Kraslava, Preili and Rezekne districts and the cities of Daugavpils and Rezekne (Latvia), the municipalities of Ignalina, Svencionys, Utena, Zarasai and Visaginas (Lithuania) and the municipalities of Braslav, Glubokoje, Miori, Postavi, and Verhnedvinsk (Belarus).

The Euroregion aims to promote co-operation as a long-term partnership and the cultural and historical identity of each area within the Euroregion Country of Lakes, ensuring the sustainable development of tourism and environmental protection.

The members of the Euroregion Country of Lakes co-operate in the fields of education, NGOs, sport, the social sphere, tourism and environmental protection, entrepreneurship and infrastructure development, and culture.

Individual projects are usually financed under EU programmes, while the authorities of the Euroregion provide resources for national offices and small projects, mainly of a cultural character.

Propensity towards cross-border co-operation

The propensity towards cross-border co-operation between Belarus and Lithuania is to a large extent determined by a high degree of asymmetry in both parties' resources and willingness. Current Belarusian policy regarding cross-border co-operation is characterised by a contradiction between the Republic's declared openness and some hesitation to initiate cross-border co-operation in practice, which could be explained by the very strong centralisation of decision-making process relating to cross-border initiatives in Belarus.

The bilateral agreement providing for Belarusian-Lithuanian cross-border co-operation was signed in June 2006. At the same time, it should be emphasised that, unlike all of its neighbouring EU and CIS countries, Belarus is not a party to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities. On top of that, Belarus is not a party to the European Charter of Local Self-Government of the Council of Europe.

The overall picture regarding the propensity towards cross-border co-operation between Belarus and Lithuania is therefore one of relatively tight state control (on the Belarusian side) over cross-border agreements between local authorities. The propensity towards cross-border economic co-operation is marked by infrastructural and procedural disparities between the actors involved on both sides. The propensity towards socio-cultural co-operation is limited mainly by a lack of a sense of commonality, the outcome of radically different historical experiences in the post-Communist transformation era.

As a result of the introduction of the Schengen regime in the Belarusian-Lithuanian border area, a need has emerged to enhance harmonised and environmentally sustainable economic growth and social cohesion, based on the establishment of conditions conducive to the free movement of people and goods and to scientific and cultural co-operation.

Projects implemented

INTERREG IIIA programme Latvia-Lithuania-Belarus:

Thirty-one project applications were submitted in response to the first call for proposals under the INTERREG IIIA Programme Latvia-Lithuania-Belarus. The Steering Committee approved six project applications:

- two projects were designated for implementation of the 1st programme goal, which focuses on “utilising cross-border co-operation to enhance the competitiveness of the regions involved and improve access to markets across the borders by supporting the following activities...”.
- four projects were designated for implementation of the 2nd programme goal, which focuses on “supporting development and strengthening co-operation on a people-to-people level and between institutions located in border regions”.

The projects’ participants include nine partners from Lithuania (two of whom are the lead partners), ten partners from Latvia (four of whom are the lead partners) and six partners from Belarus. These projects are to be allocated LTL 3.6 million from the European Regional Development Fund.

A second call for proposals was launched on 28 February 2005. The deadline for submission of project proposals for this so-called “Priority South” was 2 May 2005. Applicants from the eligible territories of Latvia, Lithuania and Belarus could participate in the projects on an equal basis, as EU TACIS funding had become available to Belarus. At least two partners from two different countries have to be involved in a project.

INTERREG III B programme:

Lithuania participates in one of thirteen programmes of the INTERREG III B strand – the Baltic Sea Region (BSR) INTERREG III B programme – a transnational co-operation programme between Germany, Denmark, Estonia, Finland, Latvia, Lithuania, Poland, Sweden, Norway, Russia and Belarus. This programme is seeking to achieve a higher level of spatial integration and

competitiveness through intensified regional, economic and social interaction and development. Since the programme's inception, 126 public sector institutions from Lithuania have participated as partners in 56 projects. The Lithuanian partners' involvement grew after Lithuania joined the EU: nineteen project applications were chosen for financing in spring 2004, eighteen of which included 46 Lithuanian public sector institutions as partners; in autumn 2004 out of fifteen selected project applications, eleven included 31 Lithuanian public sector institutions as partners.

INTERREG IIIC Programme:

INTERREG IIIC aims to promote interregional co-operation between regional and other public authorities across the entire EU territory and neighbouring countries. It allows regions without joint borders to work together on common projects and develop co-operation networks.

At the moment, INTERREG IIIC is financing 146 projects, in 25 of which Lithuanian public sector institutions are participating as partners. Lithuanian institutions are most actively involved in the programmes of the INTERREG IIIC East and West zones.

PHARE Cross-Border Co-operation 2002 and 2003 programmes:

The Ministry of the Interior of the Republic of Lithuania participates in the implementation of the PHARE Cross-Border Co-operation (CBC) 2002 and 2003 Programmes in the Baltic Sea Region. The entire allocation for Lithuania is EUR 3 million for each programme. 34 contracts awarding grants under the 2002 PHARE CBC programme were signed in 2004, whereby almost all the funds allocated were contracted. The partners participating in this programme are from Latvia (13), Poland (17), Estonia (3), Finland (2), Sweden (3), Denmark (2), Germany (1) and the Kaliningrad Region (1). The programme supports human resources development projects (from large-scale investments to small-scale projects), in particular co-operation between public authorities and NGOs in the Baltic Sea Region.

The PHARE 2003 external borders initiative project "Local capacity building to the future EU external borders":

The PHARE 2003 external borders initiative project "Local capacity building to the future EU external borders" started up in 2004. The project's main objective is the development of the administrative and technical capacities of local and regional governmental institutions and Euroregions on Lithuania's borders with the Kaliningrad Region (Russian Federation) and Belarus, which would allow them to play an active, effective role in the operation of the INTERREG IIIA programmes, especially in preparing high-quality projects eligible for EU structural funds support. One of the components of the project has already been implemented – five Euroregion secretariats/offices and the Vilnius, Utena, Alytus, Marijampolė, Tauragė and Klaipėda county governors' administrations were provided with office equipment for an amount of LTL 300 000. In addition, a separate services contract was awarded under an international open tender. The selected services provider will provide training for the staff of Euroregions, regional and local authorities and other institutions on their role in relation to the future implementation of INTERREG. This will focus primarily on developing their ability to provide project development advice and support to applicants and to work within the regions to strengthen cross-border networks with the neighbouring countries. They will also assist potential applicants to prepare high-quality cross-border development projects.

SWOT analysis elements

Strengths: The main strength of the border area is the relatively high level of economic development on the Lithuanian side of the border. However, the limited cross-border co-operation in the region undermines this strong point.

Weaknesses: At present the region is characterised by a fair number of weaknesses as far as the cross-border co-operation process is concerned. The first that should be mentioned is the significant differential in terms of economic development on the two sides of the border. This situation is exacerbated by the fact that there is little trade exchange across the border and most economic flows are linked to the respective national contexts.

The propensity for co-operation of actors in the economic and socio-cultural fields is still very limited. Despite the positive declarations and agreements, little is done in terms of cross-border co-operation in the organisation of everyday services, education and culture.

International relations between the two states take place almost exclusively at the central level, and the high degree of state centralisation should be considered as a further weakness for the cross-border area.

The border itself thus has a barrier rather than a filter role in almost all sectors.

Lastly, the infrastructural framework of the cross-border area is not sufficiently developed to prompt cross-border movements and interaction (which are also hindered by the fact that Belarus is not an EU member state and the Schengen Visa regime is therefore applied).

Opportunities: The main opportunities stem from the fact that the demarcation of the border is now accepted and the border area is fully recognised by both states. The common involvement in several Euroregions and EU-financed projects can be seen to represent the single most relevant opportunity for fostering cross-border co-operation in the region.

Threats: A number of threats still hinder the future prospects of the cross-border co-operation process. They mainly concern uneven development and protectionist policies in the labour market and customs fields. Moreover, the area lacks appropriate (and adequately funded) structures for cross-border co-operation. The differing competences and know-how of the local actors in charge of cross-border action on the two sides of the border can also be perceived as an obstacle to effective integration of the area. Lastly, a certain difference of approach in terms of political-ideological orientation at the central level also constitutes a threat to the CBC process.

7. LITHUANIA – LATVIA



Geographical and historical background

The border between Lithuania and Latvia runs on a west-east axis for approximately 598 kilometres (576 km on land and 22 km over the Baltic Sea), starting in the vicinity of the Lithuanian town of Šventoji (Rucava on the Latvian side) and ending at the Latvian town of Demene (Tilžē on the Lithuanian side), where the borders of Lithuania, Latvia and Belarus meet.

The present-day Latvian-Lithuanian border has a long history. Until the 12th century, the border was not clearly defined; it separated the territories of a number of Baltic tribes, notably the Samogitians and the Aukštaitians in the south and the Couronians, the Semigallians, the Selonians and the Latgalians in the north. In around the 13th century the present-day Latvian territory gradually passed into the hands of the Livonian Order. Later, in 1525, Livonia (part of the present-day Latvian territory) was reorganised into the Duchy of Courland and Semigallia, which existed from 1562 to 1795 as a semi-independent vassal state of the Grand Duchy of Lithuania and later (after 1569) the Polish-Lithuanian Commonwealth. With the third partition of the Polish-Lithuanian Commonwealth (1795), the territories of Courland and the Grand Duchy of Lithuania were incorporated into the Russian Empire, where they remained until the First World War.

After the Treaty of Melno was signed between Lithuania and the Teutonic Order in 1422, the earliest demarcation of the Grand Duchy's northern border took place. At that time, the border started at the Baltic Sea and ran eastwards along the Šventoji River (Sventāja in Latvian), through the present-day town of Seda (Lithuania) in the direction of Joniškis (Lithuania). In the 15th and 16th centuries the border was moved further north, thus expanding the border area to the present-day Lithuanian towns of Skuodas, Mažeikiai, Žagarė and Joniškis. It then crossed to the Latvian side past the town of Bauska and ran up the bank of the Daugava River in the direction of Braslaū, in present-day Belarus. In the early 19th century the border separated Russia's Vil'na (Vilnius) and Courland, and later, from 1843, Courland and Kovno/Kaunas provinces. After the First World War and the establishment of the independent states in 1918, Lithuania and Latvia ratified conventions delineating the border in 1921, and again in 1930. Following the Second World War this border separated two Soviet Republics. With the restoration of their independence in 1990, both sides re-established the old border that existed prior to the Soviet occupation in 1940.

The Lithuanian border region currently covers the territories of Klaipėda, Telšiai, Šiauliai, Panevėžys and Utena counties (singular: *apskritis*). The border municipalities (singular: *savivaldybė*) Kretinga (Klaipėda county), Skuodas (Klaipėda), Mažeikiai (Telšiai), Akmenė

(Šiauliai), Joniškis (Šiauliai), Pakruojis (Šiauliai), Pasvalys (Panevėžys), Biržai (Panevėžys), Rokiškis (Panevėžys) and Zarasai (Utena) constitute the largest towns in the Lithuanian border area. At the beginning of 2007, the territory covered an area of approximately 7 956 sq. km, with a total population of 366 706 and a population density of 29.35 inhabitants per sq. km (estimate based on data obtained from the Lithuanian Department of Statistics). In ethnic terms, Lithuanians constitute the majority of the border area's population: out of a total of 383 387 inhabitants they represent 94.4%, (364 950), followed by Russians (11 576 – 3.47%), Poles (2 098 – 0.75%), Latvians (1 182 – 0.35%), Ukrainians (952 – 0.26%), Belarusians (869 – 0.24%) and others. The greatest concentration of non-Lithuanians is on the eastern side, especially in Zarasai municipality, where Lithuanians represent only 71.5% of the total population (2001 census data; source: Lithuanian Department of Statistics).

Latvia's border area encompasses eight administrative districts (singular: *rajons*): Liepāja, Saldus, Dobele, Jelgava, Bauska, Aizkraukle, Jēkabpils and part of Daugavpils. The area covers roughly 18 983 sq. km, with a total population of approximately 338 698 (at the beginning of 2007) and a population density of as little as 18.9 inhabitants per sq. km (including the whole of Daugavpils district, but excluding the cities of Liepāja, Jelgava and Daugavpils, which constitute separate administrative units). The largest towns on the Latvian side are Liepāja, Jelgava, Bauska and Daugavpils. As regards the population's ethnic distribution, the Latvian border area is inhabited by Latvians (242 129 or 71.39% of the total population), Russians (52 514 – 15.49%), Lithuanians (13 752 – 4.09%), Belarusians (11 592 – 3.49%) and other ethnic groups (2007 data; source: Central Statistical Bureau of Latvia).

The entire Lithuanian-Latvian border area is mostly flat and covered with forests and wetlands. Nevertheless, several rivers play an important role in the demarcation of the border and in local people's life in general. Mention can be made in particular of the rivers Daugava; Nemunėlis (Lithuanian) / Mēmele (Latvian); Mūša (Lithuanian) / Mūsa (Latvian); Venta; Vadakstis; Barta and Šventoji (Lithuanian) / Sventāja (Latvian).

Economic and infrastructural characteristics

The economy of the cross-border area is fairly heterogeneous. The primary sector is well developed overall, mainly consisting of agricultural activities. The national unemployment rate and GDP per capita for 2006 were: 5.6% (female unemployment 5.4%) and USD 15 300 for Lithuania, and 7.0% (female unemployment 6.5%) and USD 16 000 for Latvia (source: Latvian and Lithuanian central statistical databases). Mention should also be made of the fact that Lithuania and Latvia have been members of the World Trade Organisation since 1999 and the European Union since 2004.

On the Lithuanian side, the western Klaipėda region can be seen to be one of the most prosperous parts of the border area due to its full-fledged transport infrastructure (a seaport, an international airport in Palanga, the Klaipėda-Vilnius main road and railway), the free economic zone (opened in 2002) and numerous SMEs. Other major industrial sites located along the Lithuanian-Latvian border are: the Mažeikiai oil refinery, the Naujoji Akmenė concrete factory and, in the eastern border area, the Ignalina Nuclear Power Plant (located in the town of Visaginas), which is the main source of Lithuania's energy (approximately 80%). However, because of the unsafe Soviet-made reactors, the EU and Lithuania have agreed on a gradual closure of the power plant, which is completely ceasing to operate in 2009. In July 2007 the Lithuanian Parliament passed a law on building a new nuclear power plant in the same location, which should be operational from 2015. Latvia, Estonia, Sweden and Poland have expressed an interest in this project.

The Latvian side also has an advanced system of transportation. Its shipping and transit industry is catered for by several seaports (Ventspils, Liepāja and Riga) and international airports (Ventspils, Riga and Daugavpils). Furthermore, in 1997, the Liepāja Special Economic Zone was opened (on the Lithuanian side similar zones were established in Klaipėda and Šiauliai). The main industries across the whole Latvian border area are: steel, textiles, transport, trade, tourism, food, chemicals (first and foremost the Daugavpils Chemical Fibre plant) and so on.

The Latvian and Lithuanian primary sectors mostly concern intensive farming, while the industrial centres are primarily located in the cities, such as Liepāja or Daugavpils. The economic outlook of the whole region is influenced by the close proximity of the Latvian capital Riga, which attracts intensive labour flows, increasing the regional share of GDP. Riga traditionally has a significant role in the economic growth of both countries. However, if the two sides of the Lithuanian and Latvian border area are compared, the former can be seen to have a broader range of SMEs spread fairly evenly along the entire border, while the picture on the Latvian side is more fragmented, with medium and large industries, primarily located in the large urban areas. To overcome this, the EU recently introduced the so-called Cohesion Promotion Plan, which aims in particular to balance the region's economic development.

The economic growth and high level of transportation infrastructure in both countries is mostly attributable to a dense network of roads and railways, predominantly running on the north-south axis. The major motorway of the whole eastern Baltic Sea Region is the "Via Baltica" highway (E-road E67), connecting Helsinki (via ferry), Tallinn, Riga, Kaunas, Warsaw, Wrocław and Prague. However, despite intensive development work, the "Via Baltica" is still not fully functional, largely because of political and ecological controversies in Poland. Other important E-road routes are the E77, connecting Pskov, Riga, Šiauliai, Kaliningrad, Warsaw, Krakow and Budapest, and the E262, linking Kaunas, Ukmergė, Daugavpils, Rēzekne and Ostrov. These routes link Lithuania and Latvia with Eastern and Central Europe.

At the same time, railways continue to be an important means of transportation. Several major branches cross the Lithuanian-Latvian border area: the Klaipėda-Liepāja road/railway, the Riga-Priekule-Klaipėda road/railway and the Riga-Šiauliai-Kaunas road/railway network, the Daugavpils-Panevėžys-Šiauliai and the Daugavpils-Vilnius railway lines. Mention must also be made of the INTERREG IIIB project "Rail Baltica". Once implemented, it will link Helsinki, Tallinn, Riga, Kaunas, Warsaw and Berlin, while a second branch will connect Tallinn, Riga, Šiauliai, Tauragė and Kaliningrad. Like most projects of its kind, its implementation is highly dependent on the political climate and decisions in each participating country.

Lastly, the main road crossing points from west to east are: Būtingė (LT)-Rucava (LV); Buknaičiai (LT)-Ezere (LV); Kalviai (LT)-Meitene (LV); Saločiai (LT)-Grenctāle (LV); Obeliai (LT)-Subate (LV) and Smėlynė (LT)-Medumi (LV), while the rail crossing points are: Skuodas (LT)-Priekule (LV); Bugeniai (LT)-Vainode (LV); Mažeikiai (LT)-Reņģe (LV); Joniškis (LT)-Meitene (LV); Obeliai (LT)-Eglaine (LV) and Turmantas (LT)-Kurcums (LV). It should be noted that this may change with Lithuania's and Latvia's gradual integration into the Schengen Area starting from January 2008.

Cross-border declarations and agreements

Looking at the development of Lithuanian-Latvian cross-border co-operation, the interaction between the two states can be roughly divided into two periods: 1993-1999 with the establishment of the border and border controls, and 2000-2006 corresponding to their subsequent involvement in large-scale regional programmes, primarily within the INTERREG III framework, and accession to the EU and NATO (in 2004).

After 1990 the international border between the two independent states was re-established. Both sides closely scrutinised the location of the border, which was recognised in 1995. However, although the demarcation of the land border was less problematic, the drawing of the maritime border gave rise to major disagreements. The dispute between Latvia and Lithuania started in the mid-1990s following a preliminary division of the maritime territory and the subsequent discovery of oil resources under the Baltic Sea. An agreement on the division of the Baltic Sea territory was signed in July 1999, but only Lithuania ratified it. The Latvian Parliament postponed the ratification process due to reservations concerning specific economic issues, mainly linked to the exploitation of Baltic oil resources and the delimitation of fishing zones. The maritime border dispute remains unresolved at present.

Nevertheless, cross-border co-operation between Lithuania and Latvia grew steadily during the first half of the 2000s. The EU-funded INTERREG III “Neighbourhood” programme allowed the development of enhanced multi-level contacts between the Baltic countries, Russia and Belarus. One outcome was a project on the establishment of a joint monitoring system for water quality, with the participation of the universities of Daugavpils in Latvia, Šiauliai in Lithuania and Novopolatsk in Belarus.

Apart from INTERREG III, Lithuania and Latvia also co-operate by participating in the following international and regional initiatives: *The Budapest Process*, *The International Border Guard Conference (The Siófok Process)*, *The Council of the Baltic Sea States*, *The Northern Dimension*, *The Regional Competence Development Network (CDNP)* and *The Söderköping Process*. These cross-border co-operation programmes are aimed at promoting balanced development of the social, economic, cultural, political and other spheres of human life not just in the border area, but also by co-ordinating these local strategies with the wider East European geo-political, economical and cultural contexts.

Propensity towards cross-border co-operation

The European Commission has announced the launch of the second stage of its regional initiatives, for the period 2007-2013. Five new cross-border programmes cover the Baltic States. Three of them come within the framework of the European Territorial Co-operation programmes financed by the European Regional Development Fund (ERDF), including a special programme for Latvia and Lithuania to promote their bilateral cross-border co-operation. In addition, the European Neighbourhood and Partnership Instrument (ENPI) will fund a programme for further co-operation between Latvia, Lithuania and Belarus.

This new stage in regional development policy divides the participating countries into Convergence Regions with specific strategic objectives. One of the objectives is balanced territorial development. Each country has proposed operational programmes corresponding to the goals pursued. Lithuania and Latvia have allocated funds for Cohesion Promotion, which covers various aspects such as economic growth (LT), human resources (LT), urban growth (LV), the creation of new firms (LV), etc. Nevertheless, the levelling of regional imbalances is primarily promoted and funded by the

ERDF. The effectiveness of these regional programmes however depends on the political decisions taken in each of the participating countries, as well as on local-level activities and initiatives.

Projects implemented

Since their accession to the European Union, in 2004, Lithuania and Latvia have become active participants in EU-sponsored regional projects. The European Commission has promoted the multi-level development of the Baltic Sea Region, involving all the EU countries around the Baltic plus Norway, Belarus and Russia (programmes such as INTERREG III and PHARE BAS). Within the general framework of INTERREG III smaller local projects have been launched in various parts of the region. The aims of these projects have mainly revolved around the facilitation of socio-economic development, the establishment of cross-border contacts between communities, the creation of various networks, and the preparation of projects in the fields of culture, education, environment protection, tourism, etc. Furthermore, both countries currently participate in managing several joint Euroregions, including the “Baltic” Euroregion (participating countries: Latvia, Lithuania, Russia, Sweden, Denmark and Poland), the “Country of Lakes” Euroregion (Latvia, Lithuania, Belarus) and the “Bartuva” Euroregion (Latvia, Lithuania). These large projects also make it possible to implement smaller projects at the municipal level, an example being the project for promotion of tourism between the city of Daugavpils (Latvia) and the municipality of Zarasai (Lithuania) (source: Latvian and Lithuanian Ministries of Foreign Affairs; Latvian State Regional Development Agency (SRDA); Lithuanian National Regional Development Agency (NRDA); portals of the respective Euroregions and INTERREG III).

SWOT analysis elements

Strengths: the transportation sector is very well-developed in both Lithuania and Latvia. Their favourable geographical position makes both countries important transit areas. Moreover, the creation of free trade zones in Liepāja, Klaipėda and Šiauliai is aimed at intensifying economic development. Nonetheless, despite intensive promotion and the absence of restrictions on the outflow of capital, these free economic zones have attracted few investments, in part because of their poor management. To improve this, the Lithuanian and Latvian authorities will have to make them more functional and intensify their promotion inside and outside of their respective countries, as well as ensuring a generally favourable economic environment and service provision.

Weaknesses: rather low participation at the municipal level can be identified as one of the major weaknesses of Lithuanian-Latvian cross-border co-operation. To some extent, this problem may be solved with the progress of the EU regional initiatives, which are aimed at improving the situation. Another problem is the still unresolved issue of the status of Latvia’s Russian-speaking population, which predominantly inhabits the eastern side of the border area, especially the district and city of Daugavpils. A further important issue is the gradual decline in social and cultural activities due to prioritisation of political and economic co-operation. The propensity towards cross-border cooperation in the cultural sector requires more attention, as well as bigger investments.

Opportunities: the opportunities for the development of the border area are closely linked to general European regional policies. The establishment and launch of new Euroregions is a means of allocating funds for the improvement of particular spheres. Here the initiative mainly lies with the highest European and national authorities, although the implementation of these projects requires greater participation at the municipal level. With both countries’ integration in the Schengen Area in January 2008, border controls are being reduced to a minimum, further facilitating cross-border co-operation.

Risks and threats: one of the greatest risks is the high level of emigration, which has implications for the demographic and occupational structure of the border area. Moreover, the closure of certain industrial sites (such as the Ignalina nuclear power plant in Lithuania) increases the number of people potentially without jobs in the region. The authorities are taking remedial steps in the form of retraining schemes and programmes for the prevention of further emigration; so far, however, these policies have not borne fruit. In addition, joining the Schengen network raises the potential risk level, mainly linked to illegal migration, human trafficking, smuggling and so on. Nevertheless, the Schengen Information System (SIS) should to some extent allow the new member states to monitor, assess and counter these threats.

8. LATVIA – BELARUS



Geographic and historical background

The border between Latvia and Belarus is one of the oldest and most stable borders in the Baltic Sea region.

In 1229 it marked the border between the Principality of Polatsk and the German Livonian Order. From 1389 to 1772 it corresponded to Poland-Lithuania's border with Courland and Livonia. In 1918 the same boundary strip became the border between the Belarusian and Latvian Republics (during the Soviet era and the period of independence).

Since 1991 it has been a state border between Belarus and Latvia and, since 2004, the border between the European Union and Belarus.

The border runs on a southwest – northeast axis for 141 kilometres starting near the Latvian town of Demene and the Belarusian village of Karasina (Карасіна) and ending near the Belarusian town of Asvea (Асвея) and the village of Šķaune on the Latvian side. At Šķaune the borders of three countries (Latvia, Belarus and the Russian Federation) meet.

In 2006 the population of Belarus was estimated at 9.7 million. Average population density is 49 inhabitants per sq. km. Some 69% of the population live in urban areas. Nearly 80% of the population are ethnic Belarusians. The remainder include Russians (11%), Poles (about 5%) and Ukrainians. Among those with a declared religion, the majority are Orthodox Christians, and about 20% Catholics. Smaller groups (about 20% in all) adhere to the Protestant, Greek-Catholic, Jewish, and Muslim faiths. The Belarusian area contiguous to the border (approximately 5 000 sq. km or one-eighth of the total area of Vitebsk Region) can be estimated to have a population of about 200 000 (considering that the population density of this Belarusian region is 33 inhabitants per sq. km and that the border area is less populated than the rest of the region). The cross-border area covers approximately 9 814 sq. km with a total population of about 350 000 and a population density of 31 inhabitants per sq. km.

In Belarus the border runs through the Vitebsk (Віцебск) region, which occupies the northern part of the republic. The principal towns in this area are Polatsk (Полацк), Novopolatsk (Новополацк) and Braslau (Браслаў). Polatsk is the oldest city in Belarus, founded in 862. The city is situated on the Daugava/Dzvina River (Daugava in Latvian, Дзвіна in Belarusian, Dūna in Swedish and

German, Западная Двина in Russian and Rubon in Latin), which is a natural waterway that links northern Belarus with the Latvian capital Riga and the Baltic Sea. Polatsk is one of the main tourist centres of Belarus with a population of 79 000. The city's twelve museums, old churches and monuments together form the Polatsk National Open-Air Museum. Twelve kilometres from Polatsk on the left bank of the Dzvina River towards the border area with Latvia lies the city of Novapolatsk with a population of 107 000. Polatsk State University (apart from the history faculty) is located in Novapolatsk. Braslau is situated on the shore of the resort lake of Drysviaty. It is an old historical town (founded in 1065) with an attractive centre. The population is about 10 000. Braslau is the capital of the National Park "Браслаўскія азёры" (Braslau Lakes) and is situated in the middle of the most ecologically significant area of Belarus.

In 2006 the population of Latvia was estimated at 2.3 million. Nearly 60% are ethnic Latvians. The remainder comprise Russians (28.3%), Belarusians (3.7%) and Poles (2.4%). Average population density is 36 inhabitants per sq. km. The ethnic Latvians are Lutherans (some 450 000). However, the Latvians of Latgale are Roman-Catholics and speak a distinct Latgalian dialect of Latvian. The Russians and Belarusians are mainly Orthodox. On the Latvian side the border area covers 4 814 sq. km, with the two districts (the Ludza district is not taken into account) accounting for 2 526 and 2 288 sq. km. The total population of the Latvian border area is 185 540, with the districts accounting for 150 967 and 34 573, and the total population density 15 inhabitants per sq. km (16 for each district, excluding the city of Daugavpils which has a population of 108 000 and a population density of 15 inhabitants per sq. km).

On the Latvian side, the border area consists of the eastern Latvian region of Latgale with the major cities of Daugavpils (Dünaburg in Swedish, Двинск in Russian), Krāslava and Ludza. Daugavpils (founded in 1275) is the second largest city of Latvia (after Riga) with a population of 108 000. It is located on both banks of the Daugava River, just 33 km from the border with Belarus. The city is the administrative centre of Latgale Region. The State Daugavpils University is the country's largest university after the National University of Latvia. Krāslava (Kreslau in German; the settlement was first mentioned in 1558 and has been a town since 1923) with a population of 11 000 is the second-largest town in the Latgale Region after Daugavpils and is the centre of Krāslava district. It is located on the right bank of the Daugava River, close to the Latvian-Belarusian border. Krāslava is a tourism centre with a historical museum, several Baroque churches and the 18th century Plater family palace. It is situated in an ecologically preserved area of Latvia surrounded by many lakes. Ludza (Ludsen in German and Swedish, Люцын in Belarusian) is one of the oldest towns of Latvia, first mentioned in 1177. Today Ludza is a small town with a population of 10 000. With a German castle and old churches, Ludza has prospects as a future tourism centre.

The population of the Latvian-Belarusian border area is multi-ethnic and multi-cultural. Ethnic Latvians are in a minority within the city of Daugavpils and Latgale Region. Daugavpils has 54% of Russians, 17% of Latvians, 15% of Poles and 8.4% of Belarusians. On the Belarusian side, apart from the Belarusian majority (about 86% of the total population), there are Russians (including Old Believers who settled there in the late 17th century), Lithuanians and Latvians. Russian has been a common language of both border territories since Tsarist Russia and Soviet times. Practically all Belarusians and Latvians of Latgale speak Russian in addition to their native Belarusian (a Slavic dialect) and Latvian (a Baltic dialect). Russian is the second state language of Belarus after Belarusian. The official language of Latvia is Latvian. However, Russian is dominant in Daugavpils. The Russian language therefore has an influential role as a lingua franca of the border area, used in all kinds of economic, political and cultural exchanges.

Economic and infrastructural characteristics

The economic centre of the Belarusian border area is Novapolatsk (founded in 1963). Novapolatsk is a significant industrial centre of Belarus with twelve large plants, including the chemicals giant “Polimir” and the “Naftan” oil refinery. On the Latvian side a similar role is played by Daugavpils, which is a centre for the Latvian chemicals and transport industries. Since 2004 Daugavpils has been a significant transit point between the EU and Belarus and the Russian Federation.

The most recent data on bilateral trade trends are positive. For the first eight months of 2007 trade turnover between Belarus and Latvia reached USD 647 million, corresponding to 214% growth over 2006. About 500 joint Latvian-Belarusian companies are now registered. The main goods exported from Belarus to Latvia are petroleum and oil products, carbon steel goods, fertilizers, timber, tractors and trucks. The principal goods exported from Latvia to Belarus are cyclic hydrocarbons, agricultural products, frozen fish, textiles, medicines, railway cars, instruments and other devices. In 2005 Latvian investments in the Belarusian economy reached USD 129.3 million. The majority of goods exported transit via the border region. Latvia plays an extremely important role for the transit of Belarusian exports to the EU member states. 90% of maritime freight from Belarus passes through Latvia via the Belarusian-Latvian railway to the Latvian port of Venstpils – the gateway of Belarus to the West and North European markets. Latvia ranks seventh among the main trading partners of Belarus.

The border area of Belarus and Latvia has long possessed a common infrastructure. Since the 1860s two railway lines (via Krāslava and via Braslau) have linked Novapolatsk and Polatsk with Daugavpils and Riga. However, the regional railway system is more developed on the Latvian side.

Two main roads cross the border:

Polatsk-Novapolatsk-Krāslava-Daugavpils, and

Polatsk-Novapolatsk-Braslau-Daugavpils.

Both have a border control point with a customs house and border terminal, the first in the village of Urbany and the second “Bigosava” in the village of Hryharoushchyna. At the same time, the main road through the northern part of the border area (Asvea-Šķaune-Dagda-Krāslava) has no border terminal or border crossing point.

The natural waterway from Latvia to Belarus is the Daugava/Dzvina River, which was the main trade route of the area from the Viking Age up to the first railway (1865). Unfortunately, after the fall of the Soviet Union in 1991 the river transport fleet of Belarus and Latvia underwent a serious crisis. The low water level in the Dzvina River requires annual works to deepen the channel, which entails significant expenditure. Today only a few tourist ships use the river. The Vitebsk River Port is officially open and has an international terminal.

The air services of the border area failed to recover from the economic crisis of the 1990s. Vitebsk International Airport has only a few domestic and charter flights. The airports of Polatsk and Novapolatsk are not operational. Daugavpils International Airport is under development to allow international passenger traffic. It could be operational by 2013. Therefore, at the infrastructure level, the cross-border network is still under-developed.

On both sides of the border the area is still mostly rural with a number of towns, concentrated along the border itself. The territory is mostly flat with several lakes and wetlands and a vast forest and

the middle reaches of the Daugava River. This means that the economic context of the area leaves ample room for further development. The primary sector plays an important role in the area's productivity.

Cross-border declarations and agreements

Since 1990 Latvia and Belarus have signed 27 bilateral international agreements. Eight of them are devoted to cross-border co-operation:

- The Agreement between the Government of the Republic of Latvia and the Government of the Republic of Belarus on Border Control Posts (1993)
- The Agreement between the Republic of Latvia and the Republic of Belarus on Determination of the State Border (1994)
- The Agreement between the Government of the Republic of Latvia and the Government of the Republic of Belarus on Favourable Conditions of Crossing the Border for the Frontier Population (1994)
- The International Road Transport Agreement between the Government of the Republic of Latvia and the Government of the Republic of Belarus (1996)
- The Agreement between the Government of the Republic of Latvia and the Government of the Republic of Belarus on the Main Principles of Transboundary Co-operation (1998)
- The Agreement between the Government of the Republic of Latvia and the Government of the Republic of Belarus on co-operation in the field of tourism (1999)
- The Agreement between the Government of the Republic of Latvia and the Government of the Republic of Belarus on a Simplified Visa Issuing Procedure for Residents of the Border Area (2002)
- Protocol between the Government of the Republic of Latvia and the Government of the Republic of Belarus on Amendments to the Agreement between the Government of the Republic of Latvia and the Government of the Republic of Belarus on Border Control Posts (2007)

The demarcation of the border was still under way in 2007, although, according to the Council of Ministers of Belarus, the process, which began in 1997, was to be completed by 1 January 2007. The demarcation work cost USD 11 million, of which 34.5% was financed by the EU under the TACIS programme. An additional amount of USD 1.87 million was provided by the EU in 2006. A Mixed Demarcation Commission between Belarus and Latvia was created in 2000. In 2006 the demarcation of the Belarusian-Latvian border was completed on the ground (417 border signs having been erected). However, the final border demarcation documents remained to be signed. The preparation of the final border demarcation documents was undertaken in 2007, and the final signature ceremony took place in November 2008.

The ecological situation on the Belarusian part of the Daugava River is of great concern to Latvia. In April 2007 consultations between the foreign ministries of Latvia and Belarus were held in Minsk.

Propensity towards cross-border co-operation

The European Commission has announced the launch of the second stage of its regional initiatives, for the period 2007-2013. Five new cross-border programmes cover the Baltic States. Three of them come within the framework of the European Territorial Co-operation programmes financed by the European Regional Development Fund (ERDF), including a special programme for Latvia and Lithuania to promote their bilateral cross-border co-operation. In addition, the European Neighbourhood and Partnership Instrument (ENPI) will fund a programme for further co-operation between Latvia, Lithuania and Belarus.

Projects implemented

Five large cross-border co-operation projects between Latvia and Belarus have been successfully implemented with the support of the European Regional Development Fund and the EU's TESIS "INTERREG III B Neighbourhood Programme". They are:

- 1 Fostering joint ventures for successful future co-operation in the Latgale-Panevezys-Vitebsk area." The project sets out to promote the development of co-operation between three border areas: Latgale (Latvia), Panevezys (Lithuania) and Vitebsk (Belarus).
- 2 Cross-border Co-operation of Universities of Latvia-Lithuania-Belarus in the Environmental Protection Sphere." The three border regions' universities had co-operated to some extent over the years, but this co-operation did not lead to the emergence of common strategies on working in the environmental field at university level. The overall objective of the project was to develop cross-border environmental co-operation between three universities in Daugavpils, Siauliai (Lithuania) and Novapolatsk
- 3 Promoting Youth Entrepreneurship and Sociability through Joint Networking and Strategy in Remote Border Areas of Latvia, Belarus and Lithuania." This project was implemented by the County Council of Preili (Latvia) and the Hlybokaje District Council of Belarus. Due to the gap between the schooling system and the labour market and a lack of appropriate support structures, more than 30% of young people in the remote border areas are unemployed and have no entrepreneurial skills. This educational project attempted to teach young people how to integrate into the local employment market rather than moving to large development centres in their home countries or abroad.
- 4 "New cross-border initiatives in the management of cultural heritage objects in the territory of the Latvian and Belarusian border areas." Given their similar geographical positions and historical socio-economic development trends as border territories, the towns of Krāslava and Braslau sought to address a number of common problems, including the social and economic development of the municipal cultural infrastructure and protection of the social sphere.
- 5 "Development of a co-operation network for intercultural studies in the border area." The main aim of this project was to develop a basis for long-term co-operation between universities in the border area of Latvia, Lithuania and Belarus in order to contribute to the targets identified by the EU in the Lisbon Strategy.

SWOT analysis elements

Strengths: Latvia's key geostrategic position for Belarusian trade with the Baltic Sea region and the EU forces the Belarusian government to co-operate with Latvia. The Russian language plays a central role in cross-border communication. The existence of a large Belarusian minority in Latvia and a Latvian minority in Belarus is a further strength. With regard to developed transport infrastructure, the border area has a natural waterway, the Daugava/Dzvina River, and a number of railway and bus stations. The common Russian/Soviet past could also be regarded as a positive background for co-operation.

Weaknesses: a key weak point is the two countries' different political orientations. Latvia is a democratic country and a member of the EU and NATO. Belarus has an authoritarian regime led by President Alexander Lukashenka. Today, the Belarusian regime is pursuing a policy of isolation of the country, making considerable use in its propaganda of anti-European and anti-Latvian rhetoric. Economic relations between the two countries are good. However, the lack of political and cultural co-operation is obvious. Local authorities in Belarus are not elected. All mayors and the heads of rural administrations in the Belarusian border area are appointed directly by the President. Local authorities on the Belarusian side of the border therefore cannot participate in cross-border projects without Minsk's consent and further supervision. Following Latvia's integration in the Schengen Area in January 2008, border controls between Belarus and Latvia will be greatly intensified on both sides, which even further complicates cross-border co-operation.

Opportunities: future development opportunities closely depend on the prospects for the democratisation of Belarus. In the event of free elections the country's present political system could change very quickly, and broad co-operation with the EU and Latvia could be initiated. The Slavic dialects spoken by a majority of people on both sides of the border are a key element for more intensive future integration.

Risks and threats: Creation of a free trade zone in the border region is still out of the question. One of the greatest risks is the growing political isolation of Belarus, which could have a very detrimental impact on cross-border co-operation. Organised crime on both sides of the border poses a further risk.

9. LATVIA – RUSSIA



Geographical and historical background

The border between Latvia and Russia runs for 270.5 km (133.3 km along rivers and lakes) on an almost straight north-south axis, starting near the Latvian town of Krijugarsa, where the Latvian, Estonian and Russian borders converge, and ending at the meeting point of the Latvian, Russian and Belarusian borders, near the Latvian town of Zaborie. The border constitutes part of the western border of Pskov Region in Russia, while on the Latvian side it corresponds to the eastern borders of the regions Alūksnes, Balvu and Ludzas. The Pskov Region of the Russian Federation (747 300 inhabitants, 55 300 sq. km) has borders with three foreign states, Latvia, Estonia and Belarus. The Pskov Region is subdivided into 24 districts, nine of them contiguous to the state border.

The Latvian border area covers approximately 7 038 sq. km, with each border region accounting respectively for 2 245, 2 381 and 2 412 sq. km. The total population of the Latvian border area is almost 86 000 with each border region accounting respectively for 25 100, 28 200 and 32 600. Population density is 12 inhabitants per sq. km, with each border region accounting respectively for 11, 12, and 14 inhabitants per sq. km. On the Russian side, the border area of Pskov Region covers approximately 8 000 sq. km (approximately one-seventh of the region's total area) and has a population of about 100 000 and a population density of 12 inhabitants per sq. km. The total cross-border area therefore covers approximately 15 000 sq. km, with a total population of 186 000 and an average population density of 12 inhabitants per sq. km. The territory is mostly rural and flat, but lies about 100 metres above sea level; it is rich in forests and, on the Russian side, is characterised by wetlands and the presence of the Velikaja River.

German expansion into the region, with the Pope's backing, began in the second half of the 12th century. The Germans succeeded in capturing the lands of present-day Estonia and Latvia in the first half of the 13th century. These lands were unified under the name of Livonia, an entity which consisted of five small states. The biggest was ruled by the Livonian Order. The Order was subordinate to the Pope, and to the Teutonic Order in Prussia. The fate of Livonia was determined by the Livonian War (1558-1583). The Livonian Order having been defeated, the territories of former Livonia were divided between Denmark, Sweden, Lithuania and Poland. Some of the former possessions of the Livonian Order were transformed into the Duchy of Courland (Kurzeme). During the 17th century these territories were the subject of several wars between Poland, Sweden and Russia, which was seeking an access to the Baltic Sea. The Northern War (1700-1721) resulted in the Treaty of Nystad (1721). Under this treaty Lifland and Riga were included in the Russian Empire. After the first partition of Poland in 1772 part of contemporary Latvia – Latgalia – was also annexed by Russia. In 1795 the Duchy of Courland became a part of Russia. The lands of present-day Latvia were unified in the 18th century within the Russian Empire, from which time the Latvian maritime ports began to play an increasingly important role in Russia's foreign trade. In the 1860s-1870s several railways were built in Latvia, connecting its main cities and ports with the European part of Russia. A considerable share of Russian exports and imports quite soon transited via the Latvian ports of Riga, Ventspils (Vindava) and Liepaja (Libava). Ventspils port was built to facilitate the export of Russian grain and Siberian butter to the world markets. It was used also as an ice-free entrance to Russia for the import of machinery, including British locomotives for the Russian railways.

During the First World War Latvia was occupied by Germany. In accordance with the Brest-Litovsk Peace Treaty between Soviet Russia, on the one hand, and Germany and its allies, on the other hand, signed in March 1918, Latvia was to secede from Russia. On 27 August 1918 a German-Russian treaty, additional to the Brest-Litovsk treaty, determined the eastern borders of Latvia. The peace treaty signed in Compiègne on 11 November 1918 ended the First World War. Immediately afterwards, on 13 November 1918, the government of Soviet Russia declared all the conditions and provisions of the Brest-Litovsk Peace Treaty void. On 18 November 1918 Latvia declared its national independence. Soviet Russia recognised the independence of the Latvian Soviet Republic on 22 December 1918. In September 1919 the Soviet government confirmed the independence of Latvia and proposed the negotiation of a peace treaty, which was finally signed in Riga on 11 August 1920. Under the terms of the Peace Treaty (Article 2), the independence and sovereignty of the Latvian State were “unreservedly” recognised by Soviet Russia and all sovereign rights to the Jaunlatgale/Abrene district, including Pytalovo district and six adjacent provinces, were “voluntarily and forever” renounced to the Latvian people and territory.*

In 1940 Latvia was annexed to the USSR. The outbreak of the Second World War saw the temporary annexation of Latvia to Germany, and then to the USSR again. In autumn 1944 the border between the Russian Soviet Federative Socialist Republic (RSFSR) and the Latvian Soviet

*□ Abrene/Pytalovo district – Abrene was an administrative district in the Republic of Latvia with an area of 4,292 km², formed in 1925 as the Jaunlatgale district but renamed Abrene in 1938. The district included the towns of Balvi and Abrene and 14 villages, plus civil parishes. After Soviet Russia recognised Latvia's independence in August 1920, it proved difficult to draw the border on account of the border area's multicultural character. Once the border had been negotiated, large communities of Latvians were left on the Russian side and large Russian and Belarusian communities were left on the Latvian side. Strategic concerns also played a part, because of the location of an important railway junction within the Abrene district. According to the 1935 census, the population was structured as follows: 60,145 Latvians, 45,885 Russians, 1,558 Jews and 648 Belarusians. The town of Abrene itself had 1,242 inhabitants, 484 of them ethnic Latvians. In 1944 six eastern civil parishes, as well as the town of Abrene (a total area of 1,293.6 sq. km with 35,524 inhabitants) were joined to the Russian Soviet Federative Socialist Republic. The former Abrene district is now a part of the Russian Federation, as Pytalovo district of the Pskov Region, bordering on Latvia.

Socialist Republic (both of which belonged to the USSR) was changed. The territories of the former Pytalovo district and six adjacent provinces: *Augšpils* [Wyschgorodok], *Gauru* [Gawri], *Kacēnu* [Katschanowz], *Linavas* [Talkowa], *Purvmalas* [Bakowo] and *Upmales* were included in the administrative borders of the RSFSR.

The post-war industrial development of Latvia and its role in the Baltic military district of the USSR caused an inflow of labour and military personnel to Latvia from other parts of the Soviet Union. As a result, the share of the so-called “Russian-speaking” population in Latvia grew steadily. In 1991, when the Baltic Republics, including Latvia, declared their independence, recognised by the Soviet government, the territories of the former Pytalovo district and six adjacent provinces were outside the territory of independent Latvia. The end of the Cold War, the dissolution of the USSR, the transformation of political and economic systems in Russia, Latvia and other neighbouring states and the cardinal changes in international relations in Europe were accompanied by the emergence of a new situation on the Russian-Latvian border. As the legal successor of the USSR, the Russian Federation, in its capacity as an independent state, had to reorganise its borders and to adjust them to the new political and military environment. In the case of Latvia, the former administrative borders within the USSR had to be transformed into internationally recognised state borders of Latvia with Russia, Belarus, Lithuania and Estonia. Independent Latvia also inherited a good deal of Russian-speaking former Soviet citizens, who were living and working in the republic at the time of its separation from the USSR. Some left independent Latvia for other regions of the USSR/Russia, as well as other European countries, but the majority stayed in the republic. This posed the problem of their citizenship, which is still on the agenda. This problem generates political tensions in Russian-Latvian relations.

When preparing itself for EU membership, Latvia had to comply with the Maastricht criteria, which prohibit EU member states from having outstanding territorial claims against non-member states. After Latvia regained its independence on 21 August 1991, negotiations over a new border treaty began with the USSR. The treaty putting an end to the long-running territorial dispute between the two former Soviet republics, now independent states, was finally signed in Moscow on 27 March 2007 by the Prime Ministers of both countries. The treaty determines the route of the interstate boundary, which is the same as the current border. The Latvian Parliament passed a law ratifying the treaty on 17 May, and on 29 May the law was signed by the President of Latvia. The Russian parliament also ratified the Russian-Latvian border treaty, and the law was signed by the President of the Russian Federation on 3 October 2007. In accordance with the treaty, a 9.5 kilometre (6 mile) sector of the border was moved 30 metres (98 feet) to the west and became Russian territory. By signing the treaty, Latvia, by then a member of the EU, officially recognised its post-Soviet borders with Russia, dropping its earlier territorial claims to the Pytalovo District in Russia’s Pskov Region. The legal continuity of the Latvian state is secured by Russia’s reference to the constitutional law “On the official status of the Latvian Republic”, adopted on 21 August 1991, to which Russia referred after having recognised Latvia’s independence.

Latvia, as a member of the European Union, joined the EU Schengen Area as of 21 December 2007. Latvia was included in Schengen air space with effect from 30 March 2008.

Economic and infrastructural characteristics

The economic outlook of the area shows its overall heterogeneity. Mostly rural and with high rates of labour emigration, the economic and entrepreneurial fabric of the area is still insufficiently developed. On the Latvian side, the primary sector is the most developed, with intensive farming. There are also numerous industries operating in the area, especially in the logistics and transport sectors. The economic outlook of the whole region, particularly on the Latvian side, is influenced

by the Latvian capital Riga, which disproportionately increases the regional share of GDP linked to the tertiary sector. Latvia mainly produces and exports timber and wood products, rolled metal products, textiles, machinery, electrical devices, furniture, footwear and fancy goods. Latvia's trade balance is usually in deficit as a result of growth in imports of oil, gas, machinery, mineral fertilisers and means of transportation.

From the second half of the 19th century Latvian territory and ports played an important role as a transport corridor for Russian and international trade. This function of Latvia as a transit country and as an important European communications centre was maintained and further developed in the 20th century. Freight transit services are one of the key factors behind the growth in Latvia's GDP, and the transit sector is of major importance to the national economy.

The length of Latvia's railways is 2 303 km (of which 2 270 km are broad gauge, like in Russia); the road network covers 73 202 km (of which 28 256 are hard surface roads); pipelines for oil are 409 km long, for oil products 415 km long and for gas 1 097 km long; the country has 300 km of waterways. The main Latvian ports are Ventspils, Liepaja and Riga, mainly specialising in export operations. There are also several smaller ports. Ventspils port is the biggest in terms of cargo turnover. The Free Port of Riga is located on both banks of the Daugava River and extends for 15 km. The merchant fleet of Latvia consists of 11 ships of different types, with a total tonnage of 37 414 deadweight tonnes. 96 vessels are registered in other countries, and three ships belong to foreign owners. The country has 51 airports overall, 27 of which have hard surface runways. Seven airports have runways between 2 438 and 3 047 metres long. The biggest is in Riga. Its passenger turnover with airports of Germany, the United Kingdom, Finland and other countries is growing rapidly.

The Pskov Region is an important industrial and agricultural production centre in North-West Russia. Numerous subsidiaries of Leningrad industrial enterprises were set up in the Pskov Region during the Soviet period. Its economy is dominated by processing industries. The Pskov Region has 13 branches of industry, with about 2 000 enterprises and manufacturers, which, in 2003, yielded 18.5% of the Gross Regional Product (GRP). The region's industrial capacities are mainly concentrated in the cities of Pskov and Velikiye Luki and in Dedovichy district. The majority of regional industrial output is attributable to the machine-building and metal-processing industry, the food industry and the power industry (by the end of 2004 their shares in the total volume represented 30.6%, 30.3% and 14.9% respectively). About 40% of machine-building concerns the electrical industry. The development of the regional food industry in recent years is regarded as sustainable. For many decades people have migrated from this region to St. Petersburg, leaving it with an elderly population (particularly in the rural areas). The Pskov Region is still mired in an economic depression. In this depressed region the most significant reductions of the poverty gap in recent years have been achieved thanks to federal assistance. The Pskov Region ranked 73rd among 79 Russian regions for its Human Development Index in 2004 (GDP per capita: USD 5 634; life expectancy at birth: 60.6; literacy: 98.9%; enrolment in education (ages 7-24): 68.3%). The dominant branches of agriculture are production of flax, potatoes, vegetables, milk and meat cattle breeding. The region has a quite well-developed transportation infrastructure. Its rich historic and cultural heritage affords good opportunities to develop tourism. Latvia is the most significant trade partner of the Pskov Region. The volume of export-import operations with Latvia totalled USD 116.2 million in 2004. The volume of Russian-Latvian international freight increased by 60% in the four years from 2003 to 2007, while the capacity of the existing checkpoints is practically unchanged, a cause of huge traffic jams at the border. Latvia's transportation infrastructure (roads, railways, ports and pipeline system) is being modernised, with EU assistance, to enable it to handle the growing volume of trade. Pskov Region is the only Russian region that borders on three foreign states, namely Latvia, Estonia and Belarus. A Consulate of the Republic of Latvia is located in the

city of Pskov (202 700 inhabitants), where there is also a local office of the Consulate General of the Republic of Estonia in St. Petersburg. Since Latvia and Estonia joined the EU, Pskov Region has become a neighbouring region of the European Union.

There are three main transport infrastructure axes in the cross-border area: the St. Petersburg-Riga road and railway axis; the Novgorod-Daugavpils road axis; and the Riga-Moscow road and railway axis. A relatively well-developed network of local roads and railways connects these major communication corridors. The three main border crossing points of the area lie on these three axes. The EU allotted a sum of EUR 78 million to Latvia for modernisation of its border and checkpoints infrastructure and for improving control over its maritime borders. Latvia is also repairing its motorways. Here too, most of the funds come from the EU, in particular, for the Via Baltica route and for development of the infrastructure of the east-west railway corridor running from the Russian and Belarusian borders to Ventspils.

Cross-border declarations and agreements

Both Russia and Latvia have signed and ratified the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities. Political discord between Russia and Latvia does not permit cross-border co-operation at regional level to flourish, although the need for it is felt by the population on both sides of the Russian-Latvian border. In accordance with the Russian-Latvian intergovernmental agreement on customs border crossing points, signed on 2 June 1993, five crossing points have been established, namely “Burachki-Terekhovo” (road), “Ludonka-Vientuli” (road), “Posin’-Zilupe” (rail), “Skangali-Karsava” (rail), and “Ubylinka-Grebnevo” (road). A provisional intergovernmental agreement on a simplified procedure for crossing of the Russian-Latvian border by inhabitants of the border areas, signed on 14 December 1994, established another seven pedestrian crossing points: “Brunishevo-Pededze”, “Liamony-Golishevo”, “Manukhnovo-Berzini”, “Mogili-Opoli”, “Punduri-Punduri”, “Purvmala-Venzumi” and “Untino-Katlishi”. Before becoming a member of the Schengen Area, Latvia had to implement a border reconstruction programme, including the improvement of its borders with Russia and Belarus. The busiest vehicle checkpoints on the Russian-Latvian border are “Terekhovo-Burachki”, “Vientuli – Ludonka” and “Grebnevo – Ubylinka”. The main problem is preventing huge traffic jams. Latvia's Foreign Ministry sent a note to Russia suggesting that a new checkpoint be opened on the border. Russia responded that it was willing to begin consultations on this matter. At the same time, the Russian side put forward proposals to increase the throughput of Terekhovo-Burachki to 1 000 vehicles per day and of Vientuli-Ludonka to 500 vehicles per day. To serve the ever-growing transport flow across the Latvian-Russian border, throughput at the checkpoints needs to be increased at least fivefold in the next ten years. In order to promote co-operation between the two countries, a Russian-Latvian Intergovernmental Commission on Economic, Scientific and Technical, Humanitarian and Cultural Co-operation has been established. In July 2007 the Commission reached an agreement in principle to open additional checkpoints on the Latvian-Russian border: a new one at Opoli-Mogili and an additional one in Vientuli. Today, the provisions of the modernisation projects for the Terekhovo and Grebnevo border checkpoints between Russia and Latvia are pending approval. The necessary amendment to the Law on Traffic was accepted by the Latvian Seim (parliament) at the end of 2007. Modernisation of the border checkpoints at Terekhovo, Grebnevo and Ventuli is scheduled for 2008 and 2009. The EU allocated adequate financial resources to Latvia for this purpose. Part of the money had to be used for construction of parking places for lorries at “Terekhovo” checkpoint. The Managing Director of the Free Port of Riga has submitted proposals to the Mayor of Moscow aimed at stimulating utilisation of the port for the transportation of Russian cargo. Following the signature ceremony of the treaty on the Russian-Latvian border, in March 2007, Latvian Prime Minister Aigars Kalvitis said he hoped the treaty would pave the way for more active economic and political dialogue between the

two countries. Both sides have prepared an intergovernmental agreement on the status of Russian burial places in Latvia (more than 400) and Latvian burial places in Russia (about 170). A mixed intergovernmental commission is to be authorised to approve measures for the re-burial or exhumation of remains.

Propensity towards cross-border co-operation

The general political atmosphere of Russian-Latvian interstate relations, differing perceptions of historical events, the difficult, lengthy process of border delimitation and the still pending disagreements over the situation of Russian-speaking “non-citizens” in independent Latvia are not conducive to cross-border co-operation between the two states and their local authorities.

The ongoing political disagreements between Russia and Latvia have a negative impact on cross-border interaction between municipalities, local authorities, businesses, non-governmental organisations and citizens. At the same time, Russia is the third largest supplier of goods to Latvia after Germany and Lithuania, coming ahead of Finland and Estonia. The Russian company “Gasprom” almost completely supplies the natural gas needs of all the Baltic States. In an opinion poll conducted by the Latvian company SKDS in summer 2005, 30% of respondents said that Latvia’s economic prosperity depends on Russia and other CIS countries. For example, there is a lack of grain terminals in Russia and the CIS. In the Free Port of Ventspils a special terminal for grain export was recently constructed. Apart from this, another terminal for Russian grain export is being built in the Free Port of Riga by a Russian-Latvian joint venture “Man-Tess Grain”. Kazakhstan is interested in exploiting these grain export facilities in the Latvian ports by using Russia as a transit route for delivering its grain to Latvia. Russia has also expressed an interest in participating in the development of a railway corridor through Russia to Latvia for the export of Chinese goods. A lot will depend on the Russian and Latvian tariffs for freight traffic. The competition between Russian and Latvian ports for business is growing. The Russian railways’ tariffs for freight traffic in the direction of the Latvian ports are now considerably higher than those charged in the direction of Russian ports. These tariffs, combined with increases in Russian export duties for oil, made the transit of oil to Ventspils by rail unprofitable. The state of Russian-Latvian interstate relations clearly has negative consequences for both countries’ economies as well as for their cross-border interaction.

Isolated attempts to improve the situation are being made by local authorities and private companies. In 1997 representatives of Latvia, Russia and Estonia established the Council for Co-operation of Border Regions. In February 2002 an International Conference on “Cross-border Co-operation between Latvia, Russia and Estonia” was held in Krivsk (the Pskov Region). The conference was organised by the Council of Europe in collaboration with the Pskov Regional Administration and the Ministry of Foreign Affairs of the Russian Federation. The conference brought together the heads and officials of local governments from the border regions of Latvia (local governments of Aluksne, Balvi, Ludza and Valka), Russia and Estonia, representatives of the Ministries of Foreign Affairs of Latvia, Russia and Estonia and other national-level institutions, as well as experts from the Council of Europe and the European Union. During the conference discussions took place on the legal, economic and practical aspects of co-operation between Latvia’s and Estonia’s border regions and Pskov Region, as well as the impact which EU enlargement could have on the development of this co-operation. It was repeatedly emphasised that the border regions of Latvia and Estonia are linked with Pskov Region through common interests, including economic interests, which provide a good basis for further constructive co-operation, also drawing on successful examples of cross-border co-operation in other parts of Europe.

Attempts to develop cross-border co-operation between local self-government authorities in Latvia and the Pskov Region have been ongoing since 2004. The Administration of Pskov district and the city of Gulbene in Latvia have signed a co-operation agreement. The Governor of Pskov Region and the President of the Latvian company Pata AB signed an agreement on the construction of a EUR 15 million wood-processing factory in the region. This agreement was reached during the Days of the Pskov Region in Latvia, held in October 2007. After Russia significantly raised export duties on round timber it became profitable to manufacture value-added semi-finished products and finished goods in Russia and to export them to the EU countries. A Russian-Latvian joint venture “EATU Centre Consult – Latvija” was established in order to study long-term trends in the field of transport and logistics. The company aims to monitor transport operations between Russia and Latvia and to study opportunities for developing them further in connection with the EU’s decision to establish the Moscow-Riga railway corridor, taken in 2005. These solitary bilateral initiatives do not change the overall pattern of Russian-Latvian cross-border co-operation, which is developing mainly within the framework of broader international arrangements.

Both Russia and Latvia are parties to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities, adopted on 21 May 1980. Russia signed it on 3 November 1999 and ratified it on 22 July 2002. Latvia is a member of NATO, the EU and the Schengen Area (as of 21 December 2007). This makes the Latvian-Russian border an external border of Schengen, and Latvia is committed to following the prescribed rules. The “Euroregion” programme is one of the most developed forms of cross-border co-operation in the EU. Both Latvia and Russia participate in the “Pskov-Livonia”, “Saule” and “Baltica” Euroregions. In its capacity as an EU member state, Latvia is taking part in the “Northern Dimension” project together with Russia, Norway and Iceland. Latvia is also a member of the Council of the Baltic Sea States (CBSS). The “Pskov-Livonia” Euroregion (Russia, Latvia, Estonia) was established in 2004. At a CBSS conference held in Karlskrona (Sweden) in March 1996, representatives of regional delegations from Pskov, Latvia and Estonia signed a letter of intent concerning the promotion of co-operation in line with the Euroregion model. A Council for Transfrontier Co-operation of the territorial communities of Russia, Latvia and Estonia was then established. The project is aimed at ensuring the sustainable development of the cross-border territories by co-ordinating the activities of their executive authorities and self-governing administrations. The European Parliament initiated a special programme “TACIS – cross-border cooperation” in 1996, with annual funds in the region of 20-30 million euros for its implementation. All of the above-mentioned frameworks should be taken into account when considering Russian-Latvian cross-border interaction. The bilateral aspect of such co-operation does not play a significant role.

Projects implemented

In 2004 the “Pskov-Livonia” Euroregion was established, which includes Pechory, Palkino, Pskov, Pytalovo and Sebez districts and the city of Pskov. The Pskov regional administration provides assistance to the Euroregion with project development and the identification of fields of co-operation and participates in the work of the Euroregion as an observer. This project’s main goal is the sustainable development of the border areas by pooling efforts and co-ordinating the activities of the executive authorities and local self-government administrations on both sides of the border. Following the signature of the border treaty, meetings of the Latvian-Russian Intergovernmental Commission are being held more often. The purpose of these meetings is to evaluate the current state of development of economic relations between the two countries and identify prospective areas of co-operation, as well as problematic issues and possible solutions. The discussions have focused on the following issues: harmonisation of the allowable level of benzopyrene in canned fish products; Russia’s export duties on round timber; settlement of border crossing issues, including within the framework of the task forces established, and the opening of new border crossing points;

road infrastructure projects in Russia; co-operation in the development of the Ventspils-Riga-Moscow transport route; use of the potential of Latvian ports; co-operation in the rail transport and energy sectors; signature of a number of agreements in the financial sector; regional and cross-border co-operation prospects; joint projects under the European Neighbourhood and Partnership Instrument programmes; promotion of co-operation between various institutions and associations; and establishment of the Latvia-Russia Business Council.

SWOT analysis elements

Strengths: The Russian Federation and the Republic of Latvia no longer have any claims on each other's territories. Following the signature of the border treaty, cross-border co-operation has become more relevant. Centuries-old traditional economic and cultural ties between both regions. Good knowledge of each other's mentality and national traditions. Possibility of using Russian as the language of communication. Geographical location of both regions, offering extensive opportunities to provide transit routes and communication corridors for other European, CIS and even Asian states. Vast, ramified transport network; application of the same railway gauge standards. Leisure areas on the Baltic Sea coast as a base for tourism facilities development. The Pskov regional authorities' acknowledged right to take part in international activities and sign agreements with sub-national entities of foreign states concerning cross-border co-operation. The long tradition of intense cross-border human contacts can be maintained and further developed.

Weaknesses: Unresolved problems of "non-citizenship" for the Russian-speaking population of Latvia. Latvia's membership of the Schengen Area may further complicate its cross-border interaction with Russia. For political reasons and due to difficulties in bilateral Latvian-Russian interstate relations, Russian commercial companies, with the support of the federal government, have started to establish new transportation routes for their goods, bypassing the Latvian transport facilities. The formerly complimentary nature of Russia's and Latvia's transportation systems could be lost.

Opportunities: Cross-border interaction and partnerships between Russian and Latvian towns and settlements in the border areas should be developed. Establishment and development of direct contacts between municipalities, local authorities, non-governmental organisations and citizens of both countries should be promoted. The border infrastructure and crossing points have to be modernised and their capacity strengthened. It is necessary to further develop the infrastructure at the Russian-Latvian border to make it play a filter role in respect of residents of the border areas. The border guards of both countries should interact on a permanent basis and exchange information and experience. Opportunities for developing tourism facilities to promote cross-border exchanges. In view of the similarity of the problems faced by the authorities at the regional and municipal levels, it should be possible to introduce joint programmes and projects in the fields of personnel training, spatial planning and spatial development planning. More active utilisation of the opportunities offered by international arrangements, in particular the "Pskov-Livonia" Euroregion. Other opportunities lie in participation in projects, sponsored and promoted by the EU (INTERREG), which can lead to the sustainable development of the border areas and strengthen co-operation between the two countries.

Risks and threats: Illegal trafficking and organised crime in the cross-border region. Both Latvia and Russia are now transit countries for drug trafficking (mainly cannabis and opium) between Central and South Western Asia and Western Europe and Scandinavia, as well as for Latin American cocaine and synthetic drugs trafficked from Western Europe to the CIS countries. Insufficient capacity of crossing points and cumbersome customs procedures at the border may hamper the use of opportunities for economic development and for transformation of the region into

an important European transit area. More effective border checkpoints should be established that would facilitate cross-border transport and trade relations between the countries. This should also help to prevent traffic jams, corruption on the border and smuggling. There is a strong migration tendency in the border area, which may affect not only its demographic structure but also and above all its occupational skills structure. Central government bureaucracy hinders local agencies and authorities from launching their own cross-border projects and programmes. Latvia's participation in the Schengen Area can make bilateral Russian-Latvian cross-border co-operation less flexible and more dependent not only on national governments, but also on various international arrangements.

10. LATVIA – ESTONIA



Geographical and historical background

The border between Latvia and Estonia runs on a west to south-east axis for 339 kilometres. It starts near the Latvian town of Ainazi and the Estonian village of Ikla, on the Gulf of Riga coast, and ends near the Latvian town of Krijugarsa, where the borders of Latvia, Estonia and Russia meet. The border follows the ethno-linguistic boundary between Latvians and Estonians. However, the border is also shaped by natural elements, such as the Gauja/Mustjõgi River and the structure of the farmland when the border was agreed between Latvia and Estonia in 1921. On the Latvian side the border area encompasses four districts: Limbazu (40 km), Valmiera (90 km), Valka (112 km) and Aluksne (97 km), accounting for 14 towns and 68 rural municipalities, of which 17 are directly adjacent to the border. The Latvian border region covers an area of 9 500 sq. km with a total population of more than 163 000. On the Estonian side, there are four districts: Pärnumaa (86 km), Viljandimaa (63 km), Valgamaa (110 km) and Võrumaa (83 km). The Estonian border region covers an area of approximately 12 700 sq. km with a total population of more than 240 000. The Estonian districts account for 51 municipalities, of which 15 are directly adjacent to the border. The border area on both sides is thus sparsely populated, with only 18 inhabitants per sq. km. The total cross-border area covers 22 200 sq. km with a total population of approximately 403 000 in the border districts and an average population density of roughly 18 inhabitants per sq. km. Latvia and Estonia also have a maritime border in the Gulf of Riga, which crosses the 27 km wide Irbe Strait (Ibes Saurums/Irbe Väin) between the Courland Peninsula and the Estonian island of Saaremaa. The strait is the main maritime entrance to the Gulf of Riga and harbours such as Riga and Pärnu, and is therefore a subject of bilateral co-operation.

In 2006 the population of the Republic of Latvia was estimated at 2.3 million. The majority of the population are ethnic Latvians (55.5%), while other large groups are the Russians (28.3%), Belarusians (3.7%) and Poles (2.4%). Again in 2006, the population of the Republic of Estonia was estimated at 1.3 million. The majority of the population are Estonians (65.1%), while other large groups are the Russians (28.1%), Ukrainians (2.5%) and Belarusians (1.5%). Average population density in Latvia is 36 inhabitants per sq. km and in Estonia 32 inhabitants per sq. km. Urban dwellers account for 70% of the population in Latvia and 69% in Estonia, making the two countries relatively rural compared with other West European and Nordic states. Latvian and Estonian are two separate languages; the first belongs to the Indo-European Baltic group, and the second to the Finno-Ugrian group. The non-dominant linguistic communities belong to the Slavic language group. Latvians and Estonians are generally Protestants, while the Slavic language speakers often belong to the Orthodox Church. The Slavic population is concentrated in the main urban centres and

the area bordering on Russia. As a result, the border districts of the cross-border area are predominantly inhabited by ethnic Latvians and Estonians.

From 1721 until the First World War the areas on both sides of the present border belonged to the Russian province of Livland. During the “National Awakening” of the 1860s both Latvians and Estonians, however, demanded the establishment of new provinces with borders drawn along the main ethnic dividing lines between Latvians and Estonians. These demands were repeated during the Russian revolutions of 1905 and 1917. In the war for the liberation of the Baltic provinces, following the collapse of the Tsarist regime during the First World War, Estonian forces held parts of northern Latvia, but withdrew before the peace talks began without making any territorial demands. The Latvian and Estonian republics did not dispute the border in the inter-war period. As small states and newcomers to the world community, in the 1920s and 1930s they worked closely together in the field of international relations and entered into joint security agreements. Since they had predominantly agrarian economies, produced the same kind of products and had the same trade partners, economic co-operation was nonetheless limited. Local level co-operation was also limited.

During the Second World War both Estonia and Latvia were occupied and later incorporated into the Soviet Union. The Latvian–Estonian border remained unchanged as an internal border between two Soviet republics. Inside the Soviet Union the two republics mostly belonged to the same economic plan area and were subject to the same economic aims and other policies. Although conditions in the area were not too favourable for agriculture, priority was given to the agricultural sector in Latvia and Estonia. The area, which, compared with the interior of Russia, was left fairly undamaged by the war and had a relatively skilled population, was also subjected to rapid industrialisation, focusing on heavy industry, the railways and manufacture of technology products. The rapid industrialisation attracted people from other Soviet republics in the 1950s to 1970s, changing the ethnic and demographic composition of the two republics. Cultural exchanges between the republics during the Soviet era can be considered close and were reflected in their joint efforts to regain their independence in the 1980s.

On 20-21 August 1991 Estonia and Latvia declared their independence, the outcome of a political and cultural struggle and of the collapse of the Soviet Union. The independent Latvian and Estonian republics were declared the successors of the inter-war republics and consequently agreed to keep the border unchanged. However, the maritime boarder and fishing rights close to the Estonian island of Ruhnu in the Gulf of Riga were disputed in the early 1990s. The issue was settled in 1996 with the formation of a joint commission that meets annually to decide on fishing quotas and other economic issues in the area.

As both countries are relatively small, the border regions make up a considerable portion of the Latvian and Estonian territories, making cross-border issues and co-operation of importance for each country as a whole. The terrain in the border area is mostly flat in the costal area, consisting of agricultural land, forests and marshlands. Further inland it becomes hilly, with Estonia’s highest point Suur Munamägi (350 metres above sea level). The hilly inland is also less cultivated. Along the coastline in the Baltic States the sea is very shallow, as is the entire Gulf of Riga, which has a maximum depth of 53 metres, including a considerable area not more than 10 metres deep, making it a vulnerable sea area.

Economic and infrastructural characteristics

The Latvian/Estonian border region is predominantly rural with Valka (Latvian)/Valga (Estonian) the only town directly on the border. Although it is traditionally an agricultural area, the lack of support and subsidies and the urbanisation of the post-Soviet period has made the area sparsely

populated, especially on the Estonian side. A large portion of the population has also reached or is close to retirement age. Among the districts on the Estonian side, only Pärnumaa ranks in the upper half of the Estonian development index of Estonia's fifteen districts.

The primary activity in the immediate border area is still agriculture and forestry. Taking into account the border districts as a whole, towns like Rūjiena, Valmiera and Aluksne on the Latvian side and Pärnu and Võru on the Estonian side have numerous small and medium-sized enterprises, predominantly active in the forestry, agricultural manufacturing, textile and logistics sectors. In the coastal areas (Limbazu and Pärnu districts) and on the Estonian island of Saaremaa there is a longstanding tradition of tourism, and the sector is of considerable economic importance, especially in summer time. Valgamaa is also known as one of Estonia's prime areas for winter sports and recreation. In the coastal areas and on the islands, fishing and fish products manufacturing still have some importance. Vidzeme University in Valmiera and Tartu University College in Pärnu are also of importance to the region's development.

There are three main transport links in the cross-border area: the Helsinki–Tallinn–Riga–Kaunas–Warsaw trans-European main road (E67), the Riga–Valka/Valga–Pskov–St. Petersburg road and railway axis and the Riga–Valka/Valga–Tartu road and railway axis, with connections to Tallinn, Narva and St. Petersburg. A dense network of local roads and railways connects these axes. Since the fall of the Soviet Union rail has lost much of its former importance as a means of land transportation in the Baltic States, especially for the long-distance transport of people. Cross-border rail links have also been limited due to a lack of investment and because the trains are run by private companies, licensed by the individual states. There are three main border crossings for international road transport: Ainaz–Ikla on the E67, Mõisakula and Valka/Valga and a number of rural or semi-rural secondary border crossings. Under the project name “Via Baltica”, the E67 has been a subject of cross-border planning and co-operation since the early 1990s. The project has received European Union support and has recently taken on a broader regional importance with the plans to connect the Via Baltica with central Finland and northern Sweden. The E67 currently consists mostly of ordinary roads but there are plans to convert it into a motorway. The project has, however, come into conflict with environmental interests in Poland. There are no main ports on the border region coast, but a number of small harbours, of which Pärnu is the largest and operates in the ice-free season. A ferry runs between Kuresaare on the Estonian island of Saaremaa and Ventspils in Latvia. Airports with regular traffic are found only in Tallinn and Riga, but local airports are located in towns like Pärnu and on the islands.

Local cross-border trade is limited due to low production volumes and the similar economic structure on either side of the border. Latvia is Estonia's third largest trade partner for exports (8.8% of exports in 2006) and the sixth largest for imports (4.7% of imports in 2006). The products most exported from Estonia to Latvia are chemicals industry products, food products, electricity, machinery and equipment.

Cross-border declarations and agreements

Since 1 May 2004 bilateral economic and political relations between Estonia and Latvia have been determined by their EU membership and governed by EU internal market rules. The majority of agreements between Estonia and Latvia are in fact trilateral agreements between Estonia, Latvia and Lithuania. Most of the 15 bilateral agreements between Estonia and Latvia were signed in the 1990s and concern the border and cross-border relations. In 1993 an agreement on the renewal of the state border, dating from 1921, was signed. This was followed by the signature, in 1994, of agreements on organising common border controls and on the activities of border representatives. An air service agreement was signed in 1996, as was an agreement on Maritime Delimitation in the Gulf of Riga,

the Irbe Strait and the Baltic Sea. An agreement on reciprocal protection of investments was also reached in 1996. An agreement on social security for visiting or permanently resident citizens of one country living in the other was concluded in 1997, as was an agreement on the Assessment of Transboundary Environmental Impacts. This was followed by an agreement on Mutual Assistance in the Event of Disasters in 2002. A convention for the avoidance of double taxation and prevention of tax evasion with regard to taxes on income and capital was signed in 2002. Regarding the border, an agreement on rail transport between the two countries and an agreement on the terms of use and maintenance of the Valka/Valga joint border crossing point came into force in 2004. Most of these agreements were concluded to define and regulate the interstate border in accordance with international standards, to protect the border area's inhabitants and environment and to facilitate trade between the two countries. The relatively late agreement on rail transport can be explained by the sector's low priority and the low investments made in the railways in both Latvia and Estonia. Most of the environmental projects are implemented multilaterally with other Baltic region states through the Nordic Council of Ministers or the Council of the Baltic Sea States. The bilateral Latvian–Estonian fisheries commission, an outcome of the agreement on Maritime Delimitation in the Gulf of Riga, aims to reconcile the interests and positions of the two states in the protection and administration of their fisheries and regularly sets fishing quotas in the Gulf of Riga and the Baltic Sea. With effect from January 2008 both Latvia and Estonia joined the Schengen co-operation regime, which will further improve cross-border movements.

The three Baltic Republics are engaged in active defence co-operation, which was formalised on 12 February 1995. The aim is to co-operate in protecting the states' national sovereignty and in joint participation in international peacekeeping missions. Both Latvia and Estonia became members of NATO on 29 March 2004.

Cross-border co-operation is, however, less developed at the regional and local levels. Most of the projects have been confined to making Valka/Valga a functional city. Co-operation has, for example, been initiated in the education system, urban planning and infrastructure. As a result of the agreement on mutual recognition of higher education certificates, signed by Estonia, Latvia and Lithuania in 2000, a number of students from Latvia and Estonia are studying in the other country. The Stockholm School of Economics in Riga has become one of the most popular foreign educational institutions for Estonians. The Estonian School in Riga re-opened in 1989. It is financed by the Latvian government and runs most of its classes in Latvian, but the Estonian language, culture and history are also taught.

Businesses are poorly developed in the border areas. The local people are unable to benefit from the potential revenues of tourism and related businesses and are thus not able to make proper use of the possibilities offered by the region's geographical location on the Via Baltica route. Extensive use of natural resources for agriculture and tourism is restricted because the coastal and inner areas are within the territory of nature reserves where only environmentally friendly activities are permitted. In the Soviet era the purpose of the infrastructure was to connect the republics not with each other, but with the Russian interior. To improve cross border co-operation in the Baltic Sea area, the European Union has initiated a series of projects (INTERREG III), some of which are aimed at promoting co-operation between Latvia and Estonia. The current projects mainly focus on developing common environmental strategies and joint training schemes in urban planning and development. The area is also considered suitable for cultural and eco-tourism and a number of EU-funded projects exist to foster tourism links between Latvia and Estonia and Western Russia, as well as between the Latvian and Estonian western coastal areas and the Estonian islands. However, apart from these efforts, little attention is paid to other forms of entrepreneurship.

Propensity towards Cross-Border Co-operation

Immediately on regaining their independence in 1991, both countries took steps to enforce border controls and visa restrictions and regulate cross-border movements by other means. These obstacles to free trade and movement were, however, soon removed. Free trade agreements were signed in 1994 for manufactured goods and in 1996 for agricultural products, followed by an agreement on visa-free travel. Today, both countries are members of NATO and the European Union and began to take part in the Schengen co-operation in January 2008.

The ensuing facilitation of movements can be considered to result in a very high propensity towards cross-border integration in manufacturing and trade and cross-border business opportunities.

Since the end of the Soviet regime in the Baltic States, Estonia has been the fastest growing economy in the area and has to some extent also been a driver of Latvian economic growth through its search for markets and manufacturers. This has facilitated the emergence of economic co-operation and trade. Economic development has been aided by the fact that both countries rapidly liberalised their economies and have opened up to foreign competition since the 1990s. Both states also made a considerable effort to attract foreign investments and to meet the requirements for joining the European Union. Foreign investors and political institutions have tended to regard the Baltic States as a single market and region, rather than separate states, which has led to further integration of the markets.

At a political level relations between Estonia and Latvia are friendly and close. Their mutual interest in co-operation is based on their geographical proximity, historic and cultural similarities, common foreign policy goals, and security goals. Estonian and Latvian heads of state and members of government and administration regularly hold bilateral talks (or trilateral ones including Lithuania).

The major obstacle to cross-border co-operation is the linguistic barrier; Estonia believes that there is no lack of contact with the other side of the border. Latvian and Estonian local administrative units and rural townships are relatively small and often lack the resources and competence for cross-border co-operation projects. In addition there are also problems of co-ordination between the local and regional administrative spheres and the central administration, which does not sufficiently stimulate cross-border initiatives not directly linked to general national interests. On the Latvian side, a development region, including the border districts, has been set up to support development and co-operation in the area, but there is no equivalent in Estonia, where the districts are also relatively powerless. However, the relative proximity of the local and national levels of government in the Baltic States makes this situation less problematic than in larger states. European Union membership has had a decisive influence on cross-border co-operation. Firstly, a set of institutions and a common framework have been established, which facilitates further co-operation and integration; secondly, the EU firmly aims to generate and support co-operation in the region, as elsewhere.

Projects implemented

Most of the agreements entered into between Latvia and Estonia can be seen to have been implemented. The prime reason is the friendly, close relations between the states, which obviate the need for general declarations of intent regarding friendly and peaceful co-operation. The majority of agreements can be seen to concern well-defined issues and to focus more on solving problems than on stating principles. Most of the agreements on security issues and the freedom of movement of people and capital reached prior to the countries' accession to the European Union and NATO, in

2004, can also be understood as a joint intent to settle conflicts and to show the political will and capacity to facilitate compliance with the EU entry requirements. Decisions such as visa-free travel for people living in the border regions, and later for all citizens, have proved to have had very positive effects for people living in the area, with regard to both maintaining old contacts and also making new ones. The handling of the border dispute in the Gulf of Riga, which had geographical, economic and environmental dimensions, must also be considered a success.

What is true of the bilateral agreements also holds for most of the multilateral agreements concluded in the framework of the Nordic Council of Ministers and the Council of the Baltic Sea States. In recent years these agreements have mostly focused on environmental issues and have often been followed by joint training and mutual support. Failure fully to implement some of these agreements can be attributed to a shortage of the necessary resources and equipment for some types of environmental protection. The development and co-operation projects instigated by the European Union have only recently been implemented and are therefore hard to evaluate.

SWOT analysis elements

Strengths: the tradition of peaceful cross-border contact and the reduction of conflicts through the establishment of common institutions at both state and local (Valka/Valga) level are an encouragement for further fruitful co-operation. Both countries are also actively participating in regional and international organisations, within which they pursue similar goals. The favourable geographical position makes both countries important transit areas for East-West and North-South trade and communication.

Weaknesses: the sparse population density, compared with other regions in Latvia and Estonia, and low level of economic activity in the area hinder economic development. Apart from the major road and railway links, communication across the border is relatively undeveloped. Rather low participation at the municipal level, combined with a centralised state administration, can be identified as one of the major weaknesses in Latvian-Estonian cross-border co-operation. The negative effects of centralisation could diminish with the progress of the EU regional initiatives, giving local actors new possibilities for interaction. An important issue is the gradual decline of social and cultural activities due to the prioritisation of political and economic co-operation. The propensity towards cross-border co-operation in the cultural sector requires more attention and greater investments. Readiness for cross-border co-operation seems to be greater in Latvia than in Estonia.

Opportunities: the general opportunities for the development of the border area are linked to European regional policies. The emerging trend to think in regional terms makes it possible to obtain funds for improvements in specific spheres and prompts local, state and inter-state actors to develop regional co-operation. In January 2008 both Latvia and Estonia joined the Schengen Area, which will have the effect of reducing border controls to a minimum and should facilitate cross-border co-operation even further. Both the coastal and inland areas afford great opportunities for developing tourism and leisure activities, which could be better utilised.

Risks and threats: one risk is the concentration of economic and cultural activities outside the region, causing high levels of emigration and creating a shortage of skilled labour in the border area. Despite European Union initiatives, co-operation can prove difficult as very little decision-making power is conferred on the local authorities. Consequently, local agencies, which are often very small, are ill-prepared and poorly trained to manage cross-border planning and projects.

11. ESTONIA – RUSSIA



Geographical and historical background

The overall length of the Russian-Estonian border is 466.8 kilometres. The land border runs for 324.8 km (235.3 km alongside waterways), and the maritime border for 142 km. The land border between Estonia and Russia runs on an almost straight north-south axis from the Gulf of Finland near the city of Narva (Ivangorod) to Chudsky Lake (Peipus lake) and then Pskov Lake, passes near the city of Pechory on the Russian side and ends in the vicinity of the Russian city of Lavry, where the borders of Estonia, Latvia and Russia meet. The main towns and cities of the cross-border area are, north to south: (in Estonia), Narva, Mustvee, Jõgeva, Tartu, Rapina and Voru; (in Russia) Kingisepp, Ivangorod, Slancy, Gdov, Pechory and Pskov. The border touches the Estonian provinces of Ida-Viru, Jõgeva, Tartu, Polva and Voru. On the Russian side it touches the Pskov Region and the Leningrad Region (the territory adjoining the city of St. Petersburg). The Estonian border area covers approximately 42 891 sq. km and has a total population of 430 565. The population density of the Estonian border area is 10 inhabitants per sq. km. The Russian border area covers approximately 38 433 sq. km and has a total population of 505 000. The population density of the Russian border area is 13 inhabitants per sq. km. The Russian-Estonian cross-border area accordingly extends over 81 324 sq. km, with a total population of more than 930 000 and an average population density of 11.4 inhabitants per sq. km. The territory is characterised by its proximity to the Baltic Sea and Chudsky Lake and is otherwise flat with some hills, not exceeding 250 metres above sea level.

At the beginning of the 11th century the south-eastern lands of Estonia were part of the ancient Russian state. After the state's disintegration these lands became dependencies of Novgorod. German expansion into the region, with the Pope's backing, started in the second half of the 12th century. The Germans succeeded in conquering the lands of present-day Estonia and Latvia in the first half of the 13th century. These lands were unified under the name of Livonia. In 1227 German and Danish crusaders succeeded in conquering Estonia. Its territory was divided between the Livonian Order (the central and south-western parts) and Denmark (the northern part, which was sold to the Livonian Order in 1346), while the south-eastern part and the western part with the

islands were assigned to bishops. The Livonian Order was subordinate to the Pope and to the Teutonic Order in Prussia. In the 14th century several Estonian cities, including Tallinn and Tartu, joined the Hanseatic League. Estonia's maritime trade was founded on the export of Estonian agricultural products and the transit of Russian goods to Western Europe. Gradually, German traders and producers came to occupy dominant positions in the Estonian economy.

The Livonian Order was defeated in the Livonian War (1558-1583). During the war the Estonian lands were temporarily included in Russia, but the Russians failed to keep them. The territories of former Livonia were divided between Denmark, Sweden, Lithuania and Poland. Southern Estonia was included in Poland, the northern part in Sweden and Saaremaa Island passed to Denmark. By the middle of the 17th century the whole of Estonia was under Sweden's control. Since the 1640s the export of Estonian agricultural produce, grain first and foremost, to foreign countries via the Estonian ports, such as Tallinn and Narva, had been growing. Both Estonia and Latvia were at the time considered to be "the grain storehouses" of Sweden. During this period the Russian transit trade via Estonian territory almost completely ceased. During the 17th century several wars were fought over these territories between Poland, Sweden and Russia, which was seeking an access to the Baltic Sea. The Northern War (1700-1721) resulted in the Treaty of Nystad (1721).

Under the terms of the treaty, Estonia was annexed to the Russian Empire. The construction of railways in Estonia in the second part of the 19th century helped to connect Estonia with the Russian internal market and with rich Russian sources of raw materials. The first railway in Estonia was opened in 1870. The Estonian railways linked the main Estonian cities and ports with St. Petersburg, Riga and Pskov. In the late 19th century (1897) the population was 90.6% Estonian, 4% Russian and 3% German. The Russian tsarist government made various unsuccessful attempts to "russify" Estonia. At the same time, in 1913, the Estonian ports' share in the Russian import and export trade reached 21.4% and 7.2% respectively. Following the Bolshevik seizure of power in Russia after the October Revolution of 1917 and German victories against the Russian army, between the Russian Red Army's retreat and the arrival of advancing German troops, the Committee of Elders of the Maapäev (national council) issued the Estonian Declaration of Independence on 24 February 1918. In March 1918 the entire territory of Estonia was occupied by Germany. In November 1918 the Red Army of Soviet Russia captured Narva, Vyru, Tartu, Valga and other provinces of southern Estonia. On 29 November 1918 the establishment of the Commune of the Working People of Estonia (or Estonian Workers' Commune) was proclaimed, and the government of Soviet Russia recognised its independence on 7 December 1918. The subsequent infighting in Estonia resulted in the proclamation of the Republic of Estonia by its Constituent Assembly on 19 May 1919. In June 1919 the Estonian Workers' Commune ceased functioning. In August 1919 the Soviet government proposed a peace treaty to the Estonian government. The Soviet-Estonian negotiations started in September, continued throughout December 1919 and finally resulted in the signature of the Soviet-Estonian peace treaty in Tartu on 2 February 1920. Under Article 2 of the treaty, the Soviet government recognised the independence of Estonia. Article 3 determined the line of the Russian-Estonian border.

In 1940 Estonia was annexed to the USSR. The outbreak of the Second World War saw the temporary annexation of Estonia to Germany, and then to the USSR again. In the autumn of 1944 the border between the Russian Soviet Federative Socialist Republic (RSFSR) and the Estonian Soviet Socialist Republic was restored and became an internal administrative border of the USSR. The post-war industrial development of Estonia and its role in the Baltic military district of the USSR caused an inflow of labour and military personal to Estonia from other parts of the Soviet Union. As a result, the share of the so-called "Russian-speaking" population in Estonia grew steadily. The end of the Cold War, the dissolution of the USSR, the transformation of political and economic systems in Russia, Estonia and other neighbouring states and the cardinal changes in

international relations in Europe were accompanied by the emergence of a new situation on the Russian-Estonian border. As the legal successor of the USSR the Russian Federation, in its capacity as an independent state, had to reorganise its borders and to adjust them to the new political and military environment.

Estonia formally declared its independence on 20 August 1991. The USSR recognised the Republic of Estonia on 24 August 1991. Diplomatic relations between the two countries were restored on 24 October 1991. In the case of Estonia, the former administrative borders within the USSR had to be transformed into internationally recognised state borders of Estonia with Russia and Latvia. The present border between the Russian Federation and Estonia is designated a “temporary control line”, since there is no border treaty between the two countries.

Economic and infrastructural characteristics

Estonia is an industrial-agrarian country. Peat, combustible (oil) shales and construction materials are extracted there. The combustible shale reserves are the largest in Europe (3.8 billion tonnes). In the 1980s they were mainly used as fuel for thermal power stations (approximately 80%) and in the chemicals industry. Estonia has developed machine building, chemicals and food (especially fishing) industries and the production of construction materials. There are large textile, footwear and apparel plants, and the country produces furniture and musical instruments. The leading branches of Estonian agriculture are milk and meat (especially bacon) production. The agricultural sector also produces rye, wheat, flax, potatoes and vegetables. Industrial enterprises are concentrated in the biggest towns and cities, including those located in the border areas, such as Nerve, Silamae and Kohtla-Jarve (fuel and energy complexes, rare metal production, cotton factories, etc.). Small food-producing, wood and timber enterprises are distributed evenly over Estonian territory. Estonia occupies a quite favourable geographical position. Traditionally, the country performed the function of an important transit corridor for international trade in general, and for Russian trade in particular. In Soviet times large ports in the western part of the USSR were constructed mainly in the Baltic Region. In the 1980s the new large maritime port of Muuga in Tallinn was constructed in order to facilitate the external trade of the USSR. With the disintegration of the Soviet Union, almost 50% of the maritime ports turned out to be located outside Russia. The Baltic States inherited large transportation hubs, such as the maritime ports in Klaipeda (Lithuania), Riga (Latvia) and Tallinn (Estonia). Nowadays, the maritime port in Tallinn is the third largest on the Baltic Sea coast, equalling the maritime port of St. Petersburg, the second largest, in capacity, the first largest being the fast-developing maritime port of Primorsk in the Leningrad Region. Russia can now use foreign port facilities only on a commercial basis. The Russian transit trade accounts for 10-12% of Estonian GDP. However, due to political difficulties in relations with the Baltic States in general, and with Estonia in particular, Russia is building up its large maritime port of St. Petersburg and constructing new ports on the Gulf of Finland, so as to avoid dependency on political factors in its trade exchanges with other countries. The cross-border regions on the Russian side are the Pskov and Leningrad Regions (the capital of the latter is St. Petersburg).

The Pskov Region is an important industrial and agricultural production centre in north-west Russia. Numerous subsidiaries of Leningrad industrial enterprises were set up in the Pskov Region during the Soviet period. Its economy is dominated by processing industries. The Pskov Region has 13 branches of industry, with about 2 000 enterprises and manufacturers, and, in 2003, yielded 18.5% of the Gross Regional Product (GRP). The region's industrial capacities are mainly concentrated in the cities of Pskov and Velikiye Luki and in Dedovichi district. The majority of regional industrial output is attributable to the machine-building and metal-processing industry, the food industry and the power industry (by the end of 2004 their shares in the total volume represented 30.6%, 30.3% and 14.9% respectively). About 40% of machine-building concerns the

electrical industry. The development of the regional food industry in recent years is regarded as sustainable. For many decades people have migrated from this region to St. Petersburg, leaving it with an elderly population (particularly in the rural areas). The Pskov Region is still mired in an economic depression. In this depressed region the most significant reductions in the poverty gap in recent years have been achieved thanks to federal assistance. The Pskov Region ranked 73rd among 79 Russian regions for its Human Development Index in 2004 (GDP per capita: USD 5 634; life expectancy at birth: 60.6; literacy: 98.9%; enrolment in education (ages 7-24): 68.3%). The dominant branches of agriculture are production of flax, potatoes, vegetables, milk and meat cattle breeding. The region has a quite well-developed transportation infrastructure. Its rich historic and cultural heritage affords good opportunities to develop tourism. In 2004 trade with Estonia accounted for one-third of the foreign trade turnover of the Pskov Region. There are more than 200 enterprises with Estonian and Latvian shareholders.

The Leningrad Region borders on Estonia and Finland. The territory of the present-day Leningrad Region became part of Ingermanland Province in 1708. The territory of the region is 83 903 sq. km (2% of the Russian Federation), and its population 1 682 000 (1.1%). Its GRP accounts for 0.9% of Russian GDP. The urban population in the region is 66%. An independent member of the Russian Federation, the Leningrad Region includes 29 municipalities, 17 districts, 9 cities and urban settlements. The region has a highly developed transportation infrastructure, with more than 3 000 km of railways, 30% of which are electrified. The density of the rail network is 32 km per 1 000 sq. km, and its annual freight turnover more than 100 million tonnes. The motorway network extends for more than 13 000 km, with a density of 108 km per 1 000 sq. km. The length of the region's waterways is 1 908 km, and their annual cargo turnover is more than 15 million tonnes. There are two river ports, Leningrad and Podporozhye, and three maritime ports: St. Petersburg, Vyborg and Vysotsk. The maritime ports of Primorsk and Ust-Luga are being reconstructed and enlarged. They should result in a tenfold increase in freight turnover in transit from and to Russia through the Leningrad Region. The largest airports in the region are Pulkovo-1 (domestic flights) and Pulkovo-2 (international flights). The Leningrad Region is now one of the most important logistical centres in Russia.

Various natural resources are extracted in the region, namely peat, combustible shales, sand, limestone, granite, phosphorescent substances, clay and bauxites. Forests cover 55% of the territory. The annual production of wood is 7–7.5 million tonnes, but it would be possible to produce more than 12 million tonnes. The region's industry is quite highly diversified. The main branches are machine building, the food industry, oil refining, chemicals, timber and the cellulose and paper industries. At the regional industry's core are about 300 plants and factories, most of which are joint stock companies. The peculiarity of the regional economy is its proximity to St. Petersburg, i.e. to one of the main industrial centres of the Russian Federation. Many industrial enterprises of the region were constructed as subsidiaries of big St. Petersburg companies. The region has a nuclear power station and several hydroelectric power stations. The Leningrad Region produces twice as much electric power as it consumes. This power is cheaper than in the neighbouring regions and offers favourable conditions for the development of high-energy-use production systems. The Leningrad Region has a highly developed scientific potential and a broad network of research and educational institutions. The region ranks 62nd among Russia's 79 regions in Human Development Index terms, with a per capita GDP of USD 8 942, life expectancy at birth of 61.4 years, 99.5% literacy and enrolment in education (age 7 – 24) of 51.6%. Over the last five years the annual average growth in the regional economy has been 11%. Large industrial enterprises have been constructed in the region, including "Phillip Morris", "Caterpillar", "Assi Domen", "Kraft" and a number of car assembly factories ("Ford", "Toyota" and others). The Kirish oil refinery has been enlarged and modernised. In 2006 Russia was the second biggest trading partner of Estonia in terms of total trade turnover, the fourth in terms of exports and the second in terms of imports. The main

articles exported from Russia to Estonia are machinery and equipment (20.5% in 2006), metals and metal products (12%), ready-made foodstuffs (11.6%) and chemical products (11.3%); the main import articles are mineral products (66% in 2006), wood and timber products (13.1%) and metals and metal products (13.1%). Russia and Estonia are preparing an intergovernmental agreement on trade and economic co-operation and plan to establish a bilateral commission on co-operation. As a European Union member state, Estonia joined the Schengen Area as of 21 December 2007. Estonia has been included in the Schengen air space since 30 March 2008.

Cross-border declarations and agreements

Russia has signed and ratified the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities. Estonia has neither signed nor ratified it. In all, there are five crossing points on the Russian-Estonian customs border, determined by a Russian-Estonian intergovernmental agreement of 9 July 1993, namely: “Ivangorod-Narva” (two), “Kunichina Gora-Koidula”, “Pechory Pskovskie-Opava” and “Shumilkino-Luhamaa”. Russia and Estonia have concluded three intergovernmental agreements on the conservation and use of fishing stocks in the lakes adjoining the “temporary control line” (4 May 1994), co-operation in the environmental field (11 January 1996) and co-operation in the field of protection and sustainable use of transboundary watercourses (20 August 1997). Two joint Russian-Estonian commissions were established under these agreements, namely the Fisheries Commission in 1995 and the Transboundary Water Commission in 1997. There are also several intergovernmental agreements, regulating shipping traffic and navigation in the basins of the lakes adjoining the “temporary control line” (entered into force on 6 August 2002), mutual relations in the fisheries sphere and the activities of Border Representatives. Three draft intergovernmental agreements are under preparation, aimed at the establishment of a connection point between the Russian, Latvian and Estonian state borders, the promotion of cross-border co-operation and the promotion of travel between the border areas by local people. A simplified border-crossing procedure for citizens of the Russian-Estonian cross-border areas applied until 1 January 2004, but was subsequently adjusted to the rules of the Schengen zone. The double customs tariffs imposed on Estonia by the Russian Federation in 1995 hindered the development of Estonian-Russian economic relations until their removal on 1 May 2004, when Estonia became an EU country.

Estonia and Russia participate in the Peipsi Transboundary Co-operation Centre (Russia, Estonia) and the “Pskov-Livonia” Euroregion (Russia, Estonia, Latvia). The Peipsi Centre was established in 1993 as a non-commercial, non-governmental association of citizens to promote cross-border co-operation and the ecological sustainability of the Peipsi Lake. The Centre has no formal membership and focuses its action on applied research into the socio-economic factors at play in four provinces of Estonia, two provinces of the Leningrad Region and two provinces of the Pskov Region. The European Commission, the UN Development Programme, the Nordic Council of Ministers, the Regional Ecological Centre for Central and Eastern Europe, the United States and the United Kingdom have supported the centre’s projects covering the border regions of both countries. In August 2003, Tartu was the host city of the conference “Peipsi Forum III – Regional Development and Cross-border Co-operation in the Estonian-Russian Border Area”.

In its capacity as an EU member state, Estonia participates in the “Northern Dimension”, together with Russia, Norway and Iceland. Estonia is also a member of the Council of the Baltic Sea States (CBSS). The Euroregion “Pskov-Livonia” (Russia, Latvia, Estonia) was established in 2004. At a CBSS Conference held in Karlskrona (Sweden) in March 1996, representatives of regional delegations from Pskov, Latvia and Estonia signed a letter of intent concerning the promotion of co-operation in line with the Euroregion model. A Council for Transfrontier Co-operation of the territorial communities of Russia, Latvia and Estonia was then established. The project is aimed at

ensuring the sustainable development of the cross-border territories by co-ordinating the activities of their executive authorities and self-governing administrations. The European Parliament initiated a special programme “TACIS – cross-border co-operation” in 1996, with annual funds in the region of 20-30 million euros for its implementation. However, in the Russian-Estonian context, political obstacles have prevented full use of the existing opportunities.

Propensity towards cross-border co-operation

Independent Estonia inherited a large number of Russian-speaking former Soviet citizens, who were living and working in the republic at the time of its secession from the USSR. The issue of Estonian citizenship for this part of the Estonian population is a source of political discord in bilateral Russian-Estonian relations and hampers cross-border co-operation between the two countries.

The Estonian authorities’ demand that, as the legal successor of the USSR, the Russian Federation should recognise the Soviet occupation of Estonia and pay damages, is another political factor which hinders the development of bilateral Russian-Estonian interstate relations in general, and cross-border co-operation between the two countries in particular. These political tensions have resulted in reduced sales of Estonian products in Russia, a limitation of the quantities of freight transported by rail in the direction of the Estonian ports, and its re-routing towards Russian ports, and in partial withdrawal of Russian investments from Estonia. The transit of Russian exports of oil, oil products, fertilisers, coal and timber via Estonia has been sharply reduced. The Estonian transit association has developed forecasts of possible future developments in Russian-Estonian relations in this field: the most optimistic scenario foresees a drop in Russian transit trade of 7–10 million tonnes (15-20%) and losses in the region of EEK 1.4 to 2 billion: the worst-case scenario foresees a drop of 60-65% (about EEK 6 billion). The biggest Estonian Trade Union of Railway Workers has requested the Prime Minister of Estonia to take steps to restore the former volumes of Russian exports transiting via the Estonian railways, which have had to announce job cuts as a result of the falling volumes.

Although the lack of an internationally recognised Russian-Estonian border hampers the development of cross-border co-operation between the two countries, the population on both sides of the border feels the need for such co-operation. At the moment Russia and Estonia have about thirty, mainly intergovernmental, bilateral agreements. Visits by delegations of local government authorities and business structures to the neighbouring state’s cross-border areas are frequent. Russia has given instructions for the opening of the seasonal international border checkpoint of Storozhinets, which should in return permit a facilitation of border and customs controls in the port of Storozhinets for journeys to Pskov. The authorities of the Leningrad Region consider that the efforts to develop it as an efficient transport corridor are conducive to the modernisation of transportation infrastructure not only in the Leningrad Region itself but also in the border regions of its north-western neighbours, including Estonia.

Despite the existing political obstacles, the propensity for cross-border co-operation, especially in commercial circles within both countries, is quite high. The most efficient trans-shipping solution for Russian fuel oil exports is, for example, that offered via the Estonian ports. According to the Estonian Centre for Baltic Research, the Estonian maritime ports could increase trans-shipping of Russian goods by at least 20%. New maritime-rail transport hubs for Russian transit goods are being constructed in the vicinity of the Russian-Estonian border with Russian financing. Oil pipelines are to be built from the Leningrad and, possibly, Pskov Regions to the Muuga terminal (near Tallinn). Approximately 75% of these Russian investments are aimed at further enlarging the Muuga maritime port, which operates mainly with Russian goods. Six large Russian companies, linked to the oil, timber, coal, grain, metal and chemicals industries, plan to invest EEK 1.5 billion

in this project in 2010-2011. The implementation of these projects, combined with a further reduction of transit tariffs in Estonia, could increase the competitiveness of the Estonian transport corridors by about 30% in comparison with similar areas in Finland and the Leningrad Region, and about 50% in comparison with the Latvian regions. The development of ferry routes via the Chudsky Lake, planned for 2010-2011, could also foster the transit of Russian goods to the Estonian maritime ports.

Projects implemented

Recently, one of the largest port complexes in the Baltic region for trans-shipping liquid chemical products, mainly of Russian origin, began operating in the Estonian port of Sillamae. 65% of the overall investments in this project are of Russian origin. In 2004 in the territory of the Pskov Region the “Pskov-Livonia” Euroregion was established, including, on the Russian side, the Pechory, Palkino, Pskov, Pytalovo and Sebezh districts and the city of Pskov. The Pskov regional administration provides assistance to the Euroregion with project development and the identification of fields of co-operation and participates in the work of the Euroregion as an observer. This project’s main goal is the sustainable development of the border areas by pooling the efforts and co-ordinating the activities of the executive authorities and local self-government administrations on both sides of the border.

Due to the political differences between the two countries their cross-border co-operation is shaped mainly within the framework of multilateral projects, including the INTERREG IIIB Neighbourhood Programme. The European Commission promotes cross-border co-operation between Estonia, Latvia and Russia and supports it financially. Eleven Estonian counties and three Russian regions are involved.

SWOT analysis elements

Strengths: Traditional economic and cultural ties between the regions on both sides of the border. Good knowledge of each other’s mentality and national traditions. Possibility of using Russian as the language of communication. Favourable geographical location of the Estonian regions offering extensive opportunities to provide transit routes and communication corridors for Russian export-import operations, as well as for other European, CIS and even Asian states. Availability of year-round navigable ice-free Estonian seaports with specialised terminals for Russian export goods. Vast, ramified transport network, railways standards adjusted to each other. Leisure areas and tourist attractions well known to the population of both countries. The Russian regional authorities’ acknowledged right to take part in international activities and sign agreements with sub-national entities of foreign states on cross-border co-operation. The existence of influential public actors, in particular within the business communities, interested in developing mutually beneficial cross-border economic ties. The longstanding tradition of intense cross-border human contacts can be maintained and further developed. Following Estonia’s accession to the EU and the unification of its custom rules with those of the EU, Estonian exports to Russia and imports from Russia have increased considerably. Another strength is the EU’s readiness to finance a solution to the huge traffic jams on the Russian-Estonian border.

Weaknesses: The non-existence of an internationally recognised Russian-Estonian border. Unresolved problems of “non-citizenship” for the Russian-speaking population of Estonia. Estonia’s membership of the Schengen Area may further complicate its cross-border economic and human interaction with Russia. Russian commercial companies, with the support of the federal government, have started to establish new transportation routes for their goods, bypassing the Estonian facilities and ports, with the aim of avoiding any fallout for their business from political

disagreements. This poses a real threat of loss of the complimentary nature of the Russian and Estonian transportation systems. The mood of public opinion in both countries, fed by political tensions in their bilateral relations. Weak involvement of local authorities in the organisation of bilateral cross-border co-operation. Traffic jams on the border.

Opportunities: Cross-border interaction and partnerships between Russian and Estonian cities, towns and settlements in the border areas should be developed. Establishment and development of direct contacts between municipalities, local authorities, business structures, non-governmental organisations and citizens of both countries should be promoted. The border infrastructure and crossing points have to be modernised and their capacity strengthened. The Estonian proposal to build a new bridge over the Narva River with trilateral investment (Estonia, Russia and the EU) should be taken up and implemented, along with the reconstruction of the border crossings in Narva to create parking spaces for lorries. It is necessary to further develop the infrastructure at the Russian-Estonian border so as to make it play a filter role in respect of residents of the border areas. The border guards of both countries should interact on a permanent basis and exchange information and experience. Opportunities for developing tourism facilities to promote cross-border exchanges. In view of the similarity of the problems faced by the authorities at the regional and municipal levels, it should be possible to introduce joint programmes and projects in the fields of personnel training, spatial planning and spatial development planning. More active utilisation of the opportunities offered by international arrangements, in particular the “Pskov-Livonia” Euroregion. Other opportunities lie in participation in projects sponsored and promoted by the EU (INTERREG), which can lead to the sustainable development of the border areas and strengthen co-operation between the two countries. Estonia believes that INTERREG programmes bring added value to the development of cross-border co-operation.

Risks and threats: Continuation of the current uncertain situation on the Russian-Estonian border. The lack of an internationally recognised Russian-Estonian border. Illegal trafficking and organised crime in the cross-border region. Insufficient capacity of crossing points and cumbersome customs procedures at the border may hamper the use of opportunities for economic development and for transformation of the region into an important European transit area. More effective border checkpoints should be established that would facilitate cross-border transport and trade relations between the countries. This should also help to prevent traffic jams, corruption on the border and illegal transportation of goods.

12. SUOMI/FINLAND – ESTONIA



Geographical and historical background

The border between Estonia and Finland is a maritime border running for approximately 332 km through the Gulf of Finland in the Baltic Sea. The Estonian coast is relatively bare of islands, whilst the Finnish coast has a rich archipelago. The Gulf of Finland is shallow and is more than 100 metres deep in only a few places, making it a vulnerable maritime environment. The main cities in the Finnish border area are found in the region around the country's capital, including Helsinki/Helsingfors, Vantaa, Espoo and Kauniainen, forming a continuous conurbation of one million people. Other important cities are the university town of Turku/Åbo on the west coast and the harbour town of Kotka inside the Gulf of Finland. The most important towns and cities in the Estonian border area are Haapsalu, Tallinn, Kohtla-Järve and Narva, and the harbour of Paldiski. According to the 2007 census, the population of the Republic of Finland was approximately 5.3 million with a population density of 16 inhabitants per sq. km. In 2006 the population of the Republic of Estonia was estimated at 1.3 million, with a density of 29 inhabitants per sq. km. The largest minority language in Finland is Swedish, which is the country's second official language, spoken by 5.5% of the population. Other minority languages are Russian (0.8%) and Estonian (0.3%). Foreign citizens comprise only 2.3% of the population. Most of them are from Russia, Estonia and Sweden. The major minority language groups in Estonia are the Russians (28.1%), the Ukrainians (2.5%) and the Belarusians (1.5%). Finland is a bilingual state with both Finnish and Swedish as official languages, while Estonia has Estonian as the official language. A considerable proportion of the Swedish-speaking population in Finland lives in the border regions, with the cities of Helsinki/Helsingfors and Turku/Åbo having the largest Swedish-speaking populations. Swedish speakers are also predominant in some of the rural townships in the coastal area. In Estonia the majority of the Russian-speaking population lives in the larger cities of the border regions: Narva (95%), Kohtla-Järve (82.2%) and Tallinn (36.6%).

By law, Finland has two levels of democratic government: the state and 416 municipalities. The state is divided into six administrative provinces (*lääni/län*). The provinces are further divided into ninety state local districts. Municipalities also co-operate in 74 sub-regions and 20 regions, governed by the member municipalities. The Swedish-speaking Åland/ Ahvenanmaa region, consisting of islands in the Baltic Sea, has a permanent, democratically elected regional council, as part of its autonomous status. The border area consists entirely of the southern Finnish region Etelä-Suomen lääni/ Södra Finlands län and the state local districts Varsinais-Suomi/Åbo- och Björneborgs Län, Uusimaa/Nyland, Itä-Uusimaa/Östra Nyland and Kymenlaakso/Kymmene Län.

The Finnish border area covers 26 033 sq. km, with each district accounting respectively for 10 855, 6 767, 2 823, and 5 588 sq. km. The total population of the Finnish border area is 2 013 887, with each district accounting respectively for 445 542, 1 290 618, 89 094, and 188 633 inhabitants. The average population density is 70 inhabitants per sq. km, with each district accounting respectively for 42, 203, 32, and 37 inhabitants per sq. km. Estonia has three levels of administration: the state, the 15 districts (*maakond*) and 221 towns and townships (*linn, vald*), with democratically elected bodies at the state and town or township levels. Four Estonian districts – Ida Viru Maakond, Lääne Viru Maakond, Harju Maakoond and Lääne Maakond – border on Finland, while the island district Hiiu Maakond lies on the border. The Estonian border area covers 27 898 sq. km, with each district accounting respectively for 4 332, 9 067, 3 364, and 11 135 sq. km. The total population of the Estonian border area is 1 068 139, with each district accounting respectively for 532 883, 158 477, 193 610 and 183 169 inhabitants. The average population density is therefore 40 inhabitants per sq. km, with each district accounting respectively for 123, 18, 58, and 16 inhabitants per sq. km. The total cross-border area covers 53 931 sq. km, with a total population of 3 082 026 and a population density of 57 inhabitants per sq. km. The territory is characterised by its maritime outlook, with the Gulf of Finland constituting a key artery for east-west communications.

Following the signature of the Treaty of Nystad, in 1721, the areas which make up present-day Estonia became part of the Russian Empire. As a result of the Swedish-Russian war, Finland, which for long had been part of the Swedish Empire, became an autonomous Grand Duchy within the Russian Empire in 1809. From the 1860s nationalist movements grew strong in both Finland and Estonia, often emphasising the cultural and linguistic similarities between Finns and Estonians. This caused the development of strong cultural ties between the two peoples, and many representatives of the Estonian elite were also educated in Finland. Finland and Estonia declared themselves independent at the end of the First World War. As independent states the two countries had close diplomatic ties and even secret security co-operation arrangements during the interwar period. At the beginning of the period, plans for a Finnish–Estonian political union were even discussed. After the Second World War Estonia became part of the Soviet Union and diplomatic relations were severed. However, the close cultural ties between Finland and Estonia continued under Soviet rule. Finland and Estonia re-established diplomatic relations in August 1991.

Economic and infrastructural characteristics

The two capitals, Helsinki and Tallinn, are located opposite each other on the facing shores of the Gulf of Finland and lie approximately 80 km apart. Both of the capital city regions belong to the most dynamic economic areas in the two countries and account for a considerable share of the population and of GDP. Some 2 million of Finland's 5 million inhabitants live in the area, and about half of Estonia's 1.3 million inhabitants. The regions' proximity and the historical links between them have led to far-reaching economic integration in the area. Since the 1990s Finland's highly industrialised, free-market economy has been able to benefit from Estonia's low taxes and highly skilled labour, especially in the services sector, manufacturing, the refining sector, electronics and information technology. At the same time, Estonia has received large Finnish investments and gained access to the Finnish, and wider Scandinavian, market for its products. This access has been vital for Estonia's capacity to adapt to the western market, for the country's rapid economic development since the 1990s and, in the long run, for its accession to the European Union.

The Finnish-Estonian Trade Association (SEKY), established as far back as 1990, comprises Finnish enterprises active in Estonia and enterprises potentially interested in Estonia. The main purpose of the SEKY is to establish contacts and improve relations between Estonian and Finnish businesses. A priority of the SEKY is to encourage more active participation of Estonian firms in

the association. According to the Bank of Estonia, Finnish investments in the country amounted to EUR 2.6 billion, or 21.2% of all foreign investments, in 2006. The biggest investments have been made in transport and communications, trade and industry and real estate development. Finnish and Swedish banks also dominate the Estonian financial sector, linking the Estonian and Finnish markets more closely together.

The main transport link over the Gulf of Finland is the considerable ferry traffic between Helsinki and Tallinn. Approximately 20 ferries, including express boats, leave in each direction every day. The ferry link is part of the Trans-European Highway, E67, which connects Helsinki with Warsaw (for further information see the chapter on the Estonian-Latvian border area). There is also a commuter air link between the two main airports in Helsinki and Tallinn.

The excellent communications and the lower prices in Estonia, as compared with Finland, have caused a heavy flow of tourists from Finland to Estonia. However, Finnish tourism in Estonia also has a longstanding tradition, beginning in the interwar period, when the Estonian beaches attracted many tourists from the Nordic countries. Even during Soviet times Finnish tourism was relatively significant, making Finland Estonia's mirror to the West. Finland is the most important target market for Estonia's tourism industry. In 2005, 7 999 129 overnight tourists to Estonia out of a total of 1.45 million were Finnish, to which the large number of Finns travelling to Tallinn for a day's shopping must be added.

Cross-border declarations and agreements

Estonia and Finland were quick to conclude agreements and issue declarations on mutual co-operation after Estonia regained its independence in August 1991. An agreement on co-operation concerning environmental protection in the Gulf of Finland came into force in early 1992. This agreement was followed, in 1995, by an agreement on co-operation in combating marine pollution and, in 1996, by an agreement on mutual assistance in the event of disaster. An agreement on the mutual protection of investments came into force later in 1992. This was followed by an agreement on the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income and capital, which came into force in 1993. An agreement on air defence was entered into in 1994, and an agreement on joint efforts to combat crime came into force in 1996. An agreement on the readmission of persons with illegal entry or residence status was signed in 1996. An agreement concerning co-operation in maritime and aeronautical search and rescue entered into force in 1999. An agreement on joint implementation of greenhouse gas reduction projects came into force in 2004. An agreement on population register data transmission entered into force in 2005 and was followed by an agreement on social insurance.

Many of the agreements listed above are the outcome of close ties between the two countries at different levels of society.

In order better to plan future co-operation between these two European Union member states, a board was formed in 2002. It adopted 43 recommendations in the fields of the environment, the economy, culture, research and education. Though most of the recommendations have not yet been implemented, they have formed a common discussion platform for ministerial meetings.

Since 1 May 2004 economic and political relations have to a large extent been governed by the regulations of the EU internal market. In January 2008 Estonia joined the Schengen co-operation, as a result of which many of the bilateral agreements were replaced with multilateral agreements in the framework of the European Union.

The two countries have developed extensive co-operation in environmental matters, where special attention is paid to safeguarding the Baltic Sea environment. The islands of Åland and Hiiumaa, which are attached to the border area, play an important role in these matters. Co-operation takes place within the framework of the multilateral co-operation arrangements for environmental protection among the states bordering the Baltic Sea. In this context Estonia and Finland, along with other states, have sought to have the Baltic Sea recognised as a Particularly Sensitive Sea Area. In 2004, a trilateral Estonian, Finnish and Russian “Gulf of Finland Reporting System”, GOFREP, was implemented. Specific steps have been taken to establish links between persons in charge and the authorities in the field of environmental protection, and joint exercises take place on an annual basis.

Estonia and Finland regularly co-operate in defence matters. The co-operation consists in frequent political and defence consultations as well as joint manoeuvres and activities. With Estonia’s membership of NATO, the Estonian-Finnish defence co-operation project (the Viru Project) came to an end.

Co-operation in crime prevention is of considerable importance to the police, border guards and customs services of both countries, and a joint working group for fighting drugs-related crime, named FINESTO, has been formed. Co-operation also takes place in the sphere of justice, where the principal areas of co-operation include international legal assistance, crime policy, the application of European Union law, issues related to prisons, crime prevention and probation supervision. The two states have bilaterally appointed judicial attachés and police authority representatives to facilitate co-operation in these areas.

The historical ties and the linguistic and cultural similarities between Estonians and Finns have resulted in very close cultural contacts between the two countries in a variety of fields and at different levels of society. The cultural and educational co-operation was recently formalised in a series of agreements. For example, in spring 2004, co-operation was launched in the areas of electronic science libraries, creation of a co-operation network for leading scientific centres, co-operation in graduate studies and joint degree programmes and the establishment of mutual professorial chairs in languages. In 2006 a professorship in Finnish language and literature was created at the University of Tartu.

Propensity towards cross-border co-operation

The propensity towards cross-border co-operation and further integration must be considered as very good. Since the end of the Soviet regime Estonia has been the fastest growing economy in the Baltic States. This has facilitated the emergence of economic co-operation and trade. Economic development has been made easier by the fact that Estonia rapidly liberalised its economy and opened it up to foreign competition in the 1990s. Estonia has also made a considerable effort to attract foreign investments, especially from Finland and Scandinavia, and to meet the requirements for European Union membership. Finland became a member of the European Union in 1995, and Estonia joined the Schengen co-operation in January 2008. European Union membership has had a decisive influence on cross-border co-operation. Firstly, a set of institutions and a common framework have been established, which facilitates further co-operation and integration; secondly, the EU firmly aims to promote and support co-operation in the region, as elsewhere.

At a political level relations between Finland and Estonia are very close, especially bilateral relations and co-operation within the Council of the Baltic Sea States and the European Union. Finnish and Estonian heads of state, members of government and administrative officials meet on a regular basis for bilateral talks, and co-operate within regional and European forums. The shared

interest in co-operation is based on the countries' geographical proximity and historical and cultural similarities. So far, co-operation has also been pursued on issues affecting Finnish and Estonian national interests. A recent example is the Russian-German consortium Nord Stream's plan to build a gas pipeline from Russian Vyborg in the inner Gulf of Finland to Greifswald on the German Baltic Sea coast. The issue affects both Finnish and Estonian security and environmental interests. Both states are jointly defending their interests despite Estonian attempts to get the pipeline moved from the Estonian economic zone in the Baltic Sea to the Finnish one.

Some difficulties in cross-border co-operation could arise from the uneven size of the states and their economies, causing Finland and Finnish interests to dominate. Another problem is the high degree of centralisation in Estonia, where local administrative units and rural townships are relatively small and often lack resources and the competence to pursue cross-border co-operation projects. However, as the border is a maritime one and communication is concentrated in the Tallinn area, these problems are of less significance than on the Latvian-Estonian border.

Projects implemented

The Finnish-Estonian framework for cross-border co-operation has, since 1991, been based on the central governments' friendly relations and mutual recognition. Common membership of the EU and the eligibility of the border areas for European funding have greatly enhanced the joint preparation and implementation of cross-border projects.

Geographical reference to the Gulf of Finland is at the core of the cross-border co-operation projects implemented by actors on both sides. However, besides the immediate cross-border need for environmental protection and sustainable exploitation of the sea's resources and waters, a vast array of projects have been implemented under the INTERREG IIIA initiative (first designated the "Southern Finland Coastal Zone" then "Southern Finland-Estonia").³

Just to recall a few of the most recent statistics on projects implemented under this European initiative, in the programming period 2001-2003, 218 project proposals were submitted (for an amount of EUR 42 million), 94 of which were selected.

In 2004 a so-called complementary call for proposals was issued for Estonian partners of Finnish INTERREG cross-border projects already approved for co-financing on the Finnish side for 2005-2006. The aim was to ensure that Estonian activities were also supported in parallel with the INTERREG activities under the "old" Southern Finland Coastal Zone programme. Over thirty projects were eligible, and a total of 14 applications were received. Only two projects were rejected.

Since 2007 the INTERREG IIIA "Southern Finland-Estonia" initiative has been part of the Central Baltic INTERREG IVA programme. Between 2004 and 2007, 55 more projects were implemented out of 124 applications received. Most of the applications were submitted by Finnish lead partners (47 projects versus eight with Estonian lead partners) for a total of roughly EUR 17 million. These projects are developed along three main thematic axes: 1. Interaction and Networks; 2. Employment and Competitiveness; 3. Common Environment.

As far as the Interaction and Networks priority area is concerned, two key measures can be highlighted: networks of local and regional authorities, and social interaction and contacts at the local and regional levels. The former are aimed at broadening local and regional authorities' cross-border networks across the Gulf of Finland and developing structures which could assist cross-

³. A full list of projects can be found at http://www.interreg-finest.net/failid/joint_projects.pdf.

border integration in a co-operative fashion. The latter are aimed at increasing the tertiary sector's involvement in cross-border co-operation by expanding associations' and agencies' social capital across the Gulf of Finland. Within this priority area projects have focused, for instance, on strengthening the non-profit association (MTÜ) Helsinki-Tallinn Euregio and the Helsinki Metropolitan Area Council (YTV) and establishing co-operative networks operating in the fields of cross-border co-operation in health care and of services for elderly people in urban areas.

As far as the Employment and Competitiveness area is concerned, four key measures can be highlighted, aimed respectively at increasing expertise and know-how in the programme area; promoting the cross-border operational Environment of Enterprises; enhancing high-quality, multilingual tourism services; and ensuring the development of sustainable transport, communications and interlinked services in the area. Joint projects have, for instance, focused on creating a knowledge-based network for vocational training and working life services; developing the functionality and ecological features of cold cowsheds; facilitating the cross-border small business environment in the area; introducing shared ecological values in planning activities and minimising the effects of oil hazards at sea.

Lastly, under the Common Environment priority area, specific measures have been implemented to fund projects aimed at protecting and monitoring the environment in the Gulf of Finland and the future of the common environment, by safeguarding the valuable natural and cultural resources of the programme area; and at stimulating sustainable business activities making use of environmental know-how.

SWOT analysis elements

Strengths: the proximity of the capital city regions, which are also the major economic regions and the most populated areas of both states, generates opportunities for further economic and cultural co-operation, encompassing a large part of each state's population and economy. The Finnish and Estonian economies are well-integrated with many common institutions and networks. Close historical and cultural ties between the peoples and the similarities between the languages also offer good opportunities for co-operation at all levels of society. At state level this is most visible in the annual meetings between state officials facilitating the identification of common goals and strategies in the context of bilateral and multilateral forums. However, the closeness also facilitates low-level contacts in the area through tourism, trade and education, generating good opportunities for further co-operation.

Weaknesses: the maritime border tends to limit the prime contact and development opportunities to the ports and major urban areas, leaving less-developed areas out of direct co-operation. Uneven economic and social development within Estonia, as well as between Finland and Estonia, could also cause labour migration and hinder economic development. The uneven economic development could also negatively affect the potential to implement costly projects for environmental protection.

Opportunities: the opportunities for the development of the cross-border area are closely linked to further bi- and multilateral political co-operation in the area. At the economic level, further economic integration and the formation of common financial institutions among the main economic actors and further integration with surrounding areas are of importance. The area still has unexploited possibilities to become a bridge between East and West. Great potential also lies in co-operation in education and research, where advantage can be taken of the links and co-operation between universities and financial institutions.

Risks and threats: one risk lies in the uneven economic and social development, which entails risks of migration and of changes in the occupational structure. Risks for stable development also lie in Estonia's rapid economic growth and immature economic structure, which makes it vulnerable to economic recessions. The Gulf of Finland is a vulnerable natural area of vital importance for both states; environmental mismanagement and disasters could considerably jeopardise the region's social and economic opportunities.

13. RUSSIA – FINLAND



Geographical and historical background

The border between Russia and Finland runs on a north-south axis for 1 325.8 kilometres (180.1 km along waterways), starting some 20 km north of the Russian town of Janiskoski, where the borders of Norway, Finland and Russia meet, and ending ten kilometres south of the Finnish town of Vaalimaa on the Baltic Sea. Finland has a total area of 337 000 sq. km. The country's population density is quite uneven. Four-fifths of the population live in the southern part of the country, where population density ranges from 45 to 80 inhabitants per sq. km. In central and eastern parts of Finland population density declines to 13 inhabitants per sq. km, whereas in the northern part it falls to 1-2 inhabitants per sq. km. From north to south, the border runs along the Finnish districts of Etela-Karjala, Etela-Savo and Kymenlaakso; while on the Russian side it passes via the regions of Murmansk and Leningrad (with St. Petersburg) and the Republic of Karelia. The cross-border area covers 290 300 sq. km, with a total population of 7 600 000 and a population density of 26 inhabitants per sq. km. Some northern parts of Finland are populated by Lapps. The territory is characterised by its maritime outlook to the Baltic Sea, the White Sea and the Barents Sea. Almost one-fourth of Finnish territory is situated beyond the polar circle. Although the land on the Finnish side is characterised by many internal lakes, the area is relatively flat with a plateau reaching 300 metres above sea level. In all, the country has around 60 000 lakes, which occupy about 10% of its territory. In the central part of Finland, close to the border with Russia, the lakes occupy between a quarter and half of the territory.

Contemporary Finland was part of the traditional territory of the Lapps (Samis), which stretches over four countries: Finland, Norway, Russia and Sweden. The Lapps inhabited these lands long before the establishment of the borders between these states. The first written mention of Finns dates from the end of the 1st century. They had been populating this territory for eight centuries. Before Swedish rule Finland had no political or administrative unity. Sweden's expansion into Finland started in the mid-12th century. The Swedes succeeded in conquering first southern Finland (Tavastland) and later Western Karelia. The Russians of Novgorod controlled the eastern parts of

the country. It was at this very time that the centuries-long struggle between the Swedes and the Russians for domination over Finland began. Sweden officially annexed Finland in 1216, when the Pope surrendered Finland to the Swedish king and the Archbishop of Uppsala. In 1293 the Swedes founded a stronghold in Vyborg. However, the Russians did not allow them to conquer the area around the mouth of the Neva River and responded with military marches on Finland in the first decade of the 14th century. The first Russian-Swedish peace treaty was signed in 1323 (the Treaty of Nöteborg, also known as the Treaty of Oreshek, since it was signed in Orekhovets). The treaty resulted in the first demarcation of the border between Russia (Novgorod) and Sweden/Finland. Karelia was divided into two parts. The western part was included in Sweden, and the eastern part remained a possession of Novgorod. At the time the Russian-Swedish border ran from the eastern edges of the Gulf of Finland to the northern end of the Gulf of Bothnia. Sweden received most of the densely populated part of Finland, while the untamed eastern and northern parts went to Novgorod. Nomadic tribes of Lapps then wandered the polar tundra of northern Finland and the northern reaches of Scandinavia.

From 1556 to 1563 Finland was a Duchy within Sweden. Under a new peace treaty with Russia, signed in 1595, the Russian-Swedish border in Finland ran not to the Gulf of Bothnia, as before, but almost directly to the Barents Sea in the north. The Russian-Swedish peace treaty signed in Solo in 1617 enabled Sweden to take over the Russian coast of the Gulf of Finland and part of Eastern Karelia. They became ordinary Swedish provinces. During the Northern Wars (1655-1721), Russia conquered Western Karelia in addition to Latvia and Estonia. In 1714 Russian troops threw the Swedes out of Finland. Under the Russian-Swedish peace treaty of 1721, signed in Nystad, Sweden ceded Latvia, Estonia, Ingermanland and Western Karelia, including the city of Vyborg, to Russia. Sweden tried to take revenge in 1741, but did not succeed. Under the peace treaty signed in Abo on 7 August 1743, Sweden also lost part of south-eastern Finland down to the Kumen River.

The meeting between Napoleon and the Russian Tsar Alexander I in Tilsit in 1807 changed the destiny of Finland: the Swedish king refused to join the Franco-Russian alliance against England, and the Russian emperor, having declared war on Sweden, secured a promise from Napoleon that Russia would be allowed to annex Finland. Following this promise Russia launched its war against Sweden in February 1808. A week after the beginning of military operations Alexander I issued a decree in which he declared the annexation of the whole of Finland to Russia. In 1809, with the Peace of Hamina (Frederikshavn), following the defeat of the Swedish army, Sweden ceded Finland and the Åland islands to Russia. Finland was incorporated into the Russian Empire with the status of a Grand Duchy in 1809. In 1811 the Russian authorities decided to include the Vyborg Province in the Grand Duchy of Finland. The capital of Finland was moved from Turku to Helsinki in 1812. Even after the annexation of Finland to Russia, Karelia continued to be divided between Russia (eastern part of Karelia) and Finland (western part of Karelia).

The Swedish-Norwegian Unity Treaty (Treaty of Kiel, 14 January 1814) placed this region under the formal control of the Russian Empire and Sweden. The Russian-Swedish convention "On the frontiers between Russia and Norway in the Lapp graveyards" of 1826 determined the northern border between Norway and the Grand Duchy of Finland. Under the terms of this convention the population of northern Finland lost the access to the sea which it had had before Finland's inclusion in the Russian Empire. When, in 1864, the Russian authorities decided to separate the area of the Sestroretzk armoury from Finland and to include this territory directly in Russia they promised to compensate the Finns by ceding an area on the coast of the Arctic Ocean to them, but this promise was not honoured. It was for this reason that the Finns later demanded the inclusion of the Pechenga (Petsamo) area in Finland.

In 1917, after the Bolshevik Revolution, Finland declared its independence, acknowledged by Soviet Russia on 18 December 1917. Following the emergence of an independent Finland and its recognition by the Western powers, in May 1919 Finnish troops seized the region of Pechenga (Petsamo in Finnish), which the new Finnish authorities considered to belong to Finland. On 14 October 1920 a peace treaty between Finland and Soviet Russia was signed in Tartu (Juriiev). Under the provisions of this treaty the territory of the Grand Duchy of Finland was recognised as the territory of independent Finland, i.e. including Vyborg Province. The Pechenga area was transferred to Finland “for all time”. The next change in the Finnish-Soviet border took place after the end of the Soviet-Finnish “Winter War” of 1939-1940. In autumn 1939, after the signature of the German-Soviet non-aggression treaty on 23 August, the Red Army invaded Finland. The Treaty of Moscow, signed on 12 March 1940, stipulated that the whole Karelian Isthmus, including the city of Vyborg (Viipuri), Vyborg Bay with its islands, and the western and northern coasts of Lake Ladoga were transferred to the Soviet Union. Finland retained the Pechenga region. On the Soviet side of the border the Karelian-Finnish Soviet Socialist Republic was created in the areas adjoining the Finnish territory. Finland took part in the Second World War as an ally of Germany. Under the Soviet-Finnish truce, signed on 19 September 1944, the validity of the Soviet-Finnish peace treaty of 1940 was confirmed, but the Pechenga area was transferred to the USSR. These conditions were confirmed in the peace treaty with Finland, signed within the framework of the Paris peace conference on 10 February 1947. Since that time the border between the two countries has remained unchanged. The Treaty on Friendship, Co-operation and Mutual Assistance between Finland and the USSR was signed on 6 April 1948. The treaty was prolonged twice, in 1955 and 1970. Even in the Cold War era this treaty fostered the development of multifarious forms of Soviet-Finnish co-operation, including of a cross-border nature, due to Finland's importance to the USSR as a “window” on the western markets. The adoption of a payments clearing system in Soviet-Finnish trade relations stimulated the growth of bilateral trade exchanges and, consequently, various forms of cross-border interaction.

In June 1946 the Finnish-Soviet Chamber of Commerce was established. Finland refused to join the “Marshall plan” and began to develop economic co-operation not only with western countries and its Nordic neighbours, but also with the USSR. Under the Finnish-Soviet trade treaty of 1947 the two countries granted each other the most favoured nation regime. Starting from 1955 Finland and the USSR concluded long-term trade agreements with annual protocols on the supply of goods and on credit agreements. Co-operation with the USSR played a very important role in the post-war restoration of the Finnish economy, raising its industrial profile and giving it access to a huge, reliable market. In 1963, at a meeting of the Committee on Economic Co-operation of the Nordic Council, Finland's representatives proposed to the other countries of Northern Europe that the USSR should be recognised as the fourth state of the European transpolar area and that interaction with the Soviet Union in developing the region should be reinforced. Shortly thereafter the Murmansk Region started to develop its cross-border relations with Finland and Norway in the High North within the framework of the so-called North Kallotten Council. After the disintegration of the USSR the demarcation of the Russian-Finnish border, as well as its legal status, remained unchanged. The transformation of economic and political systems in Russia was conducive to further development of the two countries' co-operation potential.

Economic and infrastructural characteristics

The economic context of Russian-Finnish cross-border co-operation is characterised by the clear predominance of the primary sector on the Finnish side of the cross-border area, with forests and forestry constituting the foundation of the entire economy and of the industrial sector in particular. Around 70% of Finland's territory is covered by forests. In addition, Finland has various natural resources, such as mineral ores of copper, chromium, zinc, molybdenum, ironstone, vanadium and cobalt. There are also nickel, titanium, wolfram, selenium, uranium, silver and gold deposits. Non-ferrous natural resources, such as asbestos, talc, apatite, graphite, different types of construction materials and stones and peat, are also extracted in Finland. Up to the mid-20th century agriculture and forestry were the dominant branches of the economy. Shortly before the Second World War forestry's share in Finnish exports was as high as about 80%. After the Second World War the Finnish economy started to diversify: apart from further development of forestry, metallurgy (including non-ferrous metals), metals processing, machine-building (including ship-building) and the chemicals industry expanded. This resulted in constant growth in demand for energy resources. Finland could satisfy only part (20%) of its energy needs with its own resources. Hydroelectric power stations were constructed in the northern part of the country. In the 1970s the share of thermal power stations in Finland's total electricity production grew considerably. Russia is the major supplier of energy resources to Finland. These resources are delivered to Finland by rail, Finland having adapted to the Russian standard gauge, by gas pipeline via the Karelian Isthmus, by electric power lines and by maritime transport. One of the main centres of saw milling in Finland is located in Lappenranta, a city on the shores of the Saima Lake. The south-eastern part of Finland is the main centre of the Finnish pulp and paper industry. Ship-building plants are located in Turku and Helsinki and along the Finnish coasts of the Gulf of Finland and the Gulf of Bothnia. Finland's agricultural production covers the country's needs in meat and milk and in different types of grain.

No point of Finnish territory is located more than 300 km from the coast. The country's geographical position makes maritime transportation of key importance. About 80% of imports and around 90% of exports are conveyed by water. The largest Finnish ports, Helsinki and Kotka, are located in the Russian-Finnish cross-border area. There are two big lake systems close to the Russian-Finnish border, which are heavily utilised for transportation and the floating of wood: one of them is connected by the Vuoksa River with Ladoga, and the other by the Kumijokki River with the Gulf of Finland. The Saima Canal gives the central and eastern regions of Finland direct access to the Baltic Sea. This canal, connecting the Saima system of lakes within Finland to the Gulf of Finland, passes partly through Russian territory. Finland has a highly developed network of railways and roads in the southern part of the country. The northern part of the country is less developed and less populated.

The city of Helsinki (Helsingfors) was founded in 1550. In 1812, the city became the new capital of Finland within the Russian Empire. The railway, constructed in the 1860s, connected the city to the country's inner regions and helped to transform Helsinki into the main industrial and trade centre and maritime port of Finland. The building of the railway between Helsinki and St. Petersburg gave a new impetus to Helsinki's development. Regular maritime routes connect Helsinki to St. Petersburg, Tallinn, Stockholm, Copenhagen and other large Baltic ports and cities. There is also an international airport in Helsinki.

One of the border areas of Finland in the south-eastern part of the country is the lake plateau. The coast of the Gulf of Finland, adjoining the Russian-Finnish border, is close to this region. There are several cross-border Finnish municipalities: Keski-Suomi, Kuopio, Mikkeli, Kumi and Pohjois-Karjala. The town of Savonlinna, located in this area, is a popular Finnish tourist attraction. This part of the country is one of the main Finnish centres of the timber industry, non-ferrous metallurgy and ship-building. Another centre of the pulp and paper and metallurgy industry is the border industrial area around the south-eastern Finnish cities of Lappenranta and Imatra. Finland's largest

power station is located close to Imatra. In the border areas of north-eastern Finland reindeer- and cattle-breeding and the timber industry are the mainstays of the local economy.

The Russian side of the cross-border area includes, from north to south, the Murmansk Region, the Republic of Karelia and the Leningrad Region, with St. Petersburg, one of the fastest-growing regions in Russia with a clearly export oriented industry. The Murmansk Region's share in Russian GDP is 0.8%. The region is among the ten leading Russian regions in terms of per capita GRP and possesses rich natural resources. The region has deposits of raw materials – iron, copper, nickel and titanium ores – sufficient for its industrial needs. It produces 100% of Russia's apatite-nepheline concentrates. The region is focused on raw material exports. It enjoys fairly high levels of economic development and per capita income. The industrial sector's share in the regional economy is 39% (2005). The main industrial complexes concern non-ferrous metallurgy, the fishing industry, the chemicals industry and marine transport. Eight plants in the Murmansk Region (Kolskaya GMK, Apatit, Olkon, Kovdorsky GOK, a branch of SUAL, KAZ-SUAL, Kola NPS, Kolenergo and Murmanskyy tralovy flot) provide 76.4% of the region's overall industrial production. In the northern part of the Kola Peninsula the Kola Nuclear Power Station is in operation. There are also several hydroelectric power stations and steam-electric plants in the region. Approximately 30% of their capacities are idle. According to the “Fitch Ratings” the long-term outlook for the Murmansk Region is “stable” in terms of both national and foreign currency ratings and the national long-term credit rating. The region has very good prospects as a transportation centre. Murmansk is the fourth biggest port in Russia with a population of more than 320 000. The annual volume of export services is approximately USD 100 million. More than 80% are marine transportation services. The railways account for approximately 70% of freight carriage. There is also a federal main road, the M-18 Kola. The Severnaya Neft (Nord Oil) Company is planning to build a new port in Pechenga Bay, to be equipped with an oil terminal, a bulk freight terminal for trans-shipping up to 25 million tonnes of coal and ore a year and a general cargo and container terminal with an annual capacity of 7 million tonnes. There is also an airport in Zapolyarnyi, 25 km away from Nickel. The number of telephone lines per 100 people in the Murmansk Region is 15-35% higher than the national average. The Kola Research Center (KRC) of the Russian Academy of Science includes ten research institutions with around 2 000 researchers. In Apatity, the town where the KRC is located, a business incubator is being developed in order to support innovative entrepreneurship. The Murmansk Region ranks 28th among 79 Russian regions in Human Development Index terms. Its GDP per capita is USD 9 579 (2004), life expectancy at birth is 63.6 years, literacy stands at 99.6%, and enrolment in education (ages 7–24) at 65.4%. The population is tending to shrink. There are serious environmental problems in some of the region's industrial areas, including Sapolyarny, Pechenga and Monchegorsk. “Pechenganickel”, “Severonickel” and other enterprises are a source of cross-border pollution of Finnish territory.

The length of the Finnish-Karelian segment of the inter-state border is 700 km. The Republic of Karelia has a population of 771 100 (73.6% Russians, 10% Karelians, 7% Belarusians, 3.6% Ukrainians and 0.8% Vepses), 73.8% of local people are urban dwellers. The total area of Karelia is 172 400 sq. km, with an average population density of 4.5 inhabitants per sq. km. The Republic of Karelia consists of 16 districts, 7 cities and one national Veps area. The population is also tending to shrink, and unemployment is high. The population of Northern and Southern Karelia on Finnish territory is 314 000, for a total area of 28 821 sq. km (including 5 365 sq. km of lakes) and a population density of 11 inhabitants per sq. km. The local population has much in common, in terms of culture and historical traditions, with the population of Karelia on the Russian side of the border.

The wood and timber industry plays a very important role on both sides of the Finnish-Karelian border. In Northern Karelia, on Finnish territory, 60% of regional exports consist of timber. The key

sector of the economy in the Republic of Karelia is timber cutting. Forests occupy about 50% of its territory. The Republic's total timber reserves are estimated at 827.5 million cubic metres. 53% of all enterprises in the Republic belong to the timber industry; its share in the Republic's exports is about 60%. Other important branches of the Republic's economy are fishing (more than 30 000 tonnes of fish are caught in the internal fresh water areas), the pulp and paper industry, mining, metallurgy, machine building, transport, communications and tourism. The Republic's industry is export oriented, and 55% of its production is exported to EU countries. Finland accounts for 32.5% of its exports, and 30.5% of its imports. The Republic ranks 54th among 79 Russian regions in Human Development Index terms with a per capita GDP of USD 7 703, life expectancy at birth of 61.6 years, 99.2% literacy and enrolment in education (ages 7–24) of 69.4%.

The territory of the present-day Leningrad Region was part of Ingermanland Province since 1708. The region covers an area of 83 903 sq. km (2% of the Russian Federation), and has a population of 1 682 000 (1.1%). Its GRP accounts for 0.9% of Russian GDP. 66% of the region's inhabitants are urban dwellers. An independent member of the Russian Federation, the Leningrad Region includes 29 municipalities, 17 districts, 9 cities and urban settlements. The region has a highly developed transportation infrastructure, with more than 3 000 km of railways, 30% of which are electrified. The density of the rail network is 32 km per 1 000 sq. km, and its annual freight turnover more than 100 million tonnes. The motorway network extends for more than 13 000 km, with a density of 108 km per 1 000 sq. km. The length of the region's waterways is 1 908 km, and their annual cargo turnover is more than 15 million tonnes. There are two river ports, Leningrad and Podporozhye, and three maritime ports: St. Petersburg, Vyborg and Vysotsk. The maritime ports of Primorsk and Ust-Luga are being reconstructed and enlarged. They should result in a considerable increase in freight turnover in transit from and to Russia through the Leningrad Region. The largest airports in the region are Pulkovo-1 (domestic flights) and Pulkovo – 2 (international flights). The Leningrad Region is now one of the most important logistical centres in Russia. In St. Petersburg and the surrounding region the number of telephone lines per 100 people is 15-35% higher than the national average. Development of cellular communications in the regions adjoining Finland is quite rapid: the number of cellular subscribers per 100 people had reached 85% in St. Petersburg and the Leningrad Region in 2004.

Various natural resources are extracted in the region, namely peat, combustible shales, sand, limestone, granite, phosphorescent substances, clay and bauxites. Forests cover 55% of the territory. The annual production of wood is 7–7.5 million tonnes, but it is possible to produce more than 12 million tonnes. The region's industry is quite highly diversified. The main branches are machine building, the food industry, oil refining, chemicals, timber and the cellulose and paper industries. At the regional industry's core are about 300 plants and factories, most of which are joint stock companies. The peculiarity of the regional economy is its proximity to St. Petersburg, i.e. to one of the main industrial centres of the Russian Federation. Many industrial enterprises of the region were constructed as subsidiaries of big St. Petersburg companies. Although the economic development of the St. Petersburg agglomeration, measured in terms of per capita GRP, is above the national average, incomes are significantly higher only in St. Petersburg itself, while people in the Leningrad Region earn much less. Incomes in St. Petersburg began their rapid growth solely in recent years. The benefits of faster economic growth are very unevenly distributed, and income polarisation in St. Petersburg is fast increasing. The region has a nuclear power station and several hydroelectric power stations. A new nuclear power station is to be constructed in Sosnovy Bor within eight years to replace the old one. The Leningrad Region produces twice as much electric power as it consumes. This power is cheaper than that offered by the neighbouring regions and provides favourable conditions for the development of high-energy-use production systems. The Leningrad Region has a highly developed scientific potential and a broad network of research and educational institutions. The region ranks 62nd among 79 regions of Russia in Human Development Index

terms, with a per capita GDP of USD 8 942, life expectancy at birth of 61.4 years, 99.5% literacy and enrolment in education (age 7 – 24) of 51.6%. Over the last five years the annual average growth in the regional economy has been 11%. Large industrial enterprises have been constructed in the region, including “Phillip Morris”, “Caterpillar”, “Assi Domen”, “Kraft” and a number of car assembly factories (“Ford”, “Toyota” and others). The Kirish oil refinery has been enlarged and modernised. While tourism is one of the leading economic branches of the Vyborg area, it plays an insignificant role in the economy of the Leningrad Region.

Finland is the main trade partner of the Leningrad Region. The major items exported to Finland are wood and timber, and the main imports from Finland are food, organic chemical products, plastics, furniture and paper. Currently more than 80% of Russian-Finnish cross-border trade transits via crossing points in the Leningrad Region. The area's main transportation and communication networks have been developed on the Lapperanta-St. Petersburg axis and are connected with numerous roads and railways, although disproportionately more on the Finnish side. There are 28 border crossing points in total, six of which are utilised for international trade operations, and 20 for goods transfers, mainly deliveries of timber. The Finnish-Karelian segment of the state border has two crossing points for international trade transfers (in the vicinity of Kostomuksha and Sortavala), 15 for simplified crossings and two railway border crossings. 90% of cars travelling from Western Europe to Russia cross the border at Imatra-Svetogorsk. Despite the existing network of crossing points on the Russian-Finnish border their insufficient capacity causes huge traffic jams and is a matter of mutual concern.

Cross-border declarations and agreements

On the Russian-Finnish border cross-border co-operation is being implemented at the intergovernmental and inter-regional levels, as well as at the level of local municipalities, business structures and non-governmental organisations. The legal basis for such co-operation came into existence through a great number of Soviet/Russian-Finnish bilateral interstate treaties and intergovernmental agreements, supplemented by agreements between other cross-border co-operation players. It should be stressed that both Russian and Finnish local authorities are not only entitled to develop cross-border co-operation, but are also encouraged to do so by the central authorities. There are several documents regulating crossing points on the Finnish-Russian border. The intergovernmental agreement on crossing points on the Russian-Finnish state border, signed on 11 March 1994, determined six such points, namely: “Brusnichnoe-Nujamaa”, “Lotta-Raja-Jooseppi”, “Luzhaika-Vainikkala”, “Lutta-Vartius” (2) and “Torfianovka-Vaalimaa”. Another two crossing points in “Vartsila-Niirala” were established by the Order of the USSR Council of Ministers No. 2051-r, issued on 23 November 1989. The Protocol on points for simplified crossing (provisional crossing points) of the Finnish-Russian state border, signed on 23 January 1995, determined 19 such crossing points. Additional points for simplified crossing (provisional crossing points) were established under Protocol No. 11/7, signed on 25 January 1996, and the Protocol of the joint session of Border Commissioners of the Vyborg District of the Russian Federation and the south-eastern part of Finland, signed on 30 December 1999. Construction of a high-speed rail link between Helsinki and St. Petersburg was decided in 2002.

On 20 January 1992 Finland and Russia signed a special agreement on their co-operation in the Murmansk Region, the Republic of Karelia, the Leningrad Region and St. Petersburg. One of the working groups established under this agreement deals with problems of cross-border co-operation. The Murmansk Region and Finnish Lapland signed an agreement on friendship and co-operation 20 years ago, in 1988. Since then the two regions have regularly concluded two-year co-operation plans. The Republic of Karelia has co-operation agreements with four Finnish regions, namely with Northern Karelia (since 1992), Oulu (since 1993), Mikkeli (since 1992) and Middle Finland (since

1994). Together with the Finnish regions of Nord Osterbotten, Kainuu and Northern Karelia, the Republic of Karelia participated in the “Our common border” programme 2001-2006.

Apart from these bilateral relations, development of Russian-Finnish cross-border co-operation also has an international aspect. Both Russia and Finland are parties to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities, adopted on 21 May 1980. Russia signed it on 3 November 1999 and ratified it on 22 July 2002. The situation on the Russian-Finnish border is also influenced by a number of multilateral factors. Finland is a member of the European Union and its Schengen Area. Supported by other Nordic countries, Finland launched the idea of the “Northern Dimension” and now takes part in this project as an EU member state, a Nordic country, a member of the Barents-Euro-Arctic Region and a member of the Council of the Baltic Sea States. The EU programme INTERREG III, with its sub-regional programmes INTERREG III A North and INTERREG III B, as well as the TACIS cross-border co-operation programme within the framework of the Northern Dimension should also be taken into account. The “Euroregion” programme is one of the most developed forms of cross-border co-operation in the EU. On 24 February 2000 the “Karelia” Euroregion was established with the participation of the Republic of Karelia and three Finnish provinces, namely Northern Karelia, Northern Pohjanmaa and Kainuu. Within this Euroregion the “Our common border” programme is aimed at promoting cross-border co-operation between the regions of Karelia and Finland. All of the above-mentioned frameworks should be taken into account when considering Russian-Finnish cross-border interaction. Combined with bilateral relations, these frameworks offer a firm legal basis for Finnish-Russian cross-border co-operation.

Propensity towards cross-border co-operation

The Murmansk Region and Finnish Lapland implement common projects on the basis of two-years plans; these include the “Mutually beneficial trade in the Barents Region”, “Security of business in Russia” and “Education in the cross-border areas” projects. A special project is devoted to fostering international trade for regional enterprises. In December 2006 a festival of Finnish culture was held in Murmansk. The two-year plan for 2008-2009 gives priority to economic co-operation. Under this plan a technology park is being developed in Alakurtti-Salla, a ski resort should be established and the phosphate deposits in Sokli are to be exploited. The plan provides for the development of transport links, with the reconstruction of the Kandalaksha-Alakurtti and Kola-Lotta roads and further improvement of international bus connections between Lapland and the Murmansk Region. Both sides intend to expand mutual co-operation in security matters, including the fight against corruption, drug trafficking and environmental pollution with the participation of the local police authorities, rescue services, social and transport services, and experts in medical care, youth policy and tourism. The plans to construct two new roads and a rail link across the Russian-Finnish border have the support of both regions. In 2000 the TACIS cross-border co-operation programme and the local administration of the Finnish municipality of Kymenlakso signed an agreement on financial support of the “Euro-Russia network” aimed at the implementation of tangible projects to develop an infrastructure for innovative action by companies located in the cross-border area. There is an established practice of agricultural co-operation between the Murmansk Region and the parts of Finland across the border. Joint projects are being implemented in the spheres of fodder production and plant cultivation. Since 2000 Finland has been helping the Murmansk Region to develop a reindeer breeding activity, and appropriate financial resources have been allocated to this end. The Finnish partners helped to construct a reindeer processing unit in Lovozero and a workshop for the production of reindeer souvenirs in Krasnoschelie. Under an international project to increase fodder production in the Murmansk Region, Finland supplied 9 tonnes of grass seed to the region’s agricultural enterprises.

In 2007 the Co-Chairmen of the intergovernmental Russian-Finnish working group on cross-border co-operation “the Murmansk Region-Finland” held a meeting at which several cross-border co-operation projects between the Murmansk Region and the Finnish areas across the border were devised in the context of the Finnish government's cross-border co-operation programme. The same year financial resources from Finland's state budget were allocated for the funding of projects as follows: projects with the participation of several north-western regions of Russia – around EUR 9.4 million (EUR 8.9 million in 2006); projects implemented solely on the territory of the Murmansk Region – EUR 0.9 million (EUR 1.3 million in 2006); projects implemented with the participation of the federal authorities – EUR 3.4 million (EUR 2.8 million in 2006). Priority has been given to projects in the fields of environmental protection, nuclear and radiation security, medical care, administrative management and forestry. Projects devoted to the economic development of the cross-border area through interaction between municipalities are considered of special importance. The cross-border co-operation initiatives under the Finnish government's programme will be partly financed by the EU with ENPI funds as part of the “KolArctic” neighbourhood programme. The TACIS programme is allocating financial resources for 14 different projects in the Murmansk Region, including reform of the medical care system, purification of the Kola River water resources, salmon farming in the Tuloma River and construction of a fish processing unit.

The Executive Committee of the “Karelia” Euroregion comprises six representatives of each partner and representatives of the Russian and Finnish Ministries of Foreign Affairs. All decisions are taken by consensus, and approved projects are co-financed. Almost all Karelian cities have twin towns in Finland. An agreement has been signed between the Republican Association for Local Self-Administration and the Union of Finnish Municipalities. There are projects aimed at establishing three Free Economic Zones along the border in Kostamuksha and Sortavala.

The Republic of Karelia has been recognised as a priority region for financial support within the framework of the programmes of the Nordic Council of Ministers (1995), the EU TACIS and TACIS-cross-border co-operation programmes (1996) and the European programme INTERREG-Karelia. The TACIS programme also supports the “Karelia” Euroregion, the construction of points for simplified border crossing in Karelia, and development of the regional economy and entrepreneurship. 24 different projects were implemented in the Republic of Karelia at the instigation of the Barents Euro-Arctic Region and the Barents Regional Council between 1994 and 1997. In addition, the Republic of Karelia joined the co-operation network of the Council of the Baltic Sea States in 1995.

The company “Baltenergo” and the Russian-Finnish company “United Power” have developed a common project to lay two high-voltage cables between the Russian settlement of Kernovo and the Finnish town of Kotka and to link the two countries' power systems. Cross-border co-operation between the Leningrad Region and Finland is assessed by the Russian side as insignificant for the time being. Finnish investments in the region are fairly limited. There are considerable opportunities for greater cross-border co-operation in the timber industry, the energy sector and transportation. The constantly growing cargo turnover in the Baltic Sea region goes hand in hand with an increase in transportation of goods via the Leningrad Region. Nevertheless, further growth of cargo turnover via the Leningrad Region, which would be beneficial for both the Finnish and the Russian sides, is hardly possible without large-scale modernisation of railways, roads, ports and the region's transportation system in general. Finnish-Russian cross-border co-operation in this field could be mutually beneficial.

Projects implemented

Several Soviet/Russian cross-border projects were implemented in the 1960s and 1970s. In terms of Soviet-Finnish cross-border co-operation a step as extraordinary as the transfer of the Soviet part of the Saima Canal to Finland under a leasing arrangement took place as early as 1962. The canal was constructed in 1845-1856. It is 58 km long and cuts through the territories of both Finland and Russia. It is used for transportation of goods from the Baltic Sea to the inland system of lakes in Finland. In 1977 a nuclear power station was built in Lovisa, on the coast of the Gulf of Finland, with technological assistance from the USSR. A hydroelectric power station was also constructed in the south-eastern part of Finland, close to the Soviet-Finnish border. Russia also supplies Finland with natural gas by a pipeline. The concentrating mill for ferrous ores in Kostomuksha (Karelia) on the Russian side of the border was erected with Finnish technological assistance and labour in the 1980s. The cross-border labour resources of Kuhmo and other towns in eastern Finland played a significant role in this project. The mill's output is delivered to the Finnish metallurgical plant "Rautorukki", which was built with the USSR's technological and financial assistance. Finnish construction workers took part in the building of several Soviet power stations and in the reconstruction of the Svetogorsk pulp and paper plant in the Leningrad Region. In the Republic of Karelia alone more than 300 cross-border joint projects with Finnish partners were implemented following the signature of the Finnish-Russian treaty on co-operation in the Murmansk Region, the Republic of Karelia, the Leningrad Region and St. Petersburg in 1992. About 100 joint ventures have since been established. In an effort to reduce pollution of the Baltic Sea, in particular at the mouth of the Neva River close to St. Petersburg, the EU allocated financial resources for the construction of sewage treatment facilities. Finland invested EUR 10 million in this project. In 2002, within the framework of the "Karelia" Euroregion, a cross-border industrial complex was opened in Kostamuksha. Small and medium-sized enterprises, specialising in timber production, high technologies and tourism, are located there. In April 2002 the Ledzero-Kochkoma rail link (annual freight turnover 28 million tonnes) was opened. This railway connected the industrial regions of Western Europe via Finland and Kostomuksha with the Arkhangelsk Region and the Republic of Komi in Russia. The "Atlantic-Karelia" road link (connecting the Republic of Komi, Vologda, Arkhangelsk, the Republic of Karelia, Southern Finland, Sweden and Norway) is under construction.

With financial backing from the EU, the TACIS programmes and the Nordic Investment Bank, the reconstruction of crossing points on the Finnish-Russian border is under way: vehicle crossing points in Torfianovka, Imatra, Kellosek, Suopera-Kortesalmi, a vehicle and rail crossing point in Imatra-Svetogorsk, a railway crossing point in Buslovskaya-Vainikkala, and crossing points in Salle, Sortavala, Kostomuksha and other places. Parking places for lorries are also being created in Vaalimaa (Finland).

SWOT analysis elements

Strengths: The Russian Federation and Finland do not have any claims on each other's territories. A sound, comprehensive legal basis for Russian-Finnish interstate relations in general, and cross-border co-operation in particular, was established over several decades following the Second World War. The extensive, multi-faceted impact of the Soviet-Finnish Treaty on Friendship, Co-operation and Mutual Assistance of 1948 on bilateral economic, political and cultural relations helped create a conducive atmosphere and a climate of trust between the two countries at the different levels of their interaction. Bilateral economic ties, based on the mutual payments clearing system, fostered improved, more detailed knowledge of the possibilities offered by the Finnish economy among its Soviet partners. The positive experience of the large-scale economic projects implemented jointly by Finland and the USSR in the cross-border area during the Cold War (leasing of the Saima Canal,

the Kostomuksha industrial complex and the adjacent human settlement, the nuclear power station in Lovisa, the pulp and paper complex in Svetogorsk, etc.). Traditional economic and cultural ties between the peoples inhabiting both Finland and the areas on the Russian side of the border. Finland's initiative of establishing a Northern Dimension to EU policy was perceived by Russia as a clear-cut indication of a sincere Finnish desire to enhance bilateral relations with Russia in the wake of the Cold War and to promote multilateral co-operation with Russia after Finland's accession to the EU. The geographical location of the Russian and Finnish border areas offers extensive opportunities to provide transit routes and communication corridors linking the two states, neighbouring Nordic countries and other European countries as well. Vast, ramified transport network, railway standards adapted to each other. The entitlement of local authorities on both sides of the border to take part in international activities and to sign cross-border co-operation agreements with sub-national entities of foreign states. Longstanding, close contacts across the Finnish-Russian border in business circles, local government and the NGO sector. A sense of reliability of the partners for the supply of energy resources. Numerous crossing points on the border of different kinds and a readiness on both sides and among international bodies to contribute to enhancing their infrastructure and capacities.

Weaknesses: Finland's participation in the Schengen Area complicates the movement of people across state frontiers in the cross-border area. The insufficient capacity of many crossing points causes traffic jams on the border. The need to modernise transportation facilities, railways and roads, mainly on the Russian side of the border. Ecological problems and cross-border pollution. Unresolved customs control issues at the border.

Opportunities: Partnerships between Russian and Finnish cities and settlements located in the border areas should be further strengthened and institutionalised. The border infrastructure and crossing points could be modernised and their capacity reinforced. More interaction and permanent exchanges of information and experience between the border guards of both countries. Fairs/days devoted to neighbouring regions across the border should be held on a regular basis to inform potential partners about the existing possibilities. Direct contacts between schools and other educational institutions, as well as between representatives of social services, the labour markets, sport and youth movements and other non-governmental organisations, should be further promoted. Cultural exchanges should be intensified. Relaxation of visa requirements for the populations living on either side of the border should be considered. Free economic zones on both sides of the border should co-ordinate their profiles and activities.

Risks and threats: Illegal trafficking and organised crime in the cross-border region. Pollution and problems of protection of the environment. Insufficient capacity of border crossing points and cumbersome customs procedures may hinder the use of opportunities for economic development and for transformation of the cross-border area into an important transit corridor.

14. RUSSIA – NORWAY



Geographical and historical background

The overall length of the border between Russia and Norway is 219.1 km. The land part of it runs for 195.8 km (152.8 km along rivers and lakes), and the maritime part for 23.3 km. The border starts at the Jakobselv River, runs west across mountains towards the Pasvik Valley, then south to the point where the borders of Russia, Norway and Finland meet. It constitutes the south-eastern border of the Norwegian region of Finnmark and the north-western border of the Russian region (oblast) of Murmansk.

Murmansk Region is situated in the extreme north-west of Russia and covers the Kola Peninsula, part of the mainland and many islands of the White and Barents Seas. Finnmark Province is situated in the extreme north-east of Norway, and its entire territory is beyond the polar circle. It stretches as far north as the Kinnarodden Peninsula and as far east as the island of Hornoya, part of the municipality of Vardo. The cross-border area constituted by these two regions totals 193 539 sq. km, with each region accounting respectively for 144 902 sq. km and 48 637 sq. km. The total population of the cross-border area is 930 200, with each region accounting respectively for 857 000 (0.6% of Russia's population) and 73 200 (1.6% of Norway's population). This gives an average population density of almost 4.8 inhabitants per sq. km, with the regions accounting respectively for almost 6 and less than 1.5 inhabitants per sq. km. The Murmansk Region includes the city of Murmansk and other administrative-territorial entities: six cities with the adjoining territories – Apatity, Kandalaksha, Kirovsk, Monchegorsk, Olenegorsk and Poliarnye Zori - and five sub-regions - Kovdorskiy, Kol'skiy, Lovozerskiy, Pechengski and Terskiy. There are also so-called "closed administrative-territorial units", such as the settlements of Vidiayevo and Skalistiy and the towns of Zaozersk, Ostrovnoi, Poliarniy and Sneznogorsk. Smaller settlements, like Zapoljarniy, Nickel, Luostari and Liinahammari, situated in the Pechengski sub-region, and Rajakoski lie closest to the Russian-Norwegian border. In the Murmansk Region 93% of the inhabitants are urban dwellers. The capital of Finnmark is Vadsø, a town with 6 124 inhabitants. Other Norwegian urban settlements located in the vicinity of the border are Sor-Varanger (9 490 inhabitants), Kirkenes, Vardo (2 286), Batsfjord (2 113), Nesseby, Neiden, Tanabro, Laxelv, Storslett and Fauska. Other settlements of Finnmark Province are Alta (18 090), Hammarfest (9 391), Porsanger (4 141), Nordkap (3 274), Tana (2 979), Kautokeino (2 965) and Karasjok (2 873). The entire area is characterised by vast uninhabited stretches of wilderness and unspoiled nature, chiefly forests and tundra. 41.3% of the territory of Murmansk Region is wooded (forests and low-lying bushes), while 45.7% is occupied by marshes and expanses of water and only 0.2%

by agricultural land. The harsh weather conditions result in a low regeneration capacity of local plant cover.

In 870 the Norwegian Viking Ottar, travelling by sailing vessel, discovered the White Sea and reached the southern extremity of the Kola Peninsula. These territories were the living space of indigenous nomadic tribes of Lapps and did not have any clearly determined borders. From then on the Norwegians began gradually to colonise these areas. Swedes also began to penetrate the areas populated by Lapps. They ultimately conquered the southern part of these territories, which later became the core of Finland. There were quite frequent clashes between the Norwegians and the Karelians, their eastern neighbours who were under Russian rule. In 1326 a peace treaty between the Norwegians and the Russians of Novgorod was concluded. This treaty did not determine any clear-cut border between their possessions but granted both sides rights to levy tributes on the Lapps in the territories of Finnmark and the Kola Peninsula. The Russians of Novgorod and the Norwegians in fact agreed to joint possession of the Lapp lands. Russian tribute-collectors travelled as far west as Tromsø, and the Norwegians as far east as Uмба. For quite a long time a distinctive feature of the situation in this region was the non-existence of guarded and protected state borders. In 1397 Denmark, Norway and Sweden signed the Treaty of Kalmar, determining the conditions of their dynastic and military-political union, known as the “Union of Kalmar”. Norway and Sweden became part of the Kingdom of Denmark, and the Norwegian coast in the High North was formally considered to belong to it. Novgorod became part of the Principality of Moscow. The secession of Sweden, with its possession Finland, from the Kalmar Union in 1523 introduced another influential player into the High North region, apart from the Kingdom of Denmark and Russia. These three states unceasingly attempted to expand the territories under their control in the High North. In 1532-1533 some of the Lapps living on the banks of the Kola, Tuloma and Pechenga Rivers adopted Orthodox Christianity, while other Lapps espoused Lutheranism. In the early 1580s the Danish government demanded “transit taxes” from all the vessels travelling from Western Europe to Russia via the Norwegian Sea. The Danish King Frederik II ordered the capture and arrest of vessels and their cargoes even in Kola harbour, which the Danish authorities considered to belong jointly to Norway and Russia. The Danish claims on the Kola Peninsula were refuted on the Russian side. Attempts by Danish and Russian representatives to reach an agreement on the delimitation of their northern possessions failed. At the beginning of the 17th century the Danish authorities refused Russian tribute-collectors permission to enter the Norwegian regions around the town of Tromsø. In retaliation, the Russian authorities prohibited the Norwegians from collecting tributes in the Kola Peninsula. This was a kind of delimitation of the territorial possessions of Denmark and Russia in the High North, but was not officialised. Both sides levied tributes on ethnic, rather than territorial, grounds. In August 1684 the Danes and the Russians decided to leave the division of the territories in the High North, and the establishment of borders there, to future generations. On the eve of the 17th century Denmark and Sweden reached an agreement on joint possession of some territories on the coast of the Arctic Ocean. In 1715 the border in Lapland between the Danish-Norwegian kingdom and the Swedish kingdom was determined for the first time. This agreement was valid until 1751, when the final delimitation of the borders between them took place. Finland's inclusion in the Russian Empire in 1809, with the status of a Great Principality, put the problem of delimitation of the Danish-Russian border in the North on the agenda. In 1810 the Danish-Norwegian Kingdom and Russia determined the border between their northern possessions, which later became the Norwegian-Russian border. The border between Sweden-Finland and Denmark-Norway in Lapland, established in 1715, was taken as a basis for delimitation of the border between Norway, on the one hand, and the Great Principality of Finland, on the other. The Swedish-Norwegian Unity Treaty (Treaty of Kiel, 14 January 1814) placed this region under the formal control of the Russian Empire and Sweden. The Russian-Swedish convention “On the frontiers between Russia and Norway in the Lapp graveyards” was signed by the two countries' ministers of foreign affairs in St. Petersburg in May 1826. This resulted in the demarcation of the Russian-

Norwegian segment of the Russian-Swedish border in the North. The border has since remained unchanged. Both the Russians and the Norwegians were nonetheless keen to maintain their traditional economic ties in the region, in particular the “Pomor trade” (traditional exchange of Norwegian cod for Russian corn and wooden and timber goods). The Russian government then began to seek an access to the Arctic Ocean coast of Norwegian Finnmark for the eastern Lapps for fishing purposes. In 1834 these rights were officially granted. The Russian-Swedish treaty on friendship, trade and navigation, signed in 1838, confirmed the special status and privileges of the “Pomor trade” (a “Pomor” is an inhabitant of the White Sea coast) in the High North.

In an effort to develop the economic potential of the Russian High North and to create more favourable conditions for populating these territories, in 1871 the Russian government established a steamship line between the city of Arkhangelsk and the Murmansk coast. The Russian authorities also encouraged Norwegians to emigrate to the Kola Peninsula by exempting the immigrants from taxes and conscription obligations in exchange for compulsory adoption of Russian citizenship. A special decree on this subject was issued by Tsar Alexander II in 1860. By 1917 more than 1 000 Norwegians had moved to the Pechenga area and the Rybachyi Peninsula on the Russian side of the border. From the early 1880s Russia began to patrol its waters in the High North during the fishing season. The Russian government took the decision to construct the "Murman" railway and to establish a port on the shore of Kola Bay, which became the base for the Russian Arctic Ocean fleet.

The emergence of independent Norway in 1905 and independent Finland in 1917 resulted in new state borders in the High North: in addition to the Russian-Norwegian segment of the former Russian-Swedish border, Finnish-Norwegian and Soviet-Finnish borders came into being in the region. On 17 October 1905 the Russian Empire recognised the independent Norwegian state and thereby officially confirmed the Russian-Norwegian border drawn in 1826. In view of the new circumstances Russia decided to initiate the replacement of the treaty signed by England, France, Sweden and Norway in 1855, which contained provisions concerning the territory of Norway, with a new agreement. Russia expressed its readiness to take part in collective guarantees of the territorial inviolability of the new independent state. The new treaty on the territorial inviolability of Norway was signed on 2 November 1907, with Russia's participation. Simultaneously, the treaty of 1855 was denounced. From 1920 to 1944 there was no common Russian/Soviet - Norwegian border on land. The two countries were divided by the Pechenga (Persamo) Corridor, which, in accordance with the Tartu (Juriev) Soviet-Finnish peace treaty of 1920, was transferred to Finland. However, the USSR reserved the right of transit through this corridor. The Norwegian-Soviet border was restored in 1944 and fixed by the Paris peace treaty with Finland in 1947. The Pechenga Corridor was returned to the USSR. In the Cold War era the Soviet-Norwegian border marked the dividing line between communism and capitalism and their main military-political alliances.

Economic and Infrastructural Characteristics

The Murmansk Region's share in Russian GDP is 0.8%. The region is one of the top ten Russian regions in terms of per capita GRP and possesses rich natural resources. Various raw materials are present in the region in sufficient quantities for industrial exploitation, including iron, copper, nickel and titanium ores. It accounts for 100% of Russia's apatite and nepheline concentrates production. The region focuses on raw material exports with a fairly high level of economic development and per capita income. The industrial sector's share in the regional economy is 39% (2005). The main industrial complexes operate in the non-ferrous metallurgy, fishing, chemicals and marine transport sectors. There are 19 500 factories and similar entities, but only 2 720 are considered industrial enterprises or branches of such enterprises. Eight plants in the Murmansk Region (Kolskaya GMK, Apatit, Olkon, Kovdorsky GOK, SUAL branch, KAZ-SUAL, Kola NPS, Kolenergo and

Murmansky tralovy flot) account for 76.4% of the region's overall industrial production. The Kola Nuclear Power Station is located in the northern part of the Kola Peninsula. There are also several hydroelectric power stations and steam-electric plants in the region. Approximately 30% of their capacities are idle. The city of Nickel, situated close to the Russian-Norwegian border and only 50 km from the ice-free Norwegian port of Kirkenes, is one of the most industrially developed cities in the region. The city of Pechenga, at a distance of only 30 km from Nickel, is another Russian city in close vicinity to the border. According to the "Fitch Ratings" the long-term outlook for the Murmansk Region is "stable" in terms of both national and foreign currency ratings and the national long-term credit rating. The region offers very good opportunities as a transportation centre. Murmansk is the fourth biggest port in Russia, with a population of more than 320 000. The annual volume of export services is approximately USD 100 million. More than 80% of these are marine transportation services. The railways account for 70% of land transportation. There is also a federal motorway, the M-18 Kola. The Severnaya Neft (Nord Oil) Company is planning to build and equip a new port in Pechenga Bay, located just a few kilometres away from the Norwegian border, including an oil terminal with a total capacity of 30 million tonnes a year, a bulk freight terminal for trans-shipping up to 25 million tonnes of coal and ore a year and a general cargo and container terminal with an annual capacity of 7 million tonnes. There is also an airport in Zapoliarnyi, a town located at a distance of 25 km from Nickel. The Norwegian airline Wideroe decided to start regular flights (three times a week) to Murmansk from Kirkenes in May 2007. Aeroflot-Nord operates regular flights from Murmansk to Tromsø. The number of telephone lines per 100 people in the Murmansk Region is 15-35% above the national average. The Kola Research Centre (KRC) of the Russian Academy of Science includes ten research institutions with around 2 000 researchers. In Apatity, the town where the KRC is located, a business incubator is being developed in order to support innovative entrepreneurship. The Murmansk Region ranks 28th among 79 regions of Russia in Human Development Index terms. Its GDP per capita is USD 9 579 (2004), life expectancy at birth is 63.6 years, literacy stands at 99.6%, and enrolment in education (ages 7–24) at 65.4%. Over 97% of housing has a running water supply and sewerage system. The region has 328 900 inhabitants in active employment, 17 200 unemployed and more than 230 000 pensioners. In Murmansk, Apatity and in some of the "closed administrative-territorial units" the level of poverty and unemployment is lower compared with the least developed parts of the region in social and economic terms, the Lovozerskyi and Terskyi sub-regions. The population is tending to shrink, and the region is seeking to attract immigrants from post-Soviet states and other foreign countries. There are serious environmental problems in some of the region's industrial areas, including Sapolyarny, Pechenga and Monchegorsk. "Pechenganickel" and "Severonickel" are a source of cross-border pollution of Norwegian and Finnish territory. From the military point of view the geographical position and climate of the Kola Peninsula, in general, and the seas of the Arctic Ocean, in particular, make this area the most favourable location for the Russian sea-based strategic nuclear potential. From this point of view Finnmark is situated in a sensitive area in terms of military importance and security.

The main branches of the local economy in Finnmark are fisheries and reindeer farming, the oil industry and mining. The exploitation and export of the Barents Sea's fish resources form the cornerstone of local people's livelihood. Over the past 10 to 20 years improved technology and greater efficiency have led to a marked decrease in the number of fish processing plants and fishing vessels in the province. Other important sectors are reindeer husbandry and agriculture. Agricultural land in Finnmark represents an area of 99 572 sq. km, of which 85 621 sq. km is under cultivation. There are 8 418 cattle and 3 123 dairy cows. In Finnmark more than 2 000 people are employed in reindeer husbandry and associated activities, although the number of units as well as the number of reindeer has decreased. The herds had to be cut from 200 000 heads in 1988/89 to 103 000 heads in 2001. Another source of strong growth potential in agriculture is the possibility of issuing new licences for salmon, shellfish and whitefish farming. There are mines on the island of Stjernoya, in

Alta and in Tana, where nepheline syenite, Alta slate and quartzite are extracted. There are also small chocolate and wine producers. The unemployment rate in Finnmark is higher than elsewhere in the country, and particularly high in central Finnmark. Job losses have mostly affected the postal services, the telephone company Telenor and military establishments. At the same time, there is a strong demand for labour in the hospitals sector (for nurses), for people to work on fish-canning factory ships and in fish processing factories and for ship repair personnel.

The major challenge in years to come will be petroleum and gas exploitation in the area. The development of the Snohvit plant on Melkoya Island near Hammerfest will lead to economic development, generating growth and boosting employment and the area's population figures. A gas storage facility and a plant for production of liquid natural gas are being constructed on the island. Probe drillings for hydrocarbons in the Finnmark area as part of the "Nucula" and "Goliat" projects gave positive results. Finnmark has the largest port in North Norway, and the fourth largest in Norway. In 1990 parliament approved the establishment of a special enterprise zone for Finnmark and North Troms. Norwegians make up 70% of Finnmark's population, and Lapps around 24%. Finns, Russians and other ethnic minorities also live in the province. The province's population has shrunk by 4.2% over the last ten years. It is the main territory for the Lapps (the Sami people). Overall, approximately 40 000 – 45 000 Lapps live in Norway, and 25 000 of them in Finnmark. Lapps are the major national minority in Finnmark. In some areas with a high concentration of Lapps their language is recognised as an official one. There are two centres for Lapp culture in Finnmark. An educational and research centre of Norwegian Lapland, including a Lapp institute and theatre, a reindeer husbandry school, the Institute of the Nordic Countries and the Centre for Nordic Indigenous Peoples, is located in Kautokeino. This is the biggest Lapp community in Norway with 3 000 inhabitants and 100 000 reindeers. Karasjok is the capital of the Lapps in Finnmark and is the seat of the first Nordic Sami parliament (Samediggi). There is also a theme park on the Lapps' history and culture (Sampi Park). Skaidi ski resort is located not far from Hammerfest. Another tourist attraction in the province is the North Cape (Nordkap). The tourism industry is of growing importance for Finnmark.

Cross-border declarations and agreements

The situation on the Russian-Norwegian border is determined and influenced by many bilateral and multilateral factors. Since the early 1950s Norway has been part of a common labour market and passport union with the other Nordic countries. In 1967 Norway, Finland and Sweden established the North Kalotten Council, a permanent co-operation body in this part of Northern Europe (an area of Scandinavia beyond the polar circle). This body was later subordinated to the Nordic Council of Ministers. On 11 January 1993, at a meeting of the Russian and Nordic Ministers of Foreign Affairs in Kirkenes, the decision was taken to establish the Council of the Barents Euro-Arctic Region (BEAR) with the aim of promoting the peaceful development of the outlying northern areas of Europe. Its permanent members are the European Union, Denmark, Iceland, Finland, Sweden, Norway and Russia. Apart from BEAR, the Barents Regional Council (BRC), bringing together heads of administrative-territorial units from Finland, Sweden, Norway and Russia and representatives of the three indigenous peoples living in these countries, was established. The North Kalotten regions of Finland, Sweden and Norway (including Finnmark) joined the BRC. The Murmansk Region also takes part in the BRC. The development of bilateral and multilateral interaction between the northernmost provinces and regions of the countries concerned was recognised as a means of ensuring peace and security in this part of Europe. The activities of both the BEAR and the BRC, and the projects, agreements and declarations they approve, have a direct impact on Russian-Norwegian cross-border co-operation. Following the establishment of the BEAR, the majority of the Murmansk Region's cross-border regional contacts have been implemented in this context. The Norwegian-Russian border area is becoming an integral part of an

emerging new region within the framework of the Barents Euro-Arctic co-operation. Since 25 March 2001 Norway has been associated with the EU Schengen co-operation. The Norwegian-Russian border became an external border of the Schengen Area, and Norway is committed to following the Schengen rules. The “Northern Dimension” programme of the EU, Norway, Iceland and Russia also has to be taken into account. Both Russia and Norway are parties to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities, adopted on 21 May 1980. Russia signed it on 3 November 1999 and ratified it on 22 July 2002. The European Parliament initiated a special programme “TACIS – cross-border cooperation” in 1996 with annual funds in the region of 20-30 million euros for its implementation. When considering existing Russian-Norwegian cross-border interaction, all the above-mentioned frameworks should be taken into account.

The Norwegian-Russian Border Treaty of 1949 provides the legal basis for cross-border interaction between the two countries. In November 2002 a Russian-Norwegian intergovernmental agreement on co-operation in the resolution of border issues was signed. It determines the main directions of bilateral co-operation in border protection matters and in the fight against economic crime. Russia's Federal Border Guard Service and the Norwegian Ministry of Justice reached an agreement on co-operation in preventing breaches of the law with regard to fishing, migration, drug trafficking, weapons and explosives. They agreed to conduct joint border exercises. There are a number of other Russian-Norwegian intergovernmental agreements regulating concrete spheres of cross-border interaction. Due to the regular movement of reindeers across the state border, an intergovernmental agreement on their reciprocal return was signed on 11 February 1977. The intensive development of economic and cultural ties across the border resulted in the signature of the Norwegian-Russian agreements on the development of cross-border vehicle traffic in June 2005 and on simplification of visa issuance and readmission in June 2007. In May 2007 the Pechenga municipal district and the municipality of South Varanger signed a permanent agreement on the development of friendly relations and co-operation between them.

In 1957 a Norwegian-Russian agreement on delimitation of the inner part of Varanger Fjord was signed; a similar agreement concerning the outer part was not reached until 11 July 2007. The latest agreement specifies the maritime border and stipulates the limits of both states' jurisdiction over the areas of water adjacent to this fjord. Russia and Norway have been holding talks on delimitation of the border between the two countries in the Barents Sea since 1970. The disputed sea area covers approximately 175 000 sq. km. In 1978 the USSR and Norway signed an agreement concerning the so called “grey zone” in the Barents Sea. It includes part of the exclusive economic zones of both states and the sea area that is the subject of the border dispute. This agreement determines fishing quotas in this “grey zone” and regulates third countries' access in order to fish there. A joint Russian-Norwegian fisheries commission was established. The agreement is being prolonged on an annual basis. Norway set up a 200-mile fish protection zone in the sea areas around Spitsbergen, as a result of which various limits and quotas were introduced instead of fishing being free there. The Norwegian coast-guards have been protecting this zone since 1997. By a Royal Decree issued in 2004 the territorial waters of Spitsbergen and Bear Island were extended from 4 to 12 miles. On 1 January 2004 a Norwegian law concerning Norwegian territorial waters and adjacent zones entered into force. This law extended Norway's jurisdiction over the belt of sea adjacent to the coast of Norway, Spitsbergen and Jan-Mayen to 24 nautical miles. Russia and some other states have not recognised this expansion of Norwegian jurisdiction to waters which they regard as international. Russian-Norwegian negotiations in these matters are ongoing, and both Russian and Norwegian officials conservatively consider that a possible agreement is in sight. Both countries are working to improve the existing dispute settlement mechanisms and institutions. On 4 October 1995 both sides signed an agreement on co-operation in search and rescue operations in the Barents Sea.

Propensity towards cross-border co-operation

On 30 October 1997 the Murmansk Region signed an agreement with the central authorities of the Russian Federation concerning the division of powers, whereby it was granted the right to take part in international activities and sign agreements with sub-national entities of foreign states. Relations with Russia are a key focus of the Norwegian government's programme for the development of the Norwegian northern regions. At present some 120 enterprises with Norwegian capital are registered in Russia, mainly in the fishing, energy, communications and publishing sectors. Kirkenes is now the most "Russian" city in Norway. Russians make up about 6% of the local population, and nearly one thousand Russian seamen are always present in the port of Kirkenes. There is a special Russian section in the local library, and the Russian language is taught in several schools. Around 40% of marriages in Finnmark are contracted with Russians by birth. The Norwegian Barents Secretariat in Kirkenes, established in 1993, is entitled to finance regional co-operation projects with Russia on behalf of the Norwegian Ministry of Foreign Affairs. In 1998 Norway provided the Murmansk Region with humanitarian assistance. The Research Council of Norway granted funding for three years to a research programme entitled "The construction and negotiation of borders: discourses related to the border between Norway and Russia" being run by the Barents Institute and the University College of Finnmark in Alta. Both the Norwegian and Russian central and regional authorities are in favour of establishing a common economic zone (the "Pomor zone") along the Barents Sea coast. This zone is to be located on both sides of the border from Jarfjord (Norway) to Pechenga (Russia). It could play a key role in exploitation of the resources of the Barents Sea shelf. A customs and visa regime should also be introduced. The "Pomor zone" should include two industrial zones, the airport in Luostari, the Murmansk-Nickel railway, which could be extended to South Varanger, two ports in Liinahammari and steel and aluminium plants in Jarfjord. There is also a contract between Norwegian and Russian companies (including "Pechenganickel") to construct a transport terminal in Nickel, from which the Russian railways operate. Following an agreement reached by the Russian company "Gazprom" and the Norwegian "StatoilHydro" on exploration of the Barents Sea oil and gas resources, a pipeline may be built to link the Stockman field with the existing system of pipelines in northern Norway. An anticipated oil and gas boom in the Barents Sea is a precondition for implementing the proposal. The Norwegian company Varanger Kraft AS plans to construct a power transmission line between the hydro-power station "Skogfoss" in Norway and Nickel in Russia to allow electricity imports from the Murmansk Region. The project's estimated cost is USD 47 million. The Norwegian government has approved the project, which could help promote synchronisation of the Russian and European electricity systems. Norway gave a ECU 37 million grant for reconstruction of the Pechenga metallurgical plant so as to reduce environmental pollution. Finnmark Province has also allocated NOK 6.3 million for normalisation of the ecological situation in the Andreev Bay of Kola Peninsula, where a spent nuclear fuel depot is located. On 21 September 1998 an agreement on the matter was signed by the Finnmark Province's Department for Protection of the Environment and the State Committee for Protection of the Environment in Murmansk Region. The Norwegian and Russian regional authorities have jointly decided to speed up the development of cross-border infrastructure, including roads across the Norwegian-Russian border. The two sides set up a regional working group for the development of viable transport solutions. An international association, "Barents-link", is involved in establishing a bus network on the territories of Russia, Finland, Sweden and Norway, running from Bodo in Norway through Sweden, Finland and the Salla crossing point to Murmansk and back. There is only one Norwegian crossing point, "Storskog". In 2006 around 107 000 persons crossed the border there. More people travel to Russia through Finland, which they consider to be a simpler solution. There is also a vehicle crossing point, "Borisoglebskyi", which is used annually by approximately 100 000 persons and more than 30 000 vehicles per year, mainly from Norway, Denmark, Finland and Sweden. In response to demand from Norwegian business circles for an improvement of border crossing conditions at the Norwegian-Russian land border, due

to the expansion of trade and of movements of people across the border, the Norwegian Ministry of Foreign Affairs established a special committee and invited the Border Commissioner and representatives of immigration, customs and the police, the Norwegian Barents-Secretariat, the Finnmark provincial administration and the municipal administration of South Varanger to participate in devising measures aimed at improving the border crossing system. The Ministers of Foreign Affairs of both countries agreed to schedule their future meetings in the areas close to the border in order to stress the importance of cross-border co-operation in the bilateral relations of Norway and Russia. The interstate agreement on co-operation in fighting crime of 26 May 1998 provides the legal basis for cross-border co-operation in this field. Direct control on the border is exercised by the Norwegian police and the Russian border guards. The Russian and Norwegian Commissioners on the Russian-Norwegian border and the Head of the Police in Eastern Finnmark hold regular meetings to maintain interaction and seek solutions to problems on the border coming under their jurisdiction. Close trilateral contacts also exist between the border services of Norway, Finland and Russia in the region.

In June 2007 Norway and Russia decided to simplify the procedure for issuing visas and signed an agreement on readmission. According to this agreement students and scientists can visit both countries free of charge. For others the price to be paid for a visa is cheaper than that charged by Schengen member states. Russian border guards at the "Borisoglebskyi" crossing point have on several occasions prevented illegal migrants from Iraq, Moldova, Kazakhstan, Uzbekistan, Morocco, Nepal, Tunisia, Iran, Nigeria and other countries from attempting to use Russia as a transit country for reaching Norway. Co-operation on the Norwegian-Russian border is an effective means of combating drug trafficking, illegal immigrants on their way to Scandinavia and international terrorism. The Norwegian-Russian border is not only a bilateral one. It is also an outer border of the EU Schengen Area. The existing and future Norwegian-Russian cross border co-operation projects should be coordinated with the EU. In the autumn of 2007 an international conference entitled "Cross border co-operation: Russia, European Union and Norway" took place in Kaliningrad. It was attended by high ranking representatives of all the countries concerned. Russia is seeking to be an equal partner in common programmes of cross border co-operation with the EU, including their co-financing. The Russian Ministry of Regional Development is participating in the preparation, together with other partner states, of the "Kolarctic" programme (EUR 28.241 million), supported by the European Neighbourhood and Partnership Instrument. Within this framework Norway, Finland and Sweden have expressed their readiness to finance 19 development projects, proposed by the Kola Scientific Centre, technical and teaching universities, and the municipalities of Lovozero, Varzuga and Allakurti. Six projects are aimed at developing transpolar tourism in the Murmansk Region. The distinctive feature of Russian-Norwegian cross-border interaction is the participation in it of the federal government, regional authorities, municipalities, local self-administrations, business structures, non-governmental organisations and ordinary citizens.

Projects implemented

In 1996 the Murmansk Region and three provinces of Norway close to the border – Troms, Norrland and Finnmark - concluded an agreement on their participation in the "Murmansk corridor" project to construct a new crossing point on the border. To facilitate the further development of bilateral contacts, promote greater efficiency and speed up border, customs and other types of controls, on 28 May 1999 the Norwegian and Russian governments signed an agreement to establish and equip a crossing-point, "Borisoglebsk-Storskog", which was opened in January 2003. The project expenditure was covered by the Norwegians. A local parish of the Russian Orthodox Church has been opened in Kirkenes, a Norwegian border town, for Russians living and working on the Norwegian side of the border. It bears the name of St. Tryphon of Pechenega. The Russian Orthodox Church has centuries-old roots in the Norwegian-Russian border region. Services are held

on a quarterly basis in the new parish by priests from Murmansk. The municipality of South Varanger donated a building to it. The municipality has long been promoting the Russian Orthodox religion in the Norwegian-Russian border region. There are many projects under way, with the participation of schools, museums, libraries and non-governmental organisations of neighbouring regions, in the social and cultural spheres, sport, the local economy and waste recycling. More than 600 joint projects in these spheres have been implemented in the Murmansk Region since 1993. Successful projects include “Neighbours and friends” for the exchange of work experience in pre-school institutions, “Youth, language and culture” and a “Network of female entrepreneurs”, financed by Interreg and the Barents Secretariat. The co-operation is based on two-years plans. “North festivals” are run annually, and “North Kalotten peace days festivals” are held on a regular basis. The 14th festival took place in Tromsø in June 2007. The Norwegian side has financed the construction of the “SOS-Kinderhof” village in Kandalaksha, three social support centres for families and children and child adaptation centres. Both Russia and Norway have national plans for the development of their northern regions and co-operative efforts can help resolve the existing problems more effectively, with the support of the regional players involved. Priorities are protection of the environment, utilisation of biological resources, development of transport infrastructure and aspects of the indigenous peoples' community life.

SWOT analysis elements

Strengths: The Russian-Norwegian land border is the oldest in Europe and has remained unchanged since 1826. There are centuries-old traditions of co-operation, including of a cross-border nature, between the different peoples and ethnic communities living in the High North. The Russian-Norwegian land border has not been a subject of bilateral interstate conflicts, disputes or claims. Geographical, climatic and natural conditions of life are identical in many respects on both sides of the border. Similar indigenous peoples are also present on both sides. A sound bilateral and multilateral legal, organisational and institutional foundation for cross-border co-operation has been established and is being further developed. Bilateral dispute resolution mechanisms also exist. The two countries' border guard units are in permanent contact and conduct joint training exercises and regular exchanges of experience. Various Norwegian and Russian ministries, regional administrations, local authorities, business circles, non-governmental organisations and local people are involved in cross-border co-operation. The successful conclusion of the delimitation and demarcation of the maritime border in Varanger Fjord is a promising step with a view to the resolution of the remaining disagreements over delimitation of the maritime spheres of national jurisdiction. Goodwill gestures such as the Norwegian humanitarian assistance to the population of the Murmansk Region in the 1990s and financial support for various social projects are of great importance in helping to create and to maintain a climate of mutual trust and co-operation. Norwegian support for ecological projects and Norway's assistance in the utilisation of Russian nuclear facilities in the region are a sign of Russian-Norwegian interdependence in the High North. The regional authorities of the cross-border area enjoy the right to maintain direct contacts and to co-operate in resolving their common problems. Development of Russian-Norwegian cross-border co-operation is supported by the Nordic countries, the BEAR and the BRC, the Arctic Council and the “Northern Dimension”. Within the framework of the BRC, the province of Finnmark and Murmansk Region are regularly (on a rotating basis) in charge of cross-border co-operation in the region. Both sides are engaged in efforts to relax visa issuance procedures and to improve the functioning of the existing crossing point and increase its capacity.

Weaknesses: Periodical emergence of disputes over the Barents Sea area, linked to the unresolved problems of the maritime spheres of national jurisdiction, have an unfavourable impact on the general political atmosphere of bilateral relations. Given that the fishing industry is of prime importance for the population on both sides of the border this problem, if not resolved, could lead to

quite serious clashes. Norway's association with the Schengen co-operation may restrict opportunities for bilateral cross-border co-operation and make it less flexible. Environmental pollution in the cross-border area, caused by the air emissions of some enterprises in the Murmansk Region, is a problem that could be detrimental to cross-border co-operation and needs to be resolved. The introduction of special regulations for foreigners visiting the Russian areas bordering on Norway is perceived by the Norwegian side as negative. Organised crime and attempts by illegal migrants from third countries to use the Murmansk Region as a transit territory for entering Norway hamper Norwegian-Russian cross-border co-operation.

Opportunities: There are promising opportunities for Russian-Norwegian cross-border co-operation in the utilisation of the natural resources of the Barents Sea. The necessary infrastructure is being created and developed, including transport links, roads, railways, ports and electric power lines. Both sides are in favour of establishing a special zone for the so-called cross-border "Pomor trade". There are opportunities for linking gas pipelines and electricity supply systems across the border. Broad co-operation in education, science and technology is also possible, taking into account the scientific and educational potential available in the border regions.

Risks and threats: Illegal trafficking and organised crime in the cross-border region. Pollution and problems of protection of the environment. Insufficient capacity of border crossing points. Customs procedures on the border may hinder the utilisation of opportunities for economic development. Non-resolution of disagreements on national jurisdiction in the Barents Sea. Enlargement of the "closed" zones in the border area.

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This study is one in a series of three prepared by ISIG - Istituto di Sociologia Internazionale di Gorizia (*Institute of International Sociology of Gorizia*), Italy at the request of the Council of Europe. Its purpose is to provide a scientific assessment of the state of cross-border co-operation between European states in the geographical area of Northern Europe. It provides, among others, an overview of the geographic, economic, infrastructural and historic characteristics of the area and its inherent Strengths, Weaknesses, Opportunities and Threats (SWOT) for cross-border co-operation. Some strategies for action by the member states concerned are proposed. This study was financed by Lithuania.